



BOROUGH OF RUSHMOOR

To the Mayor and Members of the Council,

YOU ARE HEREBY SUMMONED to attend a Meeting of the Council to be held at the Council Offices, Farnborough on **Thursday, 22nd February, 2024 at 7.00 pm** for the transaction of the business set out on the Agenda given below.

A G E N D A

1. **MINUTES** – (Pages 1 - 10)

To confirm the Minutes of the Ordinary Meeting of the Council held on 7th December 2023 (copy attached).

2. **MAYOR'S ANNOUNCEMENTS** –

3. **STANDING ORDER 8 - QUESTIONS** –

To receive any questions by Members submitted in pursuance of Standing Order 8 (3).

4. **NOTICES OF MOTION –**

(1) **Financial Resilience**

To consider the following Notice of Motion, which has been submitted by Cllr Gareth Williams pursuant to Standing Order 9 (1):

“This Council notes that, facing heightened risk from debt levels of over ten times its annual income, the historic failure to fix interest costs at a manageable level will cost taxpayers over £15m and has plunged the Council into financial crisis. This failure was completely contrary to best practice financial management and despite clear warnings signs as interest rates rose in 2022.

The Budget report states that without significant mitigation in 2024-25 the Council will not be able to set a balanced budget in 2025-26. The implications of the report are that the Cabinet has been forced into actions it was unwilling to make voluntarily, to address serious financial shortcomings that would have led to the issuing of a Section 114 Notice.

These actions include the sale of £40m of as-yet unspecified assets and a review of the funding plans for the Civic Hub.

Residents deserve a full account of the Council’s mismanagement of its debt and whether these actions will be enough to prevent financial disaster for Rushmoor. We call on Rushmoor Borough Council to publish the financial resilience review commissioned from CIPFA, in full, as soon as it is available, so that residents can judge for themselves.”

(2) **Community Safety**

To consider the following Notice of Motion, which has been submitted by Cllr David Clifford pursuant to Standing Order 9 (1):

"Rushmoor Borough Council welcomes the Government's Safer Streets Fund support secured by Donna Jones, Hampshire's Police and Crime Commissioner, for a youth outreach project to engage with 60 young people involved in ASB in Hart and Rushmoor, and improvements to CCTV in key areas of Rushmoor to improve public safety.

This Council supports the Police and Crime Commissioner's projects to tackle violence against women and girls in Hampshire and will work with her to ensure the streets of Aldershot and Farnborough are safe for all in our community.

Furthermore, this Council believes that the increased roll out of CCTV will help change the attitudes and behaviours that will prevent crimes from happening in the first place.

This Council also commits to supporting newly recruited police officers in Rushmoor through providing forums in Aldershot and Farnborough for them to meet with local residents.”

5. **MAYOR-ELECT AND DEPUTY MAYOR-ELECT 2024/25 –**

At its meeting on 31st January 2024, the Corporate Governance, Audit and Standards Committee considered the nominations for Mayor-Elect and the Deputy Mayor-Elect for 2024/25 and made the following recommendations:

- (i) That Cllr Mara Makunura be selected as Mayor-Elect for the Municipal Year 2024/25; and
- (ii) That Cllr Gaynor Austin be selected as Deputy Mayor-Elect for the Municipal Year 2024/25.

6. **RECOMMENDATIONS OF THE CABINET AND COMMITTEES –**

To consider the recommendations of the Cabinet and the Corporate Governance, Audit and Standards Committee in relation to the following items:

1) **Annual Capital Strategy 2024/25 – (Pages 11 - 22)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 1) which recommends the approval of the Council's Annual Capital Strategy for 2024/25 to 2026/27 and Prudential Indicators for 2024/25. Cllr P.J. Cullum, Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

2) **Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2024/25 – (Pages 23 - 60)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 2) which recommends the approval of the Treasury Management Strategy and Non-Treasury Investment Strategy for 2024/25. Cllr P.J. Cullum, Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

3) **Revenue Budget, Capital Programme and Council Tax Level – (Pages 61 - 102)**

To receive a report from the Cabinet (copy attached – Annex 3) which recommends the approval of the Revenue Budget, Capital Programme, Medium Term Financial Strategy and Council Tax Level, including a recommendation on the Capital Tax Support Scheme for 2024/25. Cllr G.B. Lyon, Leader of the Council will introduce this item.

4) **Pay Policy Statement and Gender Pay Gap – (Pages 103 - 114)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 4), which recommends approval of the Pay Policy Statement. Cllr P.J. Cullum, Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

5) **Variation to Capital Programme - Farnborough Regeneration and Leisure and Cultural Hub – (Pages 115 - 128)**

To receive a report from the Cabinet (copy attached – Annex 5) which seeks approval for an amendment to the Capital Programme 2023/24 to enable the next steps in the regeneration of Farnborough. Cllr M.J. Tennant, Major Projects and Property Portfolio Holder, will introduce this item.

7. **THE COUNCIL TAX 2024/25 – (Pages 129 - 132)**

To fix the level of Council Tax for the financial year 2024/25 taking into account precepts of Hampshire County Council, the Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority. (A copy of the appropriate draft resolution is attached – Annex 6).

8. **QUESTIONS FOR THE CABINET –**

To receive any questions by Members to Cabinet Members submitted in accordance with the Procedure Note.

9. **REPORTS OF CABINET AND COMMITTEES – (Pages 133 - 160)**

To receive and ask questions on the Reports of the following Meetings (copy reports attached):

Cabinet	9th January, 2024 6th February, 2024
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Committees

Corporate Governance, Audit and Standards	27th November, 2023
Development Management	6th December, 2023
Corporate Governance, Audit and Standards	31st January, 2024
Development Management	7th February, 2024

10. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE AND POLICY AND PROJECT ADVISORY BOARD – (Pages 161 - 168)**

To note the Reports of the following meetings (copy reports attached):

Policy and Project Advisory Board	29th November, 2023
Overview and Scrutiny Committee	2nd January, 2024

P. SHACKLEY
Chief Executive

Council Offices
Farnborough
Hampshire GU14 7JU
Wednesday 14 February 2024

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BOROUGH OF RUSHMOOR

MEETING OF THE BOROUGH COUNCIL held at the Council Chamber, Council Offices, Farnborough on Thursday, 7th December, 2023 at 7.00 pm.

The Worshipful The Mayor (Cllr C.P. Grattan) – In the Chair
The Deputy Mayor (Cllr Mara Makunura)

Cllr A. Adeola
Cllr Gaynor Austin
Cllr Jib Belbase
Cllr C.W. Card
Cllr D.E. Clifford
Cllr P.J. Cullum
Cllr A.H. Gani
Cllr Michael Hope
Cllr Halleh Koohestani
Cllr Nadia Martin
Cllr Marina Munro
Cllr M.J. Roberts
Cllr M.L. Sheehan
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Nem Thapa
Cllr Jacqui Vosper
Cllr G. Williams

Cllr A. Allen
Cllr Mrs. D.B. Bedford
Cllr J.B. Canty
Cllr Sue Carter
Cllr Jules Crossley
Cllr K. Dibble
Cllr Christine Guinness
Cllr Peace Essien Igodifo
Cllr G.B. Lyon
Cllr S.J. Masterson
Cllr Sophie Porter
Cllr D. Sarki
Cllr M.D. Smith
Cllr Calum Stewart
Cllr M.J. Tennant
Cllr S. Trussler
Cllr Becky Williams

Honorary Alderman T.D. Bridgeman
Honorary Alderman A.E.A. Gardiner
Honorary Alderman J.H. Marsh

Apologies for absence were submitted on behalf of Cllrs Jessica Auton and T.W. Mitchell.

Before the meeting was opened, the Mayor's Chaplain, Mr David Betts, led the meeting in prayers.

27. **MINUTES**

It was **MOVED** by Cllr S.J. Masterson; **SECONDED** by Cllr M.J. Tennant and

RESOLVED: That the Minutes of the Extraordinary Meeting of the Council held on 5th October 2023 and the Minutes of the Ordinary Meeting of the Council held on 5th October 2023 be taken as read, approved and signed as correct records of the proceedings.

28. MAYOR'S ANNOUNCEMENTS

- (1) The Mayor reported that events he had attended since the previous meeting of the Council had included:
 - a visit to Rushmoor's twinned town of Sulechow from 12th to 15th October 2023, a highlight of which had been attending the Chopin Festival at which one of the Council's Officers, Diane Hight, had played;
 - the Rushmoor Rose Bowl on 22nd October;
 - an event to mark the 30th Anniversary of the formation of Farnborough Air Sciences Trust (FAST) on 23rd October;
 - the switching on of the Christmas lights in Aldershot on 18th November at the Christmas Cracker event. The event had also been attended by the Oberursel Fountain Queen:
 - the switching on of the Christmas lights in Farnborough at the Farnborough Frost Fair event on 25th November;
 - the Hampshire Business Awards held at Farnborough International Exhibition and Conference Centre on 30th November; and
 - Farnborough Library's 50th birthday celebrations on 2nd December.

- (2) The Mayor reported that he and the Deputy Mayor had attended several wreath-laying services and Services of Remembrance on Sunday, 12th November. The Mayor said that he was pleased to have seen such a large number of residents who had attended the Royal British Legion/Civic Service at the Aldershot Cenotaph, including a D-Day Veteran. He thanked all Members and Officers who had attended the Borough's Remembrance Sunday services.

The Mayor also reported that he had attended the Greater Rushmoor Nepali Community Remembrance Service on 11th November and the Aldershot Town Football Club Remembrance football match on 11th November.

- (3) The Mayor placed on record the Council's thanks to Councillor David Clifford for his service as Leader of the Council since May 2016. Cllr Clifford was standing down as Leader later in the meeting due to personal commitments. Cllr Clifford would continue as a councillor for the Manor Park Ward in Aldershot until the local elections in May 2024.

- (4) The Mayor also wanted to place on record the Council's thanks to two members of staff who had given enormous support to the Mayoralty and civic events over many years and who would be leaving Rushmoor in December 2023. The Mayor thanked Kathy Long (formerly Flatt), Democratic Support Officer, who had served for 28 years in the Democracy Team and Yvonne Pyne, Executive Assistant, who was retiring after 40 years' service.

29. **STANDING ORDER 8 - QUESTIONS**

The Mayor reported that no questions had been accepted under Standing Order 8.

30. **APPOINTMENT OF THE LEADER OF THE COUNCIL**

It was MOVED by Cllr M.L. Sheehan; SECONDED by Cllr M.J. Tennant - That Cllr G. Lyon be appointed Leader of the Council to hold office until the Annual Meeting of the Council in 2024.

There voted FOR: 21; AGAINST: 0; ABSTAINED: 13 and the Motion was **DECLARED CARRIED.**

31. **NOTICES OF MOTION**

(1) **Defibrillators and Bleed Kits**

The Council was asked to consider a Motion which had been submitted by Cllr Marina Munro in accordance with the provisions of Standing Order 9 (1):

“This Council recognises the importance of having defibrillators and bleed kits accessible across Rushmoor – especially in public spaces and sports grounds.

To date, this Council has funded several defibrillators through Ward grants, and would like to build on this provision across our Borough by working in collaboration with the voluntary and community sector, businesses and partner organisations.

This Council also acknowledges the benefits of the roll-out of defibrillators by the Government to all state-funded schools this year, and notes that they will be installed at Aldershot and Farnborough train stations.

Going forward, this Council commits to working with the local community to find suitable places for defibrillators and bleed kits.

Therefore, this Council asks the Policy and Project Advisory Board to:

- Produce a report into the current accessibility and maintenance of defibrillators and bleed kits in Rushmoor
- Assess the cost commitments in expanding provision of defibrillators and bleed kits in Rushmoor
- Make recommendations for expanding the provision of defibrillators and bleed kits across Rushmoor.”

In proposing the Motion, Cllr Marina Munro stated that each year, 100,000 deaths were caused by Sudden Cardiac Arrest in the UK and there were around 60,000 incidents that took place in community settings. Using a defibrillator within three minutes of a cardiac arrest could improve a person’s chances of survival by as much as 70%. Cllr Munro acknowledged that several Councillors and community groups had secured funding through ward grants and other sources for defibrillators to be

installed in public places, such as pubs, community halls and sports fields. Another example was at Farnborough North Station where local residents had raised funds for a defibrillator at the station and the funding had been matched by the Council.

Cllr Munro also stated that the Government had been taking steps to expand the number of defibrillators in local communities and had launched the £1 million Automated External Defibrillators Fund earlier in 2023. The Government had also ensured that every state school had at least one defibrillator. Members noted that organisations like the Premier League had also been funding defibrillators at football clubs around the country.

Cllr Munro believed there was more that Rushmoor could do to ensure that defibrillators were available in as many public places as possible. She referred to research that had been undertaken by the Community team into existing provision, however more work was needed to understand where the gaps were across Rushmoor and how these could be filled. Cllr Munro said that Policy and Project Advisory Board would also be able to look at the costs of expanding provision, as well as how existing defibrillators were maintained and training to use them.

In seconding the Motion, Cllr Mrs D.B. Bedford referred to defibrillators which had been supplied in her Ward by North Camp Matters Association and was keen to see more defibrillators provided around the Borough.

Under Standing Order 9 (10), the Mayor directed that the Motion should be referred to the Policy and Project Advisory Board and not debated further at the Council meeting.

(2) **Housing Policy**

The Council was asked to consider a Motion which had been submitted by Cllr Gareth Williams in accordance with the provisions of Standing Order 9 (1):

“This Council notes increasing demands to provide accommodation for those who are homeless, caused by the cost-of-living crisis, the high level of refugees and others who have legitimately moved to the UK in recent years, coupled with historically low house building rates.

RBC’s Housing and Homelessness Policy states that:

- as of October 2022, there were 1,680 households waiting for affordable housing in Rushmoor;
- families are typically waiting up to 8 years to secure 3-bedroom homes for affordable rent;
- partners and housing teams are receiving an increasing number of reports of housing cases.

Despite positive measures in the Chancellor’s Autumn Statement such as restoring the LHA to its previous level of 30%, it offered for too little support for local government to address the growing deficits in council budgets or provide the affordable homes that are needed.

Given the pressures on the Council's budget for 2024/25, the Council calls on the RBC Chief Executive and Council Leader to write to the Chancellor outlining the need for a long-term commitment to funding for:

- more affordable and social rent housing for local people, including larger family homes;
- homes for British Army veterans;
- a proportionate number of homes for refugees, including those from Afghanistan."

In proposing the Motion, Cllr Williams stated that, over the previous ten years, 1,353 affordable homes had been built in Rushmoor. This equated to an average of 135 affordable homes each year, yet the target set by RBC in its Housing and Homelessness Prevention Strategy was 150 each year. With reference to the Strategy, Cllr Williams commented that Rushmoor had over 1,600 households waiting for a home they could afford to live in. He pointed out that, even if no more households were added to that list, it would take another ten years before those residents currently living in over-crowded, unsuitable or precarious accommodation could find a home for their families. The same Strategy highlighted that families looking for 3-bedroom homes were typically waiting eight years for their needs to be addressed.

Cllr Williams considered that the Strategy adopted by the Council fell short of what was required to address the problem, and that wider economic and social issues were aggravating the crisis (e.g., increased mortgage interest rates and increased rents). Added to this was the duty to house refugees from conflicts around the world. In this way, demands on the Council for affordable homes were expected to increase and the Council's ability to meet this demand was inadequate.

Cllr Williams urged the new Leader of the Council to highlight to the Chancellor, in a very clear and public way, that the Council needed support from the government to address this crisis and that policy had to change to enable local authorities to meet the needs of all residents.

During debate, comments were raised about the legacy of the Right to Buy policy, the need to accelerate house building, and the effects on mental health of living in cramped living space while waiting for appropriate affordable housing.

The view was also expressed that demand for accommodation in Rushmoor also reflected the Borough's well-connected location and thriving economy which supported many local people in well paid employment. It was also pointed out that the Leader of the Council and the Operational Services Portfolio Holder had already written several weeks previously to the Chancellor highlighting the difficulties and pressures on housing in the Borough.

In seconding the Motion, Cllr Gaynor Austin stated that, in the 1950s, councils were building an average of 147,000 homes per year. By the 1960s a quarter of the country's housing was council housing, and in the 1970s councils built 40% of all new housing. Cllr Austin reported that during her teaching career she had seen first-

hand the negative effect that insecure and inadequate housing could have on children's physical and mental health and attainment, thus leading to reduced life chances and the inability to buy a home of their own. Cllr Austin emphasised that Rushmoor needed more decent, affordable, and social rent housing and that the support of Government should be sought with a long-term, stable funding commitment. She urged Members to support the Motion.

Following further discussion, the Motion was put to the meeting. There voted FOR: 13; AGAINST: 22; ABSTAINED: 0 and the Motion was **DECLARED LOST**.

32. **RECOMMENDATIONS OF THE CABINET AND COMMITTEES**

Variation to the Capital Programme – Lawn Tennis Association Investment into Public Tennis Courts in Parks

Cllr M.L. Sheehan, Operational Services Portfolio Holder, introduced the Report of the Cabinet meeting held on 17th October 2023 which recommended a variation to the Capital Programme to enable improvement and fencing works in public tennis courts in parks.

It was **MOVED** by Cllr M.L. Sheehan and **SECONDED** by Cllr M.J. Tennant – That approval be given to the addition of £216,500 into the Capital Programme for 2023/24, funded from a combination of Lawn Tennis Association grant (£114,043) and Section 106 contributions (£102,457), as identified in the Report.

In a Recorded Vote, there voted FOR: Cllrs A. Adeola, Mrs D.B. Bedford, J. Belbase, J. Canty, Sue Carter, D.E. Clifford, P.J. Cullum, Peace Essien-Igodifo, A. Gani, M. Hope, G.B. Lyon, S.J. Masterson, Marina Munro, M.L. Sheehan, M.D. Smith, C. Stewart, P.G. Taylor, M.J. Tennant, N. Thapa, S. Trussler, Jacqui Vosper and the Deputy Mayor (Cllr Mara Makunura) (22); AGAINST: Cllrs Abe Allen, Gaynor Austin, Jules Crossley, K. Dibble, Christine Guinness, Halleh Koohestani, Nadia Martin, Sophie Porter, M.J. Roberts, D. Sarki, Sarah Spall, Becky Williams and G. Williams (13); ABSTAINED: Cllr C.W. Card and the Mayor (Cllr C.P. Grattan) (2) and the Recommendation was **DECLARED CARRIED**.

33. **QUESTIONS FOR THE CABINET**

- (1) Cllr M. Hope had submitted a question for response by the Operational Portfolio Holder (Cllr M.L. Sheehan) about the Prostate Cancer UK's campaign "Boys Need Bins".

In response, Cllr Sheehan stated that he recommended all Members to research the campaign. He felt that there was a case for sanitary bins to be provided at Southwood Country Park, the Council Offices and Princes Hall. Cllr Sheehan also stated that private establishments (e.g., restaurants, cafes) would be asked to consider providing sanitary bins and publicity would also be given to the "Boys Need Bins" campaign.

- (2) Cllr S. Trussler had submitted a question for response by the Planning and Economy Portfolio Holder (Cllr G. Lyon) about a Habitat Bank.

In response, Cllr Lyon stated that a public consultation exercise had been held on a Draft Biodiversity Supplementary Planning Document (SPD). A report would be considered by the Cabinet seeking the adoption of the SPD, the launch of a Rushmoor Habitat Bank and the adoption of a Rushmoor Habitat Bank Procedure Note.

- (3) Cllr Mrs D.B. Bedford had submitted a question for the Planning and Economy Portfolio Holder (Cllr G. Lyon) about support for Lynchford Road traders.

In response, Cllr Lyon confirmed that support was being given to North Camp traders (rates relief) and referred to work on promotional campaigns for the shops in North Camp.

- (4) Cllr M.D. Smith had submitted a question of the new Leader of the Council regarding his priorities for the Council.

In response, Cllr Lyon outlined his priorities for the Council, including the regeneration of the town centres, caring for neighbourhoods and parks, strengthening communities, developing a robust Financial Strategy and Digital Strategy and a well-run Council. In addition, Cllr Lyon confirmed that he had asked Cllr Calum Stewart to work with the migrant community going forward.

- (5) Cllr S.J. Masterson had submitted a question for the Major Projects and Property Portfolio Holder (Cllr M.J. Tennant) about the number of trees planted in the Borough in recent years.

In response, Cllr Tennant stated that the following number of trees had been planted:

Year	RBC	HCC	Other	Total
2020-21	10	unknown		10
2021-22	49	71		120
2022-23	1,199	48		1,247
2023-24	39	84	464	587

- (6) Cllr D.E. Clifford had submitted a question for the Democracy, Strategy and Partnerships Portfolio Holder (Cllr Sue Carter) about marking Holocaust Memorial Day in January 2024.

In response, Cllr Sue Carter stated that Holocaust Memorial Day (HMD) was marked each year on 27th January to remember the millions of victims of the Holocaust and subsequent genocides across the world since World War Two and was supported by the Holocaust Memorial Day Trust. She confirmed that, in January 2024, the Council would mark Holocaust Memorial Day with a week-long exhibition of display information at the Council Offices and the Princes Hall which would be linked to the theme for 2024 - 'Fragility of Freedom'. Arrangements were also being made for a public Holocaust Memorial Day Church Service at the Royal Garrison Church of All Saints in Aldershot on

Sunday 28th January 2024 to which the Mayor and all councillors would be invited to attend.

- (7) Cllr M.J. Roberts had submitted a question for the Leader of the Council (Cllr G.B. Lyon) regarding a planning application which had been submitted by McDonalds for a site near Tongham/Farnham but on the border of Rushmoor's boundary adjacent to Tices Meadow, Aldershot.

In response, Cllr Lyon confirmed that the planning application was within the Borough of Guildford and that Rushmoor had not received an adjoining borough consultation. However, Rushmoor had provided advice to partners on how they and individuals could submit their comments to Guildford as the Local Planning Authority for the planning application submitted by McDonalds, and that he would be happy to make representations.

- (8) Cllr Gaynor Austin had submitted a question for the Corporate Services Portfolio Holder (Cllr P.G. Taylor) regarding the Council's Financial Strategy, in particular to enable the delivery of the Farnborough Leisure and Cultural Hub and the wider civic quarter development.

In response, Cllr Taylor stated that the Council had borrowed to fund investment in the Borough and to support service delivery. He said that borrowing was always done with due diligence and in line with the Capital and Investment Strategy approved by the Council each February. These strategies included the identification of risk and appropriate mitigations. The unprecedented turmoil in financial markets and resulting rise in the Bank of England base rate from 3% last December to the current rate of 5.25% had put pressure on the Council's finances. The rapid increase interest cost had triggered the mitigation measures built into the underlying approved Capital and Investment Strategies to be expedited. The full detail of how these Strategies were being implemented would be provided as part of the overall budget proposals due to come to the Council meeting in February 2024.

34. **REPORTS OF CABINET AND COMMITTEES**

RESOLVED: That the Reports of the following meetings be received:

Cabinet	3rd October 2023
Cabinet	17th October 2023
Cabinet	21st November 2023
Corporate Governance, Audit and Standards Committee	27th September 2023
Development Management Committee	11th October 2023
Development Management Committee	8th November 2023

35. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE AND POLICY AND PROJECT ADVISORY BOARD**

RESOLVED: That the reports of the of the Overview and Scrutiny Committee meetings held on 21st September 2023 and 9th November 2023 and the Policy and Project Advisory Board meeting held on 26th September 2023 be noted.

The meeting closed at 8.58 pm.

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COUNCIL MEETING – 22ND FEBRUARY 2024**AGENDA ITEM NO. 6 (1)****ANNUAL CAPITAL STRATEGY 2024/25**

A report from the meeting of Corporate Governance, Audit and Standards Committee held on 31st January 2024.

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 2024/25.
- 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 2017* (the CIPFA Code), incorporating any subsequent revised guidance. Subsequently the Council approves both a Capital Strategy and the related Treasury Management 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 legislative 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 MHCLG guidance on local government investments.
- 2.5 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 2.3 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.
- 3.2 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.

4 RECOMMENDATIONS

- 4.1 The Council is recommended to approve the Capital Strategy for 2024/25 to 2026/27 and Prudential Indicators for 2024/25 at Appendix 1.

P.J. CULLUM
CHAIRMAN OF THE CORPORATE GOVERNANCE, AUDIT AND
STANDARDS COMMITTEE

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:** non treasury management investment. 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 are 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. Cabinet and Full Council is responsible for approving capital investment decisions and monitoring progress on the delivery of the capital strategy.
- 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

3.3 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

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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:** Treasury Management Investments. 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
Proportion of Net Core Revenue Stream	27.5%	46.8%	62.1%	55.9%	42.1%

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.

COUNCIL MEETING – 22ND FEBRUARY 2024**AGENDA ITEM NO. 6 (2)****ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2024/25**

A report from the meeting of Corporate Governance, Audit and Standards Committee held on 31st January 2024.

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.

4 RECOMMENDATIONS

4.1 The Council is recommended to approve:

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

P.J. CULLUM
CHAIRMAN OF CORPORATE GOVERNANCE,
AUDIT AND STANDARDS COMMITTEE

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

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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

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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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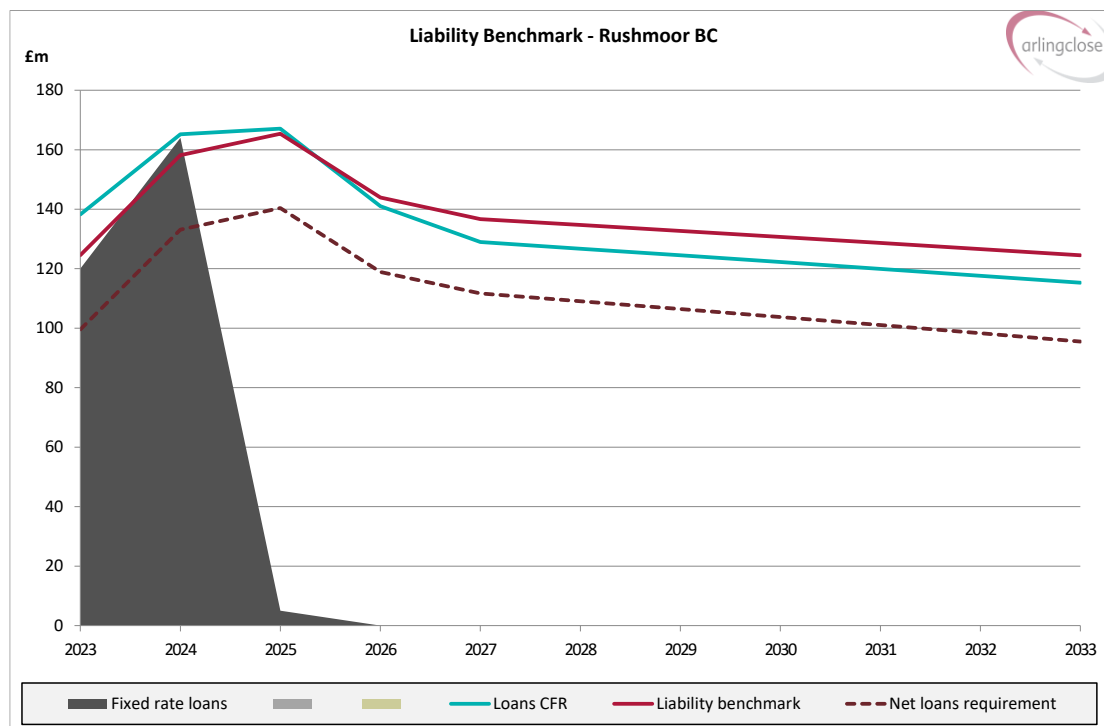
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that the Council expects to comply with this recommendation during 2024-25 and following two 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 1

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.

APPENDIX 2

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.

- 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 non-treasury management (i.e. property, service loans etc) 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

APPENDIX 2

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

APPENDIX 2

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

COUNCIL MEETING – 22ND FEBRUARY 2024**AGENDA ITEM NO. 6 (3)****REVENUE BUDGET, CAPITAL PROGRAMME, AND COUNCIL TAX LEVEL**

A report from the meeting of Cabinet held on 06 February 2024

1 INTRODUCTION

- 1.1 The Budget is a major decision for Rushmoor Borough Council (The Council) and setting a balanced budget is a statutory requirement. Scrutiny of these budget proposals demonstrate transparency and good governance. This report provides a summary of the revenue and capital budget proposals for 2024-25 and a medium-term financial forecast.

2 MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

- 2.1 The role of the Council's financial planning process, underpinning the MTFS, is to support the achievement of the Council Plan. The adopted Council Plan is the medium-term strategic policy document which sets out the general direction, key priorities and activities for the Council and informs the use of its resources.
- 2.2 The MTFS also supports all other Council strategies, such as the Capital Strategy and the Treasury Management Strategy. It acts as the framework linking the Council's more detailed service plans, asset management plans and capital plans with the longer term, to help ensure that the Council's plans are financially achievable.
- 2.3 The MTFS is set within the context of the national economy, and the public expenditure plans detailed in the government's Spending Review and national legislation. The Council needs to plan over the medium term for an increase in financial risk and year on year volatility. The economic outlook remains unclear, and it remains important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level.
- 2.4 The Council's MTFS ending 2027-28 has been updated to include the latest General Fund assumptions and projections, including for the reserves earmarked for specific purposes that may have to be drawn upon to meet the MTFS budget shortfall. This report sets out the ongoing material financial

pressures, risks and uncertainty which remain on a significant scale. As described below, the latest MTFS projections show an estimated total cumulative gross budget shortfall, before compensating measures, over the four-year period of £19.152million. The report discusses the strategies for addressing the financial challenges to protect vital services and to put the Council in a sustainable financial position. The MTFS is set out below.

2.5 The key financial issues for the Council are:

- The Council has £167million of short-term external borrowing (repayment within one year) and current interest rates are more than double the MTFS 2023-24 budgeted assumption of 1.67%, resulting in a significant overspend, if not mitigated.
- A significant proportion of the borrowing has supported regeneration and operational asset provision, with limited and long-term payback, resulting in direct pressure on the revenue budget as interest payments are treated as revenue expenditure.
- There are limited reserves to mitigate the impact of the additional interest rate costs. Without significant mitigation in 2024-25 the Council will not be able to set a balanced budget in 2025-26.
- The Council has limited assets that can be disposed of to generate capital receipts to reduce borrowing without a detrimental impact on the revenue account.
- The Council has limited ability to increase its revenue income. Inflation of the service cost base outstrips the ability to raise income from fees, charges, and rental income. Council tax increases are limited to below inflationary rises by the Council tax referendum principles.
- Income that the Council can directly influence is subject to wider economic factors e.g., where cost of living pressures leads to reduced demand neutralising the effect of inflationary level fee increases.
- The Council underwent a comprehensive outcome-based budget savings exercise last year. This reduces the opportunity to find significant additional savings without fundamental changes such as defining a new operating model and reprioritisation of services.
- The Council tax base growth is low due to a slowdown in housing development, impacting on New Homes Bonus.
- Government funding is likely to further reduce after 2024-25.

2.6 The table below shows the MTFS - Summary

Medium Term Financial Strategy - Summary	2023-24	2024-25	2025-26	2026-27	2027-28
	Original Budget £'000	Draft Budget £'000	Projected £'000	Projected £'000	Projected £'000
	Feb 2023 Gross	Changes from 2023/24 base	Changes from 2024/25 base	Changes from 2025/26 base	Changes from 2026/27 base
Base Budget:	11,076	7,448	13,085	11,920	11,567
Anticipated Budget Variations:		Incremental changes			
Portfolio Budget Changes:					
Pay award 5%,4%,3%,3%	-	699	560	420	420
Salary Increment drift - vacancies set mid scale	-	143	100	100	100
Establishment net other adjustment	-	116	-	-	-
Increase in Fees, Charges and other income	-	(293)	(860)	(284)	(290)
Net other changes in base cost:	-	(79)	(589)	(124)	(44)
Contractual inflation	-	780	400	300	300
Earmarked Reserves	(1,124)	1,243	(185)	-	-
Total: Portfolio changes	(1,124)	2,610	(574)	412	486
Corporate Income & Expenditure changes:					
Interest receivable from treasury investment	(1,600)	(750)	220	490	-
RHL interest	(522)	(523)	(241)	143	-
Minimum Revenue Provision (MRP)	2,170	(412)	428	6	40
Interest payable on borrowing	3,002	5,673	(2,229)	(1,269)	-
Capitalised interest	(600)	219	381	-	-
Total: Corporate Income & Expenditure	2,450	4,207	(1,441)	(630)	40
Central Government Funding changes:					
Retained Business Rates	(4,087)	(1,013)	(174)	(135)	(139)
New Homes Bonus	(658)	274	384	-	-
Services Grant	(96)	81	15	-	-
Funding guarantee	-	(514)	514	-	-
Revenue Support Grant	(104)	(7)	111	-	-
Total: Central Government Funding	(4,945)	(1,179)	850	(135)	(139)
Total: Budget requirement	7,458	13,085	11,920	11,567	11,954
Less Collection Fund (Surplus)/Deficit	(10)	(23)	23	-	-
Less Council Tax	(7,448)	(7,683)	(7,816)	(8,063)	(8,313)
Net (Surplus)/Deficit	0	5,379	4,127	3,504	3,641
Note - figures showing in () indicate a favourable change from budget					
Cumulative reserve requirement if zero mitigation:	2,500	7,879	12,007	15,511	19,152
Estimated reserve balance:					
Opening balance	(13,060)	(10,560)	(5,300)	(1,106)	2,398
Budgets service movement	1,124	(119)	66		
Forecast deficit	1,376	5,379	4,127	3,504	3,641
Closing balance	(10,560)	(5,300)	(1,106)	2,398	6,039
Working Balance: minimum required £2m:	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)

2.7 The assumptions included in the MTFs are discussed below.

Establishment – Cost of employing staff

2.8 The Council's cost of employing staff (Salary, National Insurance and Pension contribution) is budgeted at £14.9million in 2024-25. Pay award was budgeted at 5% in 2023-24, negotiations were concluded in November and whilst the actual increases were not a uniform 5%, the overall average increase equated

to the budget. The assumption is that whilst inflation is forecast to decrease in the MTFS term, it is likely to result in a similar budget requirement as 2023-24. The MTFS has allowed pay award at 5% for 2024-25, decreasing to 3% in 2026-27 in line with the reduction in the inflation forecast. A 1% increase in pay award equates to £149,000. An allowance has also been made for contractual pay scale incremental increases. Other changes in staffing costs will be found from within existing budgets unless externally funded and not permanent in the base budget.

Fees and Charges and Other Income

- 2.9 Fees and Charges have been reviewed in accordance with the approved methodology for the annual review of fees and charges made for Council services (FIN1624) and agreed in the 2023-24 budget setting report. Budget holders reviewed fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase. The MTFS shows a net increase of £239,000. This is net of the estimated £454,000 reduction in cremation fees whilst the Crematorium is undergoing redevelopment. Therefore, excluding the cremation reduction from the schedule, the gross increase in fees and charges is £693,000. The Council has approximately £6.5million of fees and charges of which only £3.4million as shown in the table below is not directly subject to cost recovery or other statutory control. There is also £13million of other income that is not directly available to the Council's discretionary annual inflationary increases due to being limited by lease/licence, statutory or cost recovery limitations. Therefore, the Council has a limited ability for its income to maintain pace with inflation. A schedule of changes in income is provided in **Appendix 3a** – Income analysis.

Discretionary fees and charges	£	1%
Green Waste collection	(566,720)	(5,667)
Cemeteries	(212,350)	(2,124)
Car Parks	(1,249,000)	(12,490)
Crematorium	(1,246,700)	(12,467)
Markets And Car Boot Sales	(113,875)	(1,139)
	(3,388,645)	(33,886)

Other changes to base cost

- 2.10 Net other changes in base cost are the contractual or unavoidable changes that cannot be found from within existing service budgets and is therefore growth in the base budget. A detailed schedule with explanations is included in **Appendix 3b** – Growth analysis.

Inflation

- 2.11 Contractual Inflation: budget estimates have only been amended where the impact is unavoidable such as contractual inflation. Budgets for utilities have been aligned to usage along with price inflation expectations. All other expenditure budgets are cash limited and not subject to inflationary increase. Contractual inflation affects approximately £9million of the Council's cost base equating to £90,000 increase per 1% inflation, although this is a broad average.

Expenditure subject to inflation	Budget 24/25	Inflation 24/25
Business Rates	896,030	23,750
Council tax and NNDR billing	9,900	4,100
Council Tax Collection postage	18,000	4,500
Domestic Refuse	1,034,680	105,570
Gas	124,520	19,650
Grounds Maint Contracts	979,410	61,770
Insurance contracts	333,153	120,923
IT systems support	926,463	106,893
Member Allowance	371,650	30,000
Pension strain	281,400	16,400
Recycling	1,845,040	168,610
Street Cleansing	1,304,880	67,880
Tree maintenance contract	98,120	8,020
Vehicle costs	24,800	22,050
Water rates	41,840	(840)
Car Park contract	121,190	6,320
Public Conveniences contract	92,350	4,660
Electricity	522,260	3,500
CCTV contract inflation	103,100	6,395
Grand Total	9,128,786	780,151

General Fund Reserves within the scope of the MTFs

- 2.12 A summary of the budgeted movement in earmarked reserves is provided in Appendix 5. This table builds on the latest monitoring position and takes account of the Council approvals in the 2023-24 budget. The schedule shows that there are forecasted £10.56million of earmarked reserves available to support the MTFs and forthcoming Financial Resilience plan, in addition to the minimum General Fund working balance of £2million. This is not sufficient

to cover the MTFS unmitigated deficit of £19.152million, although it is sufficient to set a balanced budget for 2024-25. A comprehensive reserves review will be completed as part of the 2023-24 outturn. Reserves will be aligned to the updated Financial Resilience plan, with reserve transfer proposals put forward to Full Council in July 2024.

The future financial resilience of the Council is dependent upon the availability of reserves to manage financial shocks such as the pandemic and current global economic crisis. Ideally, the use of reserves should be limited, as far as possible, to mitigating the temporary impact of these one-off shocks. Therefore, it is important to ensure sustainable solutions are found wherever possible and, if necessary or appropriate, temporary measures are considered (such as a vacancy freeze to limit the need to call upon reserves, which should always be a last resort).

Interest receivable

- 2.13 Interest receivable from treasury investments consists of three distinctly different elements as shown in the table below. Money Market Funds are the investment of surplus short term cashflow from service delivery, representing the timing differences between money coming into the Council and payment for services and staff etc. Interest receivable is directly affected by changes in the projected trajectory of interest rates and available surplus cash. Pooled funds are a long-term investment of cash representing the Council's reserves. More detail on these funds is provided in the Treasury Management Strategy. The loan to Farnborough International is due to be fully repaid in 2025-26.

Interest Receivable from Treasury Investment:	Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Draft Budget £'000	2026-27 Draft Budget £'000
Money Market Funds	(31)	(820)	(600)	(400)
Pooled Funds	(1,279)	(1,240)	(1,240)	(1,240)
Farnborough International Loan	(290)	(290)	(290)	0
	(1,600)	(2,350)	(2,130)	(1,640)

Interest receivable from RHL

- 2.14 The Council has a wholly owned subsidiary, Rushmoor Homes Limited (RHL). The Council lends RHL money to fund development and receives interest as income on the loans. The Council makes two kinds of loans to RHL for which interest is due, consisting of the value of land transferred to the company, called loan notes, and cash (borrowing) to fund property development. RHL borrowing is funded by the Council from the Council's own borrowing (debt) and is subject to HM Treasury Capital rules. This budget assumes that the 82 private rental units in the Council's Union Yard development will transfer to RHL as a loan note as per Cabinet Report (REG2201 Cabinet 08/02/2022)

and that RHL borrowing is at 3% premium on the Council's cost of borrowing. RHL does not have sufficient cash to settle the interest due each year and therefore the council has agreed hold the interest due as a debtor balance on the Council's balance sheet until RHL is generating sufficient cashflow to settle the debtor position. This will have a small impact on the Council's cashflow position.

RHL Interest	Original	2024-25	2025-26	2026-27	2027-28
	Budget	Draft Budget	Draft Budget	Draft Budget	Draft Budget
	£'000	£'000	£'000	£'000	£'000
Interest on loan notes	(56)	(968)	(1,220)	(1,085)	(1,085)
Interest on borrowing	(64)	(78)	(67)	(59)	(59)
Total Interest:	(120)	(1,045)	(1,287)	(1,144)	(1,144)
Loans notes	780	17,780	17,780	17,780	17,780
Borrowing	970	970	970	970	970
Interest rate (TM+3%)	6.10%	7.22%	7.99%	6.86%	6.10%

Minimum Revenue Provision

- 2.15 The Council borrows to fund its significant regeneration programme. When the Council borrows, it has a statutory duty to put aside an amount of money each year to enable the eventual repayment of the borrowed sums. This is known as Minimum Revenue Provision (MRP) and is charged to the General Fund revenue account. The calculation of MRP is in accordance with the MRP policy set out in the Capital and Investment Strategy. The amount included in the MTFS is determined by the Capital Financing Requirement, forecast for the MTFS term. Increase in MRP is a cost pressure on the revenue account when the underlying capital expenditure funded from borrowing does not generate a new income stream sufficient to cover all ongoing revenue costs, such as MRP.
- 2.16 The table below provides a breakdown by scheme of the MRP charged to the revenue account. A full review of MRP has been completed by Arlingclose, the Councils treasury management consultants to ensure that the MRP charge is prudent and not overstated. The calculation of a prudent MRP charge is based upon the adopted MRP policy within the Capital Strategy, this basis has been changed from straight line to annuity from 2024-25 onwards, resulting in a significant reduction in MRP. The £2.17million MRP charge in the 2023-24 original budget as shown in the table below will be £1,572million, a saving of £0.6million. The £0.428million increase in 2025-26 is the effect of Union Yard becoming operational in 2024-25, MRP is chargeable one year after. This increase is split between Union Yard and RHL, reflecting the transfer of the private rented units from Union Yard to RHL.

Minimum Revenue Provision by Scheme	Expenditure funded by borrowing £'000	Minimum Revenue provision				
		2023-24 Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
1. Investment Properties	91,908	1,911	1,299	1,101	1,093	1,113
2. The Meads	10,561	0	142	120	119	121
3. Union Yard	33,246	0	0	380	377	384
4. RHL Ltd	17,970	25	19	211	209	213
5. Crematorium	5,324	12	18	98	103	105
6. Civic Quarter	7,637	68	6	7	7	7
7. Operational Assets	16,827	154	273	271	284	289
Grand Total	183,474	2,170	1,758	2,186	2,192	2,232
Year on year chang in MRP			(412)	428	6	40
Funded by:						
External borrowing	167,000					
Internal Borrowing	16,474					
Total borrowing	183,474					

Interest payable on the Council's borrowing (Debt)

- 2.17 The MTFS includes estimated borrowing costs determined by the level of external borrowing (i.e. from other local authorities) incurred to fund the capital financing requirement over the term of the MTFS. In addition to external borrowing the Council utilises some of the cash surpluses flowing through its bank (this is called internal borrowing). Using surplus cash usually saves loan interest on external borrowing. The Council must carefully manage its surplus cash available to minimise interest costs whilst not running out of cash.
- 2.18 The 2023-24 budget included £3million of interest payable on an assumed £165million borrowing capped at that level for the period of the MTFS in line with the capital receipts first policy. The interest assumption was based on short-term borrowing of £45million at 0.75% and £120million of long-term Public Works Loan Board (PWL) borrowing at 2%, plus an additional annual interest charge of £372,000 for the Meads, acquired in March 2023. The Meads borrowing was due to be repaid over several years from ringfencing its net rental income, due to the significant cost of borrowing this has not been possible.
- 2.19 The planned long-term borrowing in the 2023-24 budget assumptions was delayed due to the rapid increase in interest rates and market predictions of this being a short-term spike, with the intention to borrow long-term when the rate reduced closer to the assumed rate in the 2023-24 budget. The Council cannot afford to borrow at rates beyond 2% at its current level of borrowing, without finding compensating budget adjustments and/or a reduction in the level of external borrowing (technically, applying capital receipts from the sale

of assets to reduce the Capital financing requirement) by using capital receipts to pay back borrowing as it falls due.

- 2.20 Since the drafting of the 2023-24 MTFS for approval at Budget Council in February 2023, the Bank of England has raised the Base Rate from 3% in November 2022 to currently 5.25%. There have been 14 consecutive interest rate rises between December 2021 and August 2023 with the rate being held since. This can be seen in the graph below from the BoE website.



- 2.21 All borrowing has remained short term (one year or less) inter-authority. The advice received in September 2023 from Arlingclose was to transfer 60% of the short-term debt to longer-term PWLB. However, although the advice to lock in long term borrowing would mitigate further interest rate rises, at this time PWLB rates are unaffordable at more than double the 2023-24 budget assumption and an alternative mitigation is now needed. The table below demonstrates the borrowing assumptions and interest rates included in the 2024-25 MTFS update.

Interest on External Borrowing	2023-24 Original Budget £'000	2023-24 Forecast £'000	2024-25 Draft Budget £'000	2025-26 Draft Budget £'000	2026-27 Draft Budget £'000
1. Investment Properties	1,562	3,391	4,371	3,229	2,591
2. The Meads	363	789	502	371	298
3. Union Yard	669	1,452	1,552	1,168	937
4. RHL Ltd	15	33	855	631	507
5. Crematorium	6	14	239	187	150
6. Civic Quarter	128	278	363	268	215
7. Other Operational Assets	258	560	793	591	479
Total interest on external borrowing	3,002	6,516	8,675	6,446	5,117
Weighted average interest rate	1.67%	3.90%	5.17%	3.86%	3.10%
Short term borrowing	45,000	167,000	167,000	167,000	167,000
Long Term borrowing	120,000	-	-	-	-
Total external borrowing	165,000	167,000	167,000	167,000	167,000
Internal borrowing	-	7,746	15,409	16,474	16,474
Total borrowing	165,000	174,746	182,409	183,474	183,474

Central Government Funding

2.22 Central Government Funding represents the income from government through the Finance Settlement. Key components are retained business rates, New Homes Bonus and other smaller grants.

2.23 The key headlines announced in the settlement on the 18th December 2023 by DLUHC were:

- No new additional support for the sector was announced outside of already stated commitments
- The Council Tax Referendum limit was confirmed at 2.99% or £5 on a Band D property for district councils with an additional 2% Adult Social Care levy for Upper Tier authorities
- All councils to receive a minimum 3% increase in their overall core spending power, taking into account all government funding sources but before taking into account any Council Tax increases
- The New Homes Bonus was confirmed as operating to the same formula as had been applied for 2023-24
- No guarantees were made for any future New Homes Bonus
- The Business Rates multipliers (the figure that rateable values are multiplied by to arrive at the rates charge) were increased by CPI
- Any Revenue Support Grant (RSG) was increased by CPI
- It was confirmed that Business Rates would not be reset (that is the way in which business rates are distributed between different tiers of government) in 2024-25

Reaction and response to the settlement

2.24 The finance settlement is always announced at the start of a period of consultation by DLUHC. The District Council's Network (DCN) represents district councils as a collective body and has responded on behalf of the sector to the consultation, making the following key observations:

- The total increase in core spending power falls short of the level needed to allow councils to tackle the budget gaps that have developed in the past 2 years, primarily due to inflationary pressure
- District councils have been hit harder in funding changes since 2015-16 (15% in real terms compared to 5 – 15% for other councils) – more needs to be done to redress this
- Disappointed that Council Tax Referendum level is the same as previous years - DCN is lobbying for 4.99% or £10 on a Band D property for Districts (District's CT revenue has increased by 10% in real terms since 2015-16, compared to 25% for other councils)
- Welcomed the confirmation of no Business Rates reset
- DCN to respond to Government requesting an additional 1% increase in core spending power for Districts plus greater freedom on Council Tax

The DCN lobbying has had some effect and on 24th January 2024 the Government provided an additional 1% on core spending power, equating to around £108,000 for the Council.

2.25 The settlement and reaction from the DCN was discussed with the Council's Budget Strategy Working Group on 11th January 2024 and the Group endorsed the DCN commentary and recommended that the Portfolio Holder for Finance respond to the consultation, along similar lines.

Retained Business rates

2.26 Retained business rates remains an integral and important part of the Council's income. As the rating authority, Rushmoor is required to maintain business rates records, bill and collect rates due from all local businesses and then arrange for distribution of the shares of rates to other preceptors and government, based on a complex formula, advised by DLUHC.

2.27 As well as allowing for the accurate billing of all sums due, the Council is required to apply reliefs to business rates, set out in Legislation, and also to allow for any significant foreseeable changes to sums due. This could be due to changes in rateable value because of business reconfiguration or as a result of successful appeals against rateable value by ratepayers. There will also be considerable churn across the Borough as businesses come and go throughout the year and periods of void or reduced rates need also accounting for. Given the size of the local rates take (circa £62m in 2023-24), changes and adjustments can be considerable for which the Council needs to allow and provide.

- 2.28 Due to favourable location, Rushmoor has a healthy business rates base with a number of national and international businesses based within the Borough. Whilst this is currently extremely valuable, considerable risk is attached to any business rates estimate due to the disproportionate effect of a relatively small number of rate payers. For example, of around 2,600 businesses in the local rates list, around 24% of all rates collected are paid by just 10 rate payers (around 0.4%).
- 2.29 From the 1st April 2023, a new rating list came into force which provided all local businesses with a revised rateable value. This in turn has increased the total rates retained by Rushmoor in 2023-24.
- 2.30 As there are no changes proposed to the way rates are retained, it is reasonable to assume that this higher level of retained rates will continue into 2024/25 and a CPI uplift factor will also be applied. Taking these changes into account and making allowance for the various risk factors set out in 2.27, this leads to a figure of £5.1million to be included in the budget proposed for 24/25 (up from circa £4.1million in the original 2023/24 budget). This figure will be finalised on completion of the official form NNDR1 due by the 31st January 2024. Delegation is sought from Cabinet to amend the figure in these papers once the NNDR1 has been finalised.
- 2.31 The long-term government commitment to apply a reset to rates does represent an enduring risk for the Council. Whilst no certainty is currently known to be able to quantify this risk, this matter will be kept under review and the MTFs adjusted accordingly in light of future announcements.
- New Homes Bonus (NHB)**
- 2.32 New Homes Bonus (NHB) is paid on the increase in the Council Tax base as of October of the prior year, i.e., 2024-25 NHB is based upon tax base as of October 2023. There was very little growth between 2022 and 2023 compared with 2021-22 and the overall NHB has decreased accordingly. This money is only awarded for one year and there is no guarantee that it will continue in the MTFs. The full allocation of NHB is included within the base revenue budget, any decrease puts pressure on service delivery resources.
- Council Tax**
- 2.33 The share of Council Tax that the Council can rely on is the balance of all Council Tax collected from local residents, less payments out to preceptors (Hampshire County Council, Police, Fire and Rescue).
- 2.34 To determine the Council Tax Band D figure (which is the headline Council Tax figure declared during the setting process), the Council must first determine and set its Council Tax Base for the year. This process has been undertaken and set out in a separate delegated report (report no FIN 24/03). The tax base for 2024-25 has been determined as 33,011.65, which is up from

32,959.11 set for 2023-24. This is a modest increase representing the relatively low level of new building completion in the last 12 months and reflecting the changes proposed to the Council Tax Support Scheme for 2024-25 (set out in detail in report no FIN 24/05).

- 2.35 Whilst the formal setting of Council Tax takes a statutory form and will form part of a separate paper to Council at the budget setting meeting, the total amount of the Council's share of Council Tax included in the proposed 2024-25 budget is £7.683million, up from £7.448million in the original 2023-24 budget. This reflects a Council Tax increase up to the maximum allowable under current referendum limits and will represent a Band D Council Tax of £232.74 up from the current year's £225.98.

Council Tax Support Scheme

- 2.36 The Council has a statutory duty to set out its Council Tax Support scheme prior to 1st April of a new financial year. The CTSS has been monitored by a CTSS Group for several years, including monitoring the effects of welfare reform changes, the implications of Covid 19 on people's employment and more recently further consequences of the cost-of-living crisis on those residents in receipt of CTS.

- 2.37 Rushmoor's scheme has proved effective and overall Council Tax Collection rates have remained high (97.9% in 21/22 and slightly down in 97.7% in 22/23). Those in receipt of CTS have been generally meeting their Council Tax liabilities, but in the last two years the Council has seen a reduction in the collection rate within this group. Evidence shows that people are struggling to pay their minimum contribution of 12% towards their Council Tax where they are on the lowest incomes and these small balances are disproportionately costly for the Council to collect. Regarding this, the Group has recommended to increase the maximum Council Tax liability used to calculate Council Tax Support from 88% to 100% to be effective from 1st April 2024 and to apply to all calculations made within the Council Tax Support Scheme relating to liabilities occurring on or after 1st April 2024, full detail in report FIN2406.

UK Shared Prosperity Fund

- 2.38 The UK Shared Prosperity Fund (UKSPF) aims to build pride in place and increase life chances across the UK. Launched in April 2022, UKSPF is the replacement for the European Structural Fund and Investment Programme. Part of a suite of complementary funding, the UKSPF is a central pillar of the Government's Levelling Up agenda and a significant component of its support for places across the UK. Rushmoor has been allocated up to £1million from the fund, with £898,000 remaining available to the Council in 2024-25.

- 2.39 Cabinet considered Report No. ACE2204 at its meeting on the 5 July 2022, setting out the development of the Council's UKSPF Investment Plan. The detail of the investment plan is included in full in Appendix 6. Cabinet is asked

to approve the schedule of projects, subject to the full receipt of the funding and the 2024-25 budget will be adjusted accordingly.

3 REVENUE BUDGET FORECAST 2023-24

3.1 The General Fund Revenue budget for 2023-24 was approved by Council at their meeting in February 2023. The forecast position reported to Cabinet in January 2024 indicated that service budgets were showing some financial pressure with overspends on establishment, and reduced income. Interest rates are a significant issue in line with the position projected in the MTFS above.

4 BALANCING THE BUDGET

4.1 The Council is legally required to set a balanced budget for the following financial year, and it must remain balanced including with the use of available reserves. Projections show that this is possible for 2024-25 but no future years without significant mitigation i.e., savings. The most significant challenge is the interest on borrowing and the mitigation must be focussed on reducing the cost of debt (i.e., a capital solution) to minimise the impact on the service delivery budget. The position set out in this report is based upon an assumption that the interest rate and inflation are reducing (as projected by the Bank of England), and the funding gap will be impacted by changes in either projection as described in 2.11 and 2.21 above.

4.2 The profile of the MTFS deficit is set out in the table below.

Medium Term Financial Strategy - Summary	2023-24 Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
Estimated reserve balance:					
Opening balance	(13,060)	(10,560)	(5,300)	(1,106)	2,398
Budgeted service movement	1,124	(119)	66		
Forecast deficit	1,376	5,379	4,127	3,504	3,641
Remaining reserve	(10,560)	(5,300)	(1,106)	2,398	6,039
Working Balance: minimum required £2m:	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Note - figures showing in brackets () represent available reserve					

4.3 As seen in the report above, inflation is forecast to return to 2% within the next three years and, excluding increased interest rates, identified service cost pressures can be managed within the overall cost of service provision through a new transformation strategy. The overall mitigation of the budget deficit will

require a capital solution and reduction in the cost of services over the MTFS period.

- 4.4 The biggest challenge is the interest on borrowing. This can be seen in Appendix 2: detailed MTFS, which demonstrates how each of the seven capital schemes supported by borrowing adds to the bottom-line deficit. It should be noted most assets generate income to support service provision, disposal of income generating assets to generate capital receipts will not resolve the deficit due to the impact of the lost income.
- 4.5 Financial markets are forecasting interest rates to reduce back to 3% within the MTFS term. This has been factored into the MTFS and does help alleviate the deficit position in the MTFS term. Ultimately, the Council must reduce each year's deficit to minimise the drawdown of reserves and ensure sufficient reserves are available to maintain a balanced budget the following year, including withstanding timing delays and cost shocks.
- 4.6 There are two significant levers within the Council's control to resolve the deficit. The most controllable lever is the Council's cost base, the second lever is the reduction of interest and MRP through reduction in debt (i.e., a capital solution), however disposal of assets to generate capital receipts is a medium-term action as this takes time to achieve.
- 4.7 Measures can and will be taken very quickly to reduce costs on a temporary basis with a targeted approach to minimise unintended consequences such as pressure on staff and council services. Measures must be taken carefully with appropriate consultation, especially focussing on services for the vulnerable and homeless. Savings must ultimately be permanent reductions in base budget, this will be achieved through a transformation and efficiency strategy described in section 5 below.
- 4.8 The table below demonstrates the level of permanent reduction required in the Council's budget to bring the revenue account back into balance and maintain sufficient reserves each year to set a balanced budget across the MTFS term. The capital solution requires £40million reduction in borrowing (i.e., the Capital Financing Requirement) through the generation of capital receipts (or other external funding) by September 2025 and service budget reduction of £2million over 4 years, from £32million cost base, 1.6% per year.

Savings Target effect on reserves	Year saving achieved	2024-25	2025-26	2026-27	2027-28
		Draft Budget £'000	Projected £'000	Projected £'000	Projected £'000
In year saving permanently out of base					
Interest and MRP reduction	2024/25	(240)	(1,172)	(1,020)	(1,020)
Interest and MRP reduction	2025/26		(386)	(1,020)	(1,020)
Services cost reduction	2024/25	(500)	(500)	(500)	(500)
Services cost reduction	2025/26		(500)	(500)	(500)
Services cost reduction	2026/27			(500)	(500)
Services cost reduction	2027/28				(500)
Total recurrent savings:		(740)	(2,558)	(3,540)	(4,040)
In year deficit/outturn before mitigating savings		5,379	4,127	3,504	3,641
Revised deficit/outturn		4,639	1,569	(36)	(399)
Revised opening reserve balance:		(10,560)	(6,040)	(4,470)	(4,506)
Budgeted service movement		(119)	66		
Revised deficit/outturn		4,639	1,569	(36)	(399)
Revised reserve annual closing balance		(6,040)	(4,470)	(4,506)	(4,905)
Working Balance: minimum required £2m:		(2,000)	(2,000)	(2,000)	(2,000)
Incremental savings required by year		(740)	(1,818)	(982)	(500)

4.9 The savings target table above shows the timing of savings delivery is critical. A ¼% interest rate equates to £420,000 full year effect at the current level of debt. Some interim temporary cost control will inevitably be required as described in 4.7 above until the longer-term solutions are in place.

5 APPROACH TO ADDRESSING THE DEFICIT

5.1 The level of savings required over the medium term is significant. A strategy to ensure that the Council's debt is reduced, and the necessary level of savings achieved is broad and will consist of;

- I. Reducing debt through consideration of;
 - Disposals of Council owned land and property to generate capital receipts to reduce overall debt
 - Approach to the operation of Union Yard and transfer of elements of the scheme to Rushmoor Homes Ltd
 - The extent and timing of projects in the Rushmoor Homes business plan
- II. Maximising the benefit of the Council's existing treasury investments and use of cash to minimise external borrowing
- III. Minimising the revenue impact of existing borrowing including through effective capital accounting and reconsideration of prudent MRP provision
- IV. Reviewing the future capital programme and particularly the approach to regeneration of the Civic Quarter. To include;

- Assessment of opportunities to add value prior to disposal of land to maximise future capital receipts
 - Working with Homes England on opportunities for grant and other support
 - Reconsidering the scope and timing of significant capital projects
- V. Developing options to address the long-term cost of services through a Council wide transformation plan
- VI. Increasing income by
- Improving the net income from the Council's property portfolio
 - Maximising fees and charges
- VII. Management and use of reserves
- 5.2 The Executive Leadership Team have been working with Cabinet to develop a detailed Financial Resilience Plan which includes a range of medium- and shorter-term actions to deliver the above strategy over the next 18 months.
- 5.3 The work on delivering the Financial Resilience Plan has commenced and current key actions and delivery arrangements are set out in Appendix 1 MTFS – Financial Resilience Plan
- 5.4 The Financial Resilience Plan will develop over the next few months and will need to be jointly owned by officers and councillors. It will be a priority for the Council moving forward to drive the change and transformation required to support financial recovery.
- 5.5 This type of work is not easy and will require significant change to the Council's current operating model. Over the duration of the plan, Members should expect to receive proposals to manage the budget shortfall that:
- (a) Recognise the Council may no longer be able to afford to deliver the current range of services or maintain some services at existing levels
 - (b) Prioritise services that deliver statutory obligations as a borough council
- 5.6 The Council's Budget Strategy Group will continue in its role of overseeing the Council's delivery of savings and move to financial sustainability.
- 5.7 To support the delivery of the plan, an amount of capital receipts will be required to fund service redesign using the government "Strategy for the Flexible Use of Capital Receipts" directive. This will be an early call on any capital receipts secured.
- 5.8 The development of the Financial Resilience Plan, management and delivery of the short-term savings will require additional capacity from a range of specialisms and experienced professionals to compliment the current officer capacity. It is vital the Council does not lose sight of its core purpose delivering services in business as usual. To ensure sufficient capacity can be called upon as required in a timely way, it is proposed that £250,000 is earmarked for this

purpose from the Stability and Resilience Reserve during 2024-25. This 'invest to save' funding is required to enable the Council to realise the targets for balancing the budget over the MTFS term.

6 ROLE OF THE CHIEF FINANCE OFFICER

- 6.1 The Council's Chief Finance Officer (Section 151 Officer) has a statutory duty to consider issuing a Section 114(3) Notice, where in his view, the current **or future** expenditure of the authority incurred (including expenditure it proposes to incur) in a budget year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure. A S114(3) Notice is extremely serious and has far-reaching implications for the Council. It requires the Council to cease all non-essential expenditure and reduce operational and service delivery costs immediately. That said, the Council cannot go into Administration or Liquidation as it is backed by government and taxation. This means all contracts in flight and creditors are secure, staff will continue to be paid and deliver statutory services, particularly to the vulnerable and homeless.
- 6.2 As proposed in this report, the Council can balance the 2024-25 General Fund budget, with the use of reserves, avoiding the issuing of a S114(3) in this financial year. However, the ability to resolve the MTFS deficit is also a S114(3) consideration in respect of the wider financial sustainability and reserves position, and this is much more challenging to assess in respect of the key significant financial assumptions. This report sets out a short-term and longer-term Financial Resilience Plan which will be updated at Full Council in July.

7 OTHER CONSIDERATIONS

- 7.1 On 19 December, the Department for Levelling Up, Housing and Communities (DLUHC) opened a consultation on several capital flexibilities and borrowing. The intent is that any use of the flexibility must be part of an overall plan to move back to financial sustainability within the MTFS term. If these flexibilities come into regulation, it may be possible to use capital receipts to cover some MRP for a period (MRP for 2024-25 £2.6million, 2025-26 £3.8million) until the base budget is permanently reduced, an approach that is not allowed under the current rules.
- 7.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has been engaged as a critical friend to support the Council by providing constructive challenge, advice, and insight, as appropriate, through a financial resilience review with a formal report due in March 2024. The review will focus on 5 key areas:

- Financial Management/Sustainability: An assessment of the Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering services.
- Commercial Assets/Debt: An assessment of the Council's assets and investments including dependence on commercial income, debt costs and other risks.
- Capital Programme/RHL: An assessment of the Council's capital programme and management of related risks including arrangements with the wholly owned RHL and recommendations on how the Council could use the proposed new flexibilities to address its financial challenges.
- Governance: An assessment of the Council's governance/management processes, leadership, operational culture, whether it has the appropriate governance procedures in place, and the capability and capacity to make any necessary transformation.
- An Improvement Plan: Recommendations to provide the Council with tangible actions to guide design, and implementation of an Improvement plan to address identified risks and issues. Assist in the development the improvement plan.

8 CAPITAL PROGRAMME

- 8.1 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.
- 8.2 The capital programme is focussed on delivering against the Council's key priority of Town Centre Regeneration, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of local housing and the Council's statutory duties in respect of Disabled Facilities Grants.
- 8.3 The Council's capital expenditure is, for projects already committed, predominantly financed from prudential borrowing. Based on the current budget forecast, the Council does not have the financial capacity take forward any more projects resulting in a net cost to the revenue account without identifying a corresponding equal reduction in cost elsewhere. Going forward any new projects will need to be funded from other sources of external finance such as government grants and other contributions, until the MTFS has been brought back into balance without a drawdown of reserves. If additional resources become available, projects that meet the Council's strategic capital objectives could be brought forward for approval.
- 8.4 The Council was awarded £20million Levelling up Capital funding in 2023 towards the Leisure and Cultural Hub project. The overall cost of this project

and the associated mobility hub is currently forecast at circa £67million. Based on the current financial forecast, estimated running costs and income projections for the project once complete, there would be a funding gap which was intended to have been met by prudential borrowing in 2026-27. Given this report, the Council cannot today rely on being able to take additional borrowing at that point. The project is therefore not currently included in the Capital programme beyond the end of the current stage of costing and design (RIBA 3). The costs of progressing to the next stage (RIBA 4) of circa £1.7million can be fully met from the Levelling Up grant funding, however, a decision will be made on this when the revised MTFS is produced in July. A separate paper covering the next steps of this project is also being considered by cabinet at this meeting.

8.5 The Capital Programme is set out in the table below for the period 2023-24 to 2027-28 based on the principles of the current Capital Strategy.

Capital Programme	2023-24 Forecast £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
Capital Expenditure					
Union Yard	16,966	5,384	603	-	-
The Meads	10,456	-	-	-	-
The Galleries	3,400	-	-	-	-
Temporary Housing	2,883	-	-	-	-
Disabled Facilities Grants	1,868	1,632	1,111	1,111	1,111
Civic Quarter	1,550	-	-	-	-
Asset Management R & M	849	671	50	50	-
Section 106 funded projects	827	658	-	-	-
Crematorium	446	4,418	305	-	-
CCTV	300	-	-	-	-
Redan Rd	289	-	-	-	-
ICT Services system upgrades	252	582	-	-	-
Housing PRS Delivery via RHL	169	-	-	-	-
Refuse Bins	127	127	127	127	-
Total Capital Expenditure	40,383	13,473	2,196	1,288	1,111

The table below sets out the financing of the capital programme from 2023-24 to 2027-28.

Capital Financing	2023-24	2024-25	2025-26	2026-27	2027-28
	Forecast £'000	Draft Budget £'000	Projected £'000	Projected £'000	Projected £'000
Developer contribution to Wheeled bins	(20)	(20)	(20)	-	-
Homes Infrastructure Funding	(5,012)	-	-	-	-
S106 funding	(713)	(658)	-	-	-
LAHF Funding + Ukraine +S106 Commuted	(2,883)	-	-	-	-
LTA Grant	(114)	-	-	-	-
Leveling Up Funding	(1,240)	-	-	-	-
Disabled Facilities Grants	(1,868)	(1,632)	(1,111)	(1,111)	(1,111)
Borrowing	(28,532)	(8,663)	(1,065)	(177)	-
Capital receipts - Vivid Union Yard	-	(2,500)	-	-	-
Total Financing	(40,383)	(13,473)	(2,196)	(1,288)	(1,111)

8.6 Cabinet considered the revised position for 2023-24 where slippage and additional items approved at meetings on the 8th August and 12th September resulted in a revised Capital Programme for 2023-24 of £50.8million.

8.7 The latest forecast position now indicates that the expected out turn in 2023-24 will amount to £40.383million - a reduction of £10.4million

8.8 The main areas of forecast relate to the following schemes:

Items anticipated to slip into 2024-25: £4.6million

- Frimley and Hawley site development schemes - £562,000
- Disabled Facilities Grant - £236,000
- Section 106 funded schemes - £112,000
- IT related Schemes - £77,000
- Union Yard - £3.6million

True underspend items: £5.9million

- Housing PRS – schemes supporting RHL site development - £5.724million
- The Meads Acquisition - £162,000
- Telephony Replacement project - £27,000

Overspend item: £99,000

- Southwood Visitor Centre - £99k additional works / snagging repairs etc.

8.9 All the above anticipated slippage and underspend items have been reflected in the revised programme for 2023-24 and the proposed programme for 2024-25.

Summary of Key projects

Union Yard

- 8.10 The Capital Programme, as set out in this report, includes the forecast contract expenditure estimates for the construction and development of the Union Yard scheme that Council approved in July 2021. It is anticipated that the whole of the budget approved to date will be fully spent by 2024-25 during which period the scheme will reach completion. Forecast expenditure set out above in 2024/25 also includes an allowance for fit-out of units to enable lease. A small amount of capital funding is held back for 2025/26 to cover the contracted retention fee.

Rushmoor Homes Limited

- 8.11 As set out above, whilst there is no direct capital project funding for RHL in 2024-25, the Council will be financing the acquisition of elements of the Union Yard scheme by the company. In line with the RHL funding agreement, any loans will be at a rate of circa 3% above the Council's cost of funds.

Crematorium

- 8.12 The Aldershot Crematorium is a key operational asset that contributes to the General Fund. Refurbishment of the Aldershot Crematorium was approved by Cabinet in September 2023 (Report No: OS2313). The report sets out the full business case and requested capital funding to progress the scheme through to development. Accurate assessment of refurbishment costs will become available once a Main Contractor has been appointed.

Most of the works are planned to take place in 2024-25, which subsequently impacts the achievable revenue income during this period (as demonstrated in Appendix 2). To minimise the revenue impact, Redan Road Chapel has been restored, enabling services to continue.

As most of the supplies from the Crematorium are VAT exempt the Authority's partial exemption status relating to VAT is affected by the proposed Capital expenditure. As a result, it is likely that the VAT relating to the costs of the works, estimated at £800k, will not be able to be reclaimed and have therefore been included within the current Capital estimates.

The Meads

- 8.13 Purchase of the Meads was approved by Cabinet in April 2023 (Report No. REG2302). The report set out the final business case with regards to the acquisition of Block Nos. 1- 4 The Meads and Kingsmead Shopping Centre, Farnborough. There is currently no capital budget for this scheme in 2024-25 as it was intended necessary capital investment would be revenue funded in the business case. Any requirements that are necessary will come forward with a business case justifying the return on investment and/or the necessity for the investment. This includes any capital expenditure which can be

financed as envisaged within the original business case to ensure value for money.

Civic Quarter

- 8.14 The Civic Quarter was granted outline planning approval in February 2023. During 2023-24, work has continued to progress detailed planning for the scheme and optimise plot potential. As detailed in 8.3 above, further Council investment in the Civic Quarter is not included in the capital programme for 2024-25 beyond some limited enabling works primarily funded by approved grants which are included within 2023-24 programme. In the meantime, the regeneration team will continue to seek external support from government agencies and undertake funded work to increase the value of council land assets.

Other

- 8.15 While disabled facilities grants represent £1.6million of the 2024-25 capital programme, this activity is fully funded by Government. Some of the capital programme supports 'enabling' sites where investment is made to increase the value of the land or property. The remainder are capital costs associated with ongoing service delivery.

9 RISKS AND UNCERTAINTIES

- 9.1 There are a range of risks associated with the delivery of the MTFS and achievement of the Financial Resilience Plan to address the budget shortfall, these are particularly important to identify given the ongoing uncertainty in the estimates and economy. A summary of the key risks over the MTFS period are included below:

- Financial Statements audit backlog to 2020-21 carries risk around impact on available reserves.
- Capacity to resource the work required to achieve a balanced budget and support the Council through the MTFS challenge.
- Timing and value of capital receipts
- Assumptions on interest rates and inflation reductions do not materialise as planned.
- Pooled funds capital deficit does not recover before March 2026 dispensation is removed, requiring the deficit to be included in the revenue account.
- Latent liabilities within the substantial property portfolio crystallise.
- Cost of defending planning appeals will be an unbudgeted call on reserves.

Flexible use of capital receipts

- 9.2 In 2022 the Government issued a new directive under the Local Government Act 2003 which allows flexibility regarding the use of capital receipts from sale of non-housing assets to fund revenue costs of service reform. This applies to

capital receipts that meet the statutory definition and have been received since April 2016.

- 9.3 The Council will have to make significant changes to its service provision including efficiencies. It is sensible to alleviate pressure on revenue reserves using capital receipts and make the required council resolution to enable this to be done. It is the Council's proposed strategy for 2024-25 to use capital receipts for certain revenue costs where these directly lead to the delivery of an ongoing revenue budget saving or efficiency gain, including business transformation.
- 9.4 The current consultation on additional capital financing freedoms may widen the scope of this directive, this will be assessed and considered within the overall financial recovery plan as more detail emerges.

Legal Implications

- 9.5 Section 151 Local Government Act 1972 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that one officer has the responsibility for those affairs (the s151 officer).
- 9.6 The Council's legal duty to set a balanced budget is set out in section 31 Local Government Finance Act 1992, which provides that the Council must balance its expenditure with its revenue.
- 9.7 Section 114(3) Local Government Finance Act 1988 requires that: "The Chief Finance Officer of a relevant authority shall make a report under this section if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure."
- 9.8 The Council appears to be able to balance the 2024-25 General Fund budget, with the use of reserves, and therefore the Chief Finance Officer is not making a report under s114 at the current time. However, the MTFS projects a £19.2million deficit in the period to 31 March 2028. The position of the MTFS is more challenging to assess whether the Chief Finance Officer's statutory obligation will become relevant and whether there will be a requirement to report in accordance with s114 in due course.
- 9.9 The process for the issuing of a s114 report is set out in the Local Government Finance Act 1988. Section 115 provides that the Chief Finance Officer must consult in preparing such a report with the Council's Head of Paid Service and the Monitoring officer. The Chief Finance Officer must provide a copy of their s114 report to the Council's auditors as well as to every elected member of the Council. The Act provides that the Council must meet within 21 days and decide whether it agrees or disagrees with the views contained in the report and what action it proposes to take, including financial controls. There is a prohibition of incurring any expenditure under any new agreement, other than

in respect of funding statutory services, between the date of the report and the Council meeting without the authority of the Chief Finance Officer.

- 9.10 The Council must continue to act lawfully in making decisions on service delivery, regardless of any s114 report. There continues to be a requirement to conduct needs assessments, undertake consultation where appropriate, assess and have regard to equalities implications, and consider all other relevant considerations to inform their decisions about service delivery.

Human Resource Implications

- 9.11 As this report notes, the Council will need to review its services and how they are provided through the Financial Resilience Plan. There may be human resource implications arising from this work.

Equality and Diversity Implications

- 9.12 This report sets out several actions that will lead to changes to the services and provisions the Council provides for residents across the Council. These proposals are subject to further work and decisions in relation to the budget are reserved for Council.

- 9.13 As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation damaging legal challenges.

- 9.14 The Council must, therefore, ensure that it has considered any equality implications prior to decisions taken on proposals that will arise from the actions in the Financial Resilience Plan.

Consultation

- 9.15 All Members of the Council were invited to a budget briefing seminar on 24th January 2024 to discuss the budget proposals and the full budget report is available online.

- 9.16 The Budget Strategy Working Group (BSWG) met on 11th January to review the detailed assumptions and proposed budget estimates. The remit of BSWG will be reviewed to incorporate the additional diligence and member consultation required to deliver the strategies proposed in this report.

10 CONCLUSIONS

- 10.1 The Council can set a balanced budget with the use of reserves. There is a £19.152million deficit over the MTFs term and a Financial Resilience Plan is in place to address the challenge. To achieve this, the budget will require the

implementation of cost reduction, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves.

11. RECOMMENDATIONS

11.1 The Council is recommended to approve the following, as detailed in report FIN2406:

- i) The Executive Head of Finance's report under Section 25 of the Local Government Act 2003 as set out in Appendix 7.
- ii) The Medium-Term Financial Strategy & the strategy set out in this report to resolve the MTFS deficit;
- iii) Draft General Fund Revenue Budget Estimates Summary 2024-25 Appendix 4
- iv) The Council Tax Requirement of £7,683,131 for this Council
- v) The Council Tax level for Rushmoor Borough Council's purposes of £232.74 for a Band D property in 2024-25 (an increase of £6.76)
- vi) The UKSPF project list at Appendix 6
- vii) The Capital Programme as per 8.5 of this report
- viii) The strategy for the Flexible use of Capital Receipts as per 9.2 of this report.

11.2 The Council is also recommended to approve the following, as detailed in report FIN2405:

- i) Council Tax Support Scheme for working age customers be adjusted to increase the maximum Council Tax liability used to calculate Council Tax Support from 88% to 100%, effective from 1st April 2024 and to apply to all calculations made within the Council Tax Support scheme relating to liabilities occurring on or after 1st April 2024.
- ii) that in all other respects the current Council Tax Support Scheme for working age customers continues unchanged with the addition of the annual uplift to rates used within the calculation mirroring those applied to national housing benefit rates as advised by the Department for Work and Pensions.

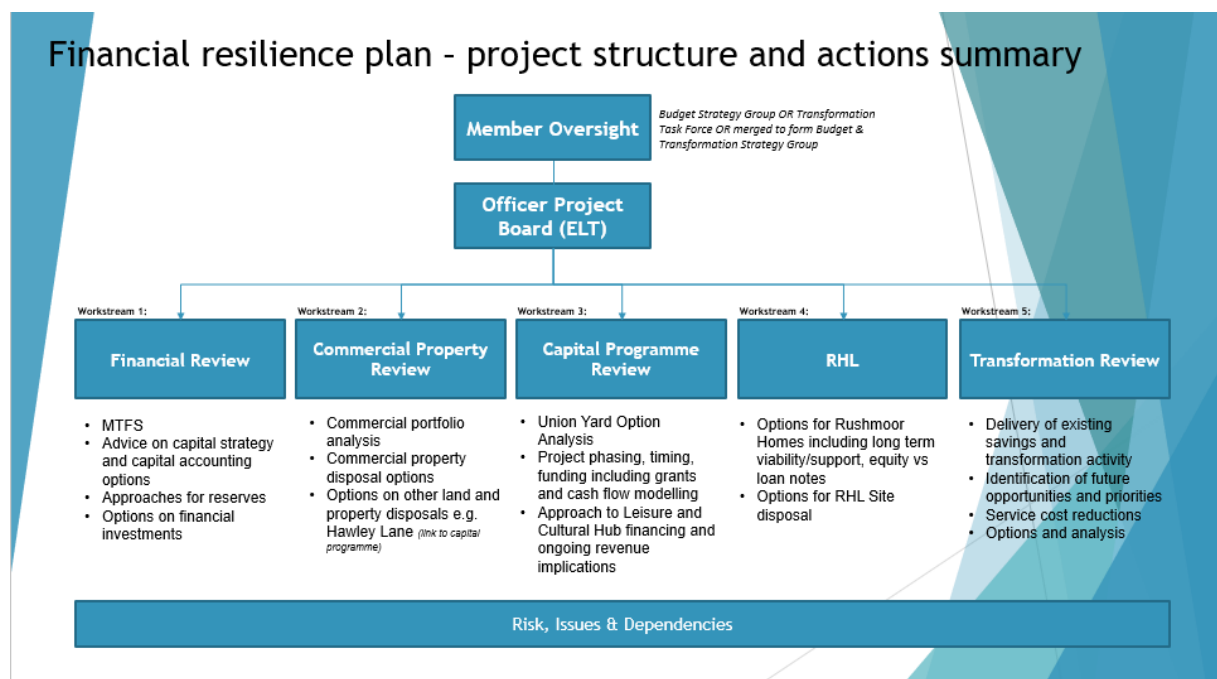
Cllr. G Lyon
Leader of the Council

Appendix 1: MTFS - Financial Resilience Plan

The aims of the Financial Resilience Plan are to achieve financial sustainability and enable service optimisation within the MTFS period without significant impact on Council Plan priorities and deliver the Financial Resilience Strategy set out in the budget report.

The Financial Resilience Plan will be delivered through a number of workstreams that will define and deliver actions to enable the Council deliver the strategy. The workstreams cover the following five areas:

- Finance
- Commercial Property
- Capital Programme
- Rushmoor Homes Limited (RHL)
- Transformation



The principal actions for each workstream are currently as follows:

Finance workstream	<ul style="list-style-type: none"> a) Definition of the Minimum Revenue Position, to be adopted for financial accounting and planning purposes. b) Revision of a regular timetable for financial reporting and budget setting and review. c) Review of treasury operations. d) Review of capital planning methodology. e) Maintenance and improvement of suitable expenditure controls into the medium term. f) Management of the Council's balance sheet. g) Improvements in the quality of working papers, documents, and reconciliations through establishment of new standards for these materials. h) Development of financial skills within the Council. i) Design and consultation on the structure of the finance service at a suitable juncture. j) Review of the Council's management of insurance.
Commercial Property Review	<ul style="list-style-type: none"> a) Review of existing commercial investment property portfolio b) Development of an asset sales strategy and a property income optimisation strategy, with external advisors LSHM, to support and to deliver the best return for the "public purse and leave the council with a balanced portfolio" c) Implementation of the resulting disposal programme
Capital Programme Review	<ul style="list-style-type: none"> a) Continued analysis of the capital programme, including phasing and financial commitments b) Analysis of options pertaining to the future operation and ownership of Union Yard following practical completion c) Review of the Leisure and Cultural Hub project including scope, delivery timescales and funding strategy d) Pursuit of further grant and other funding opportunities that can support delivery of the capital programme
RHL	<ul style="list-style-type: none"> a) Review the development schemes supported to reduce the impact on the Council's revenue budget and minimise risk to the Council
Transformation Review	<ul style="list-style-type: none"> a) Delivery of existing savings and transformation activity b) Development of a new transformation strategy which ensures services can be delivered within the financial resources available. This work could include; <ul style="list-style-type: none"> I. Development of options and supporting analysis II. Design and implementation of a revised target operating model III. Design and implementation of revised service designs and associated objectives IV. Design and consultation for proposed organisational changes

External support will be sourced to support delivery of the Financial Resilience Plan and advise on financial recovery, service redesign and transformation. Additional resources will be funded from earmarked reserves and replenished over a two-year period. This must be seen in the context of the need to reduce the debt burden and potential S114(3) position. This 'invest to save' funding is required to enable the Council to realise the targets for balancing the budget over the three-year period.

Appropriate delivery and governance measures will be implemented and agreed with Executive Leadership Team and Cabinet Members to approve actions, implementation plans and track progress against proposed targets. Currently oversight on budget, savings and transformation is undertaken by both the Budget Strategy Working Group and the Transformation Task and Finish Group and members will be invited to consider appropriate oversight arrangements for the Financial Resilience Plan.

Appendix 2: Detailed MTFS 2024/25 – 2027/28				
Detailed Medium Term Financial Strategy	2023-24 Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000
Corporate Services	3,710	3,716		
Customer Experience & Improvement	(421)	(287)		
Democracy, Strategy & Partnerships	2,505	2,670		
Major Projects & Property	2,334	2,537		
Operational Services	9,824	9,976		
Planning & Economy	1,910	1,737		
Net Service Revenue Expenditure	19,863	20,426	21,235	22,319
Projects related to Cap Exp/borrowing:				
Investment Properties:				
Net rental income	(8,013)	(7,901)	(7,901)	(7,901)
Operational costs	660	614	610	610
MRP	1,911	1,299	1,101	1,093
Interest on Borrowing:	1,562	4,371	3,229	2,591
Net Revenue Impact	(3,880)	(1,616)	(2,961)	(3,607)
The Meads:				
Net rental income	(1,843)	(2,085)	(2,085)	(2,085)
Operational costs	1,468	1,868	1,868	1,868
MRP	9	142	120	119
Interest on Borrowing:	91	502	371	298
Net Revenue Impact	(275)	427	274	199
Union Yard:				
Net rental income	-	(470)	(871)	(957)
Operational costs	-	327	139	102
MRP	-	-	380	377
Interest on Borrowing:	669	1,552	1,168	937
Capitalised interest/operating costs	(600)	(388)	0	0
Net Revenue Impact	69	1,022	816	459
RHL Ltd:				
Interest Income - Loan Notes	(522)	(968)	(1,220)	(1,085)
Interest Income - Loans		(78)	(67)	(59)
Operational costs recovered	(70)	(70)	(70)	(70)
Operational costs	-	-	-	-
MRP	25	19	211	209
Interest on Borrowing:	15	855	631	507
Net Revenue Impact	(552)	(241)	(515)	(498)
Crematorium:				
Operating income	(1,615)	(1,248)	(1,858)	(1,858)
Operational costs	879	977	977	977
MRP	12	18	98	103
Interest on Borrowing:	6	239	187	150
Net Revenue Impact	(718)	(14)	(596)	(628)
Civic Quarter				
Operating income	-	-	-	-
Operational costs	-	-	-	-
MRP	68	6	7	7
Interest on Borrowing:	128	363	268	215
Net Revenue Impact	196	369	275	222
Other Operating assets:				
MRP	145	273	271	284
Interest on Borrowing:	258	793	591	479
Net Revenue Impact	403	1,066	862	763
Interest Receivable from Treasury Investment	(1,600)	(2,350)	(2,130)	(1,640)
Earmarked Reserves	(1,124)	119	(66)	(66)
Net General Fund Revenue Budget	12,383	19,208	17,194	17,524
Funded by:				
Council Tax	(7,448)	(7,706)	(7,793)	(8,063)
Business Rates	(4,077)	(5,100)	(5,274)	(5,957)
New Homes Bonus	(658)	(384)	-	-
Funding guarantee	-	(514)	-	-
Services Grant	(96)	(16)	-	-
Revenue Support Grant	(104)	(111)	-	-
Total Funding	(12,383)	(13,829)	(13,066)	(14,020)
Net (Surplus)/Deficit	0	5,379	4,127	3,504

Appendix 3a – Income analysis		
Service	Description	£'000
Corporate Services		
Finance - Revenues	NNDR admin grant increase	(4)
	VEP grant	(23)
	Housing Benefit Admin grant reduction	19
Legal	Land charges search fees	29
	Legal cost recovery on tenant leases	5
Customer Experience & Improvement		
Facilities Management	Council Office lease income	(26)
Major Projects & Property		
Investment Property	Industrial Estates rent increases	(14)
Other Highways	Car boot sales pitch charges budget correction	8
	HCC contributions	(14)
	Market stall fees	(5)
Property	Increased viability assessments	(4)
Operational Services		
Commercial Services	Car Parking	(140)
	Cemeteries fees	(15)
	Community Hall fees	(2)
	Princes Hall	(92)
Crematorium	Crematorium fees	(98)
	Crematorium Fees reduction - refurb impact	454
Housing	Houses In Multiple Occupation licensing	(10)
	Rough Sleepers Initiative Grant	(101)
Place	Allotments rents	(2)
	Bulk waste collection charge	(3)
	Car Parking	(19)
	Green Waste charge	(13)
	Health Food Safety fees	(7)
	Health Licensing fees	(3)
	Pest control contract referral fee - contract ended	2
	Recreation ground licenses	(21)
	Refuse waste bin charge	8
	Serco contract guaranteed minimum sum	(6)
Place Protection	HCC contributions	(3)
	Health Licensing fees	(3)
	Taxi Licensing cost recovery	(5)
Planning & Economy		
Planning	Building control	(37)
	Development management application fees	(126)
	Increase Grainger contribution for Implementation Officer	(20)
Grand Total		(293)

Appendix 3b – Base Budget Growth analysis

Service	Description	£'000
Corporate Services		
Finance	Borrowing brokerage fees	65
	Audit support contract adjustment	(27)
Customer Experience & Improvement		
IT	IDOX and Pay360 cloud one off costs in 2023/24 from base budget	(124)
Major Projects & Property		
Investment Property	Kings Mead rent adjustment	124
	168 High Street Guildford - net	41
	Optrex Business Park - net	(27)
	Ashbourne House - net	117
	Frimly Business Park - net	(33)
	Victoria rd - net	(124)
Property	35/39 High Street Aldershot, 1st floor let including of Business rates, RBC liability	21
Property The Meads	The Meads Blocks 1&2	(226)
	The Meads Shopping Centre	(156)
	The Meads Multi Story Car Park additional costs	488
Regeneration	Digital Games Hub lease cessation	(105)
	RDP cost recharge ceased in 2022/23 budget removed	132
Union Yard	Union Yard Mobilisation	(143)
Operational Services		
Commercial Services	Loss of 2 car parks, community centre and Ordnance rd, cost saving	(17)
Housing	Release budget provision for North Lane and Airport lodge	(323)
Place	Glass Recycling, it is likely that HCC will keep the glass income	24
	Extended Producer Responsibility income	200
	Materials Recovery Facility income	90
	Redan road depot business rates no longer RBC liability	(7)
	Public Conveniences contract reduction	(42)
Planning & Economy		
Economy	Gulf Stream one off grant in 2023/24 removed from base	(100)
Planning	Local Plan review	73
Grand Total		(79)

Appendix 4: General Fund Revenue Budget Summary 2024-25

General Fund Budget Summary	2023-24	2024-25	
	Original Budget	Draft Budget	Change
	£'000	£'000	£'000
Corporate Services	3,390	3,703	313
Customer Experience & Improvement	(421)	(294)	127
Democracy, Strategy & Partnerships	2,505	2,674	168
Major Projects & Property	(5,393)	(5,109)	284
Operational Services	9,087	9,722	635
Planning & Economy	1,909	1,738	(171)
Net Service Revenue Expenditure	11,077	12,433	1,356
Corporate Income & Expenditure changes:			
Interest receivable from treasury investment	(1,600)	(2,350)	(750)
RHL interest	(522)	(1,045)	(523)
Minimum Revenue Provision (MRP)	2,170	1,758	(412)
Interest payable on borrowing	3,001	8,675	5,674
Capitalised interest	(600)	(381)	219
Total: Corporate Income & Expenditure	2,450	6,657	4,207
Use of reserves:			
Transfers to and from earmarked reserves	(1,124)	119	1,243
Use of reserves - General Fund deficit	-	(5,379)	(5,379)
Total: Use of reserves	(1,124)	(5,260)	(4,136)
Central Government Funding changes:			
Retained Business Rates	(4,087)	(5,100)	(1,013)
New Homes Bonus	(658)	(384)	274
Non Ring Fenced Grant	(96)	-	96
Revenue Support Grant	(104)	(641)	(537)
Total: Central Government Funding	(4,945)	(6,125)	(1,180)
Total: Budget requirement	7,458	7,706	248
Council Tax Collection fund	(10)	(23)	(13)
Less Council Tax	(7,448)	(7,683)	(235)
Net (Surplus)/Deficit	-	(0)	(0)
Earmarked Reserve balance:			
Opening balance	(13,060)	(10,560)	
Budgeted Earmarked reserve movement	1,124	(119)	
Forecast 2023/24 deficit	1,376	-	
Budgeted 2024/25 deficit	-	5,379	
Closing balance	(10,560)	(5,300)	

Appendix 5: Budgeted Earmarked Reserve movement

MTFS: Budgeted Earmarked Reserve movement

	2023/24	2024/25
Homeless funding		(49,622)
Homes for Ukraine	(350,000)	(26,652)
Climate Change post reserve drawdown		(45,685)
Maintenance Amenity Areas		(17,515)
A331 Air Quality Project		(42,890)
SANG maintenance		(31,520)
Interest on SANG balances		297,613
Mercury Abatement Levy		35,400
Digital Team Funding	(250,000)	
Commercial Property Income Recovery	(400,000)	
Contribution from Reserves	20,000	
Transfer to Reserves for Regen, Prop & Major Projects	(100,000)	
Saving that couldn't be met - Change of Address Scheme	(44,000)	
Total Earmarked Reserve drawdown	<u>(1,124,000)</u>	<u>119,128</u>
Change in EMR on the face of the MTFS		<u>1,243,128</u>

Appendix 5b: Budgeted Earmarked

Reserves:

	as at 31/3/2023
Earmarked reserves	(10,807,303)
Risk reserves	(2,252,797)
Total Earmarked Reserves	<u>(13,060,100)</u>
SANG/Developers Reserves Sub Total	(6,076,128)
Total Reserves:	<u>(19,136,228)</u>

Appendix 6 UKSPF projects

The UK Shared Prosperity Fund (UKSPF) aims to build pride in place and increase life chances across the UK. Launched in April 2022, UKSPF is the replacement for the European Structural Fund and Investment Programme. Part of a suite of complementary funding, the UKSPF is a central pillar of the Government's Levelling Up agenda and a significant component of its support for places across the UK. Rushmoor has been allocated up to £1 million from the fund, with the majority (£898,000) of the funding allocated in the final year of the programme (2024-25).

Cabinet considered Report No. ACE2204 at its meeting on the 5 July 2022, setting out the development of our UKSPF Investment Plan. It was agreed that the Investment Plan would centre on delivery of local interventions falling under these themes:

- Communities & Place
- Public realm improvements (for example, wayfinding, cycling and pedestrian access opportunities)
- Town centre events & promotions (including town centre management, events & support for town centre businesses)
- Practical support for place and businesses during town centre transition (including small scale adjustments and changes to support wider regeneration programmes)
- Heritage, Culture & Arts activities
- Health (to address priority needs (e.g., hypertension, childhood obesity and mental health) in areas of deprivation (e.g. Active modes, access to green space etc))
- Local & neighbourhood support (to incorporate smaller scale, more local projects)
- Supporting Local Business
- Sector Support (including Aerospace, Digital & Creative and Incubator Hubs)
- People & Skills
- Apprenticeships, Training & Skills Development

It was also agreed that interventions should meet these criteria:

- A priority in the Council Plan or an action in any other existing Council strategy
- Visible and will deliver tangible benefits for the residents of Rushmoor
- Sustainable within the confines of the fund (i.e., will not incur additional costs or resource demands for the Council (now or in the future)).

Cabinet gave delegated authority to amend and submit the plan, taking into account feedback from technical advisors, PPAB, and the local MP. Policy and Projects Advisory Board (PPAB) considered the Investment Plan at its on 13 July 2022.

Officers reviewed the original investment plan projects and proposed a revised project list for 2024-25. This review considered validity and relevance one year on (including

consideration of the Council's financial context), to ensure projects will have a lasting impact, can be self-sustaining, and to minimise the use of fixed term contracts.

PPAB considered the health projects for 2024-25 at its [meeting on the 26 September 2023](#). PPAB recommended to Cabinet that a series of mental health prevention activities are supported through the Council's allocation of UKSPF. Cabinet accepted the recommendation at its [meeting on the 21 November 2023](#). PPAB considered the remaining shortlist of UKSPF projects for delivery in 2024-25 at its [meeting on the 29 November 2023](#).

The total expenditure within the revised project list is £1,000,000. This represents a potential over-programming of 10%. This isn't unusual at this stage of the process. It is likely that this will be further refined as more detailed project plans are developed. Over-programming can be a helpful tool in mitigating against any risk of programme underspend.

PPAB endorsed the project shortlist and recommended approval to Cabinet. PPAB also recommended that:

- A range of options are considered for the enhancement of public realm in Farnborough to reflect the longevity of the site and value for money.
- Place branding work follows established best practice.
- The project to provide wrap around skills support and an enhanced North Hampshire Employment and Skills Zone website could benefit from additional funding.

Project List :

Project ID	Project Title	Project Description	Cost £
CP1	Arts and Events Apprentice and admin support	Continuation of an existing temporary post. The post supports activity across the town centres, markets and events. This intervention could be matched against a potential ACE Place Partnership bid.	25,000
CP2	Farnborough Hoardings	Direct commissioning and/ or community project(s) to animate hoardings in Farnborough.	20,000
CP3	Support and commission organisers to deliver heritage, culture and arts delivery, including free parking in the town centre to support event attendance	Linked to the Cultural Strategy this will enable more creative and cultural activity to animate the town centres. The funding will support groups, organisations and partners to run events and activities which engage communities and support the shared priorities in the Cultural Strategy. Projects will also meet wider corporate objectives such as vibrant town centres.	110,000
CP4	Farnborough heritage trail totems.	The virtual heritage trails will be supplemented with physical totems to highlight each route. These would match the existing totems in Aldershot. Scope will include promotion of the existing virtual apps.	20,000
CP5	Union Yard animation	Encourage further footfall through installation of projector to display procured artwork on blank facade and temporary artwork/ shop front vinyl's.	20,000
CP6	Enhancement of public realm to enable events programme in Farnborough	Creation of a temporary town square. Use of unutilised space to create events space and increase footfall into the town centre. Supports CP3.	300,000
CP7	Developing a place brand for Farnborough	To develop a place brand for Aldershot and Farnborough to proactively promote the offer of both towns. This will aim to increase footfall in the town centres and give more visibility to the regeneration that will transform both places.	60,000
CP8	Town centre footfall counters	Review, renew and combine two contracts that expire in Spring 24 providing additional benefits and efficiencies in monitoring footfall in Farnborough and Aldershot.	6,000
CP9	Shop Front Improvement Grants	A grant fund for independent town centre businesses to apply for funding for shopfront improvements. These will be small grants to support minor improvements to shop fronts. They will improve the overall environment of the town centres.	20,000
CP10	Aldershot Town centre promotion and improvement	Small scale enhancements to improve the environment of the town centre. Shop front vinyls, banners, wayfinding, street furniture and other materials to promote Aldershot and improve areas of the town centre linked to Union Yard opening.	10,000

Project ID	Project Title	Project Description	Cost £
CP11	Town Centre Transition Fund 2024/25	Funding to support events, arts and town centre activities in Aldershot and Farnborough. The funding will support RBC's existing core events programme including Christmas light switch Ons, the Rushmoor Heritage Festival (September) and Playfest (August).	29,000
CP12	North Camp business support	Match funding to support initiatives to boost footfall and trade in North Camp. To be matched by HCC (2:1). This match is not confirmed.	10,000
CP13	Lighthouse Project - Aldershot Park	Emmaus Rd. has secured use of the Vivid community base on Andover Way in Aldershot Park to establish a Lighthouse Project from the site. The project will host a range of activities for the local community in Aldershot Park, focused on supporting and/or improving multiple aspects of residents' lives through connecting them to each other and to services/support.	10,000
CP14	Youth Cafe - Aldershot	Development and delivery of regular provision for young people in Aldershot. The Youth Cafe will provide a safe space for local young people aged 11-16 to come once a week after school, to spend time with their peers, take part in youth-led activities and access support independently from their school and home environments. UKSPF budget will be used to bring in external expertise to deliver mental health workshops and participant-led activities over the year with two age groups over different evenings.	30,000
CP15	Farnborough and Aldershot Health Inequalities Support	Range of support to reduce Aldershot and Farnborough Health Inequalities. Physical activity programmes, Weight Management and healthy eating programmes, healthy walks programme, health checks and smoking reduction, support to men's mental health , art therapy and provision of mental health training and support to youth providers	15,000
CP16	Youth Club – Farnborough	Prospect Youth Club is an established youth provision in Farnborough which offers a safe space for local young people aged 13-17 to come once a week after school, to spend time with their peers and take part in youth-led activities. The allocation of UKSPF will help provide mental health workshops and sport coaches.	5,000
CP17	Cost of Living Support in Targeted Deprived Areas	Last year we created cost of living information pages on the council website. This includes advice and support with bills and heating, food, clothing and warm spaces. Partners are providing a variety of warm spaces around the borough and supporting the most vulnerable across the borough. As more open, we will be contacting them to find out what support they need, such as refreshments or warm boxes.	10,000
CP18	Funding for neighbourhood level interventions to increase pride in place	A £70k fund to support small-scale neighbourhood projects to improve resident's pride in place at a local level, complementing the proposed measures in Aldershot and Farnborough Town Centres. This would be a fund that groups and organisations could bid to in order to receive grant funding allocations.	70,000

Project ID	Project Title	Project Description	Cost £
CP19	Post to encourage community ownership of civic quarter/leisure and cultural hub	To appoint a Community Engagement Officer. This is a new and dynamic role funded by UKSPF focussed on increasing and improving community involvement in Farnborough. It will involve extensive community engagement, ongoing communication activities that are inclusive for the Farnborough population, event planning and management and overall project management.	60,000
SLB1	Farnborough Airshow 2024 and aerospace proposition	RBC's participation at the Farnborough Airshow 2024 - To include an investment proposition and marketing material to promote Farnborough as a great place to locate to. Linked to RBC/EM3/SQW jet zero commission.	20,000
SLB2	Future Flight Incubation Support	Support the development of a Future Flight Incubator. The Hub would support 6-7 early-stage businesses over an 18-month to 2-year period, developing technology to contribute to sustainable aviation. Support would take the form of subsidised office space, advice, technology support and mentoring. Proposition to be developed with Farnborough Aerospace Consortium, FCoT, HCC and others.	20,000
PS1	Digital and creative industries upskilling + mentoring programme	Programme focused on digital and creatives industries skills development and upskilling. Creating a vibrant network of creatives ready to support the cultural hub, meeting local business needs, and filling skills gaps.	60,000
PS2	Promoting STEAM careers	A series of activities across the borough, working with local businesses and skills providers to promote STEAM careers, including a 'STEAM' festival.	20,000
PS3	Wrap around skills support and enhanced NHESZ website	Wrap around skills and employment support in person and through virtual channels. Maintain, improve and enhance existing NHESZ website. This project could be linked to CP13 and CP14.	30,000
	Management / Admin Costs	To undertake necessary Fund administration, such as project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement.	20,000
		Total UKSPF funding allocation:	1,000,000

Appendix 7

Local Government Finance Act 2003, Section 25: Budget calculations: report on robustness of estimates

1.1 Section 25 of the Local Government Finance Act 2003 requires the chief finance officer (CFO) (section 151 of the Local Government Act 1972) of the Council to report to Full Council on the following matters:

- the robustness of the estimates included in the budget
- and the adequacy of the financial reserves in the budget

1.2 The Act requires councillors to have regard to this Section 25 report in making decisions at the Council's budget setting and council tax setting meeting(s).

1.3 Section 26 of the Local Government Finance Act 2003 Minimum reserves: requires the CFO to ascertain a minimum level of reserves for the council and to determine the level of reserve at the end of the financial year under consideration, which cannot be less than the minimum set by the CFO.

Robustness of Estimates

1.4 Budget setting is based on a standstill approach in cash terms, with inflationary provision normally only made for specified expenditure (e.g., Pay Award, contracts with agreed uplift mechanism). The revenue budget is increased by unavoidable budget pressures that cannot be mitigated elsewhere.

1.5 The basis on which the budget for 2024/25 and the MTFS have been prepared has been set out clearly in this report, including sensitivity testing to specific changes in risk and assumptions. The key financial issues addressed within the budget estimates are described in paragraph 2.5 of the report.

1.6 The Meads, a recent acquisition is still undergoing detailed financial due diligence to ascertain the ongoing budget requirement, the transfer of property from Union Yard to RHL is a significant budget assumption and investment property long term maintenance commitments and rental income modelling is not reconciled to the MTFS revenue budgets beyond 2024/25. These items are significant contributors to the budget estimates and deficit position and progress will be reflected in the July 2024 budget review.

1.7 The MTFS shows a £19.152million budget deficit as described in paragraph 2.6 of the report. Paragraph 4.1 to 4.9 of the report describes the process to address the deficit and bring the revenue account back into balance. This includes two savings targets, a reduction in service costs of £2million over four years and £40million of capital receipts generated from asset sales to reduce the level of external borrowing. Full detail is in paragraph 4.8 of the report. These savings targets have been set predicated on the assumptions on interest rates and inflation within the MTFS and may require further revision in the July 2024 Budget review.

Risk

1.8 As indicated in the reports to Cabinet and Full Council, there are several financial risks that the Council will face over the medium-term. The 2024/25 Budget and the

MTFS have been prepared with consideration of the risks summarised in paragraph 9.1. It has not been possible to mitigate these risks through use of reserves alone and a budget recovery plan has been proposed. In addition, there is a government proposal to change capital accounting regulations currently being consulted that may come into effect and provide mitigation. More detail on this will be brought forward as part of the July budget review.

Adequacy of the Reserves

- 1.9 The Budget Strategy set a target for the General Fund balance (working balance) to be maintained at a minimum of £2m. In addition to the £2million working balance, the Council had £19.136 million of reserves on 1st April 2023 consisting of £6.08million SANG maintenance reserves, £2.25million risk related reserves and £10.8million of earmarked reserves. The MTFS presented in paragraph 2.6 forecasts that a significant repurposing of earmarked reserves will be required during 2023/24 (i.e., current year forecast deficit) 2024/25 to fund the forecast deficit.
- 1.10 The level of reserves shown in the table on paragraph 2.6 of the report indicates that the Council has sufficient reserves to set a legal budget for 2024/25, and potentially 2025/26, the cumulative funding gap of £19.152million over the MTFS period will reduce the reserves to a nil balance during 2027/28. This will need to be addressed over the coming months through the implementation of the savings plan described above.
- 1.11 Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2024/25 and the need to ensure reserves remain adequate over the medium-term.

Peter Vickers
Executive Head of Finance and Section 151 Officer

12 February 2024

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COUNCIL MEETING – 22ND FEBRUARY 2024**AGENDA ITEM NO. 6 (4)****PAY POLICY STATEMENT / GENDER PAY GAP**

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 31st January, 2024.

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 31st March 2023. This information is for noting by the Council.

RECOMMENDATIONS

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

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.

P.J. CULLUM
CHAIRMAN OF CORPORATE GOVERNANCE
AUDIT AND STANDARDS COMMITTEE

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/59562/091042.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:

$$\frac{(\text{£highest rate}) - (\text{£lowest rate})}{\text{£highest rate}} \times 100 = \text{Gender Pay Gap \%}$$

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

For Rushmoor Borough Council the following applies:

$$\frac{\text{£21.11 (male average)} - \text{£18.43 (female average)}}{\text{£21.11}} \times 100 = 12.69 \%$$

£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:

$$\frac{\text{£20.27} - \text{£18.34}}{\text{£20.27}} \times 100 = 9.52 \%$$

£20.27 x 100 = 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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ANNEX 5

COUNCIL MEETING – 22ND FEBRUARY 2024

AGENDA ITEM NO. 6 (5)

VARIATION TO THE CAPITAL PROGRAMME –
FARNBOROUGH REGENERATION AND LEISURE AND CULTURAL HUB

A report from the meeting of the Cabinet held on 6th February 2024.

SUMMARY

On 6th February 2024, the Cabinet considered [Report No. REG2402](#) which provided an update on the project for the delivery of the proposed Leisure and Cultural Hub in Farnborough and the associated operator procurement. The report set out options for the next stages of the project. The options took into account the design work undertaken since October 2023, impacts of inflation and the implications for the current funding strategy given the position relating to the Council's future capital programme as set out in the 2024/25 budget report.

The report also provided an update on the Council's successful bid for One Public Estate Brownfield Land Release Fund (BLRF) funding. £1.725m was allocated to the Council to support the regeneration of the Civic Quarter. The funding was for a package of regeneration enabling works including the demolition of the Pinehurst Roundabout decked car park and site preparation and utilities diversions across a number of development plots on the Civic Quarter. The fund timescales require these works to be in contract by March 2024 and land released for housing by 2027.

At the meeting on 6 February 2024 Cabinet:

- (a) Noted the revised costs of the current stage of planning and design work (RIBA Stage 3) of £386,855 and approved an initial £50,000 towards potential redesign work
- (b) Approved the undertaking of a costing exercise by Willmott Dixon on the RIBA 3 designs to provide market tested costs for consideration before the decision to move to the next stage of design and development (RIBA Stage 4)
- (c) Approved a pre-planning public consultation exercise to be undertaken in March 2024 on the designs at the conclusion of the RIBA 3 design process
- (d) Noted the adjustment in the overall project timeline to take into account the market cost exercise and to provide a period for any necessary design revisions as a result of the report and the pre-planning public consultation
- (e) Noted the work being undertaken as part of the Council's Financial Resilience Plan to address the affordability of the current and future capital programme

and the links to the decision to move fully to the next stage of design and development (RIBA stage 4).

- (f) Noted the revised funding strategy for the project given the position set out in 2024/25 budget report and supporting Financial Resilience Plan
- (g) Noted the approach to the demolition of the Pinehurst Car Park and the temporary relocation of the Council's Car Boot sale to the High Street multi-storey car park in Aldershot.
- (h) Agreed that any slippage on the Civic Quarter capital budget in 2023/24 be used to progress elements of the Civic Quarter regeneration programme where this could lead to improved land values in line with the Financial Resilience Plan

Cabinet also made recommendations to the Council as set out in (1) and (2) below in relation to changes to the capital programme.

RECOMMENDATIONS

To progress the next steps in the regeneration of Farnborough and the delivery of the Leisure and Cultural Hub it is recommended to Council that it approve:

- (1) an increase of £255,000 in the Capital budget for 2023/24, funded by a further draw down from the Levelling Up grant for the Leisure and Cultural Hub; and that
- (2) £1.725 million One Public Estate Brownfield Land Release Fund grant to enable the demolition of the Pinehurst Car Park and site preparation and utilities work across plots established by the Civic Quarter Masterplan be included in the 2023/24 and 2024/25 capital programmes as appropriate.

1 INTRODUCTION AND BACKGROUND

- 1.1 Since 2019, the site of the former Farnborough Recreation Centre, Plot B on the Civic Quarter Masterplan (See Figure 1 below) has been identified for the development of a new leisure centre.



Figure 1 Civic Quarter Development Plots

- 1.2 In January 2023 confirmation was received that the Council's application for £20million funding had been successful. Cabinet reports during 2023 confirmed the scope of the project and received approval for funding for the design development stage (RIBA stage 3). The Memorandum of Understanding was entered into with the Department of Levelling Up, Housing and Communities for the levelling up funding and drawdown from the levelling up grant is now made on a quarterly basis.
- 1.3 The project will deliver co-located Leisure, Library and Cultural facilities. The Leisure offer includes a 6-court sports hall, 8-lane swimming pool, intermediate pool with moveable floor, large fitness suite, studios, soft play and a health suite. The Library and Cultural spaces include dedicated library areas, a digital lab and a range of multi-purpose community rooms. It includes dedicated gallery and community gallery space as well as collaborative spaces for art projects. Spaces will wherever possible be flexible and multipurpose. A large café will also be located on the ground floor. In October cabinet considered two reports REG2307 and REG2308 on 3 and 17 October respectively. These reports enabled the next stages of the project to proceed and confirmed that the design should be to Passiv Haus standard and the Council offices should also be co-located in the Hub, releasing the existing site for sale and redevelopment in accordance with the Civic Quarter Masterplan parameters.

- 1.4 Alongside the Hub, the project will deliver a car park (mobility hub), skate park and play area as part of the public realm elements of the Masterplan.
- 1.5 The February 2024 report considered by Cabinet provided an update on the detailed design stage (to RIBA Stage 3 and planning submission) and the forecast project costs. It highlighted potential cost pressures due to increases in materials costs and inflation generally and proposed an approach to gain more certainty prior to moving forward to the next stage of the project whilst still maintaining progress in line with the Levelling Up grant requirements.
- 1.6 The report also provided an update on the leisure operator procurement process and updated the procurement timetable in line with the changes to the main project.
- 1.7 The report then considered the funding strategy for the project in the light of the 2024/25 budget report, the revised medium term financial strategy and the Council's Financial Resilience Plan.
- 1.8 Finally, the report set out next steps for the enabling elements of the Civic Quarter Master Plan overall which can be externally funded from the One Public Estate Brownfield Land Release Fund grant and recommends the inclusion of these works in the Capital Programme.

2 Design Stage (RIBA 3) Update

- 2.1 A full design team was appointed with GT3 Architects as lead consultant to progress design to the end of RIBA Stage 3. The output from this stage is a spatially coordinated design and all documentation to support a planning application.
- 2.2 The project is overseen by the Leisure and Cultural Hub Project Board and work has progressed well and in line with the timetable agreed in October. A public engagement event was held in November where the initial designs were shared and views sought on these and how the proposed spaces in the new building would be used.
- 2.3 The spatial design will be 'frozen' during February to allow the technical consultants to undertake their detailed work and preparation for the supporting planning/technical documents to commence.
- 2.4 The working project budget is currently £68.265m. The October report explained that at the end of RIBA stage 3 we would expect to have a more accurate view of construction costs. The Council's cost consultant, Artelia, has raised the risk of cost pressures resulting from both materials price increases and also the underlying level of inflation. Tender costs being received on other Levelling Up and regeneration projects across the country would support this view.
- 2.5 To help mitigate this risk, and to ensure the project does not move forward with an unrealistic cost estimate, it was proposed to Cabinet that the Council

seek to gain greater cost certainty through a contractor market testing exercise (market tested cost plan) based on the designs at the end of RIBA stage 3. The cost of this will be an additional £38.4k plus VAT which can be funded from the Levelling Up funding.

- 2.6 The Leisure and Cultural Hub Project Board were advised of this position and agreed that Cabinet should be recommended to undertake this additional work at the end of RIBA stage 3. This required some amendment to the current project timelines which are set out in paragraph 2.11 below.
- 2.7 Due to the inclusion of the Council Offices and the decision to design to Passiv Haus and the market testing exercise there are some increases to design fees for RIBA stage 3 as set out in table 1 below:

Table 1 - Design Fees adjustments following October Cabinet report	Cost
Uplift associated with PassivHaus	£88,016
Uplift associated with inclusion of Council office accommodation	£125,405
Planning costs	£85,050
WDC market tested cost plan and design review at RIBA stage 3	£38,384
Site surveys (brought forward from RIBA stage 4)	£50,000
Total	£386,855
Estimated variation from current RIBA 3 budget allocation (£1,240,000 LUF)	£205,000
Estimate for additional redesign following market cost exercise	£50,000
Total additional drawdown from Levelling Up funding (LUF) for RIBA stage 3	£255,000

Table 1 also includes £50,000 to enable site survey work to be undertaken early, again to provide more certainty on implications for future groundworks. The table also includes a further £50,000 to provide an additional budget for limited redesign activities to support the preparation of the planning application if required, after consideration of the Wilmot Dixon report. Use of this budget would be agreed with the Project Board. If changes to the current project budget arising from the market cost report were to be very significant then this would be the subject of a further report to Cabinet. All these costs can be met from the Levelling Up grant and the Cabinet is recommending that the Council increase the 23/24 Capital programme by £255,000.

- 2.8 It is proposed that pre-planning public consultation be undertaken in early March based on the completed RIBA 3 designs. The outcomes from this consultation can then be taken into account alongside any redesign work arising from the market testing report.

- 2.9 The next stage of the design work is known as RIBA stage 4. Detailed technical design commences at RIBA Stage 4, preparing all design information required to manufacture and construct the project. This information will be costed by the Contractor and a detailed set of Contractors Proposals and costs are submitted at the end of RIBA Stage 4. Following review and agreement of this information and a contract sum, the Council would then enter into a construction contract and the build will commence.
- 2.10 The 3 October report identified that Cabinet would be asked in February 2024 to give final approval for the appointment of Willmott Dixon under a Pre-Construction Services Agreement (PCSA) to progress design to the end of RIBA Stage 4. Upon appointment the current design team would novate to Willmott Dixon. Approval to procure Willmott Dixon using the Procurement Hub was given by Cabinet in Cabinet report RP2102 and re-validated in March 2023 (REG2303). At the end of RIBA Stage 4 a detailed suite of Contractors Proposals would be submitted for review by the technical team. This information would form the basis of the build contract and final contract sum. Once outstanding matters have been resolved, a Final Business Case would be prepared for approval by Cabinet and Council to secure agreement to enter the build contract. It was anticipated that this would take place in early 2025.
- 2.11 Given the market cost exercise and allowing time for resulting redesign work and subsequent submission of a planning application, the project timeline has been updated. The timeline has also been adjusted to bring the final decision to progress to RIBA stage 4 in line with work being undertaken as part of the Council's Financial Resilience Plan.

Revised Project Timeline

- RIBA Stage 3 concludes February 2024
- Pre-planning public consultation early March 2024
- Market tested cost plan received early May 2024
- Design review/cost engineering May-June 2024
- Planning submission June 2024
- Approval to appoint contractor (PCSA) July 2024
- Commence RIBA Stage 4 July 2024
- Planning approval September 2024
- Contractor Proposals February 2025
- Contract Award May 2025
- Construction 24 months (practical completion May 2027)

3 Cultural Offer

- 3.1 Discussions are underway with Arts Council England on a Rushmoor bid for a Place Partnership Project Grant. This revenue grant is aimed at projects which aim to make a step change in cultural and creative opportunities in places and a long-term difference to the cultural life of the community. A bid of up to £1 million is being scoped to fund a three-year programme of cultural activity which will help to enhance the cultural offer of Farnborough before the opening of the Leisure and Cultural Hub. UK Shared Prosperity Funding, already

allocated for arts and cultural activities, will be used to match investment from the Arts Council.

- 3.2 Rushmoor's bid has the potential to bring high quality arts and culture into the heart of the community. With community engagement and co-creation at its heart it will seek to engage residents in the development of the cultural offer available through the facilities the Leisure and Cultural Hub provides.
- 3.3 Subject to discussions with Arts Council England, the aim is to submit an expression of interest for a grant over the next few weeks. Should the council be invited to submit a full application, the bid will be submitted by June 2024.
- 3.4 This grant would be in addition to any future bid to Arts Council England for the Cultural Development Fund. This fund could help support the capital cost of the Leisure and Cultural Hub.

4 Operator Procurement

- 4.1 The 3 October 2023 Cabinet report set out the need to procure a partner who shares the Council's vision for the new Leisure and Cultural Hub and will operate flexibly with the key users to optimise participative opportunities and benefits for the local community. The new Leisure and Cultural Hub should play a significant role in reducing health inequalities, (physical and mental), increasing levels of physical activity and providing a wide range of cultural activities in a vibrant setting.
- 4.2 It is the Council's view that the contractual arrangements under the current commercial and operational model, are classified as a service concession contract under the Public Concessions Regulations (2016) and furthermore, fall under the scope of the Light Touch Regime services listed under Schedule 3 of the regulations. This allows the Council to determine with a little more flexibility, the specifics of the procurement process that is undertaken. The Council is undertaking a fully advertised procurement process which encompasses aspects of Competitive Dialogue and Competitive Procedure with Negotiation processes as set out within the Public Contracts Regulations (2015).
- 4.3 The individual stages of the procurement process, along with proposed timescales, were outlined in detail in the October 2023 Cabinet Report.
- 4.4 The operator procurement process commenced on 17 November with the issuing of the Contract Notice on the *Find a Tender Service* and *Contracts Finder* portals. On the same day, the Supplier Selection Questionnaire (SSQ) and accompanying documents were issued via the *Pro-Contract / SEBP* portal.
- 4.5 The deadline for submission of the completed SSQ was 11 December, with six major leisure operators responding. Evaluation of the responses assessed various criteria, (legal standing, financial standing, insurance, H&S, relevant experience, etc), to ensure that only operators with sufficient experience and

scale were taken forward to the next stage. Following evaluation, results were issued on 19 December. All six suppliers were shortlisted and informed they had progressed to the next stage of the process.

- 4.6 Suppliers were also advised at this stage that the issuing of tender documentation would follow on from a period *'to allow the council the time needed to properly review and finalise the operational, procurement, commercial and contracting strategies'*. This allows the Council sufficient time to review the wider Leisure & Cultural Hub project build delivery timescales and make sure that the suppliers have good certainty on the project that is being submitted for planning as the basis for their bids. This period also provides an opportunity to seek external advice on the implications of HMRC's recent changes to VAT rules for the provision of leisure services by local authorities.
- 4.7 HMRC recently announced that, as local authority leisure services are provided under a statutory framework, they can be treated as *non-business* for VAT purposes. This decision has important implications for local authorities on how they deliver such services. A new 'agency route' – whereby the leisure operator acts as an 'agent' of the Council, rather than as the 'principal' – may provide significant financial benefits, and public service tax experts, PSTAX, have been engaged to advise on whether this model should be considered. They concluded that *'an agency model has the potential to provide VAT-related financial benefits - but it is too early to quantify these or any non-VAT related implications in detail (e.g. leases and NNDR)'*.
- 4.8 The proposed 'Full Market Test Cost Plan' to be commissioned by Willmott Dixon is due to be completed early May 2024 and, in line with the revised timescales above, the bid process will be realigned with the submission of planning and the commencement of RIBA Stage 4. On this basis, and assuming any subsequent redesign work takes 6 to 8 weeks, tender documents could be issued in July 2024.
- 4.9 Implications of HMRC's recent changes to VAT rules for the provision of leisure services by local authorities, and any possible benefits of utilising an agency agreement, may also become clearer during this period.
- 4.10 With the procurement process from this point likely to take around five months, this would mean an operator appointment recommended to Cabinet for approval in December 2024, (earlier, should a final period of negotiation with best and final offers not be required), with the contract awarded early January 2025. Mobilisation of the contract could commence at the Aldershot site from 1 April 2025.
- 4.11 The timetable for the operator procurement runs beyond the existing contract with Places Leisure for the operation of the Aldershot facility which ends on 31 March 2024. Cabinet have already approved an extension to the existing agreement with Places Leisure on the same terms for a period of up to 12 months.

5 Funding Position and Revised Approach to Project Financing

- 5.1 As stated above the working project budget for delivery of the Leisure & Cultural Hub is £68.625m. This includes PassivHaus accreditation, delivery of the Mobility Hub, Skate Park and Play Area as follows.

Leisure, Cultural and Council Offices	Mobility Hub	Skate Park	Play Area	Total
£57,649,000	£9,690,000	£375,000	£550,000	£68,265,000

- 5.2 £20m funding is from the Levelling Up grant funding and will be used to fund the early phases of the project. Based on the current outline delivery programme, funding from the Council is currently forecast to be required during financial years 25/26 and 26/27. It is possible that further grants will become available which would be used as early as possible which could defer the point at which the council is required to provide funds. Depending on any additional grants received the Council will be required to secure funding for circa £48.2m to enable delivery of the whole project, with around £38m required for the Leisure and Cultural Hub building based on the current estimate.
- 5.3 Work has been underway to develop the options for the long-term financing of the assets delivered by this project. The Council's current 'capital first' approach to financing the Council's capital projects was set out in the Budget Strategy report in November 2022 and reiterated when the 23/24 budget was set by the Council in February 2023. The high-level financing strategy for this project based on this was as follows;
- £20m Levelling Up funding
 - £3-5m Arts Council/additional grants
 - Capital receipt from sale/redevelopment of Council Offices site
 - Capital receipts from 'enabling plots' and serviced Civic Quarter plots
 - PWLB Borrowing – assumed £20m in the Levelling Up fund approval – funded in part by income from operator procurement/hub income
- 5.4 Due to the current and forecast level of interest rates, assumed Government funding levels and the wider economic forecast, a revised Medium Term Financial Strategy (MTFS) was prepared to support the 2024/25 budget report. That report identifies a need to significantly reduce the current debt held by the Council before any further borrowing is undertaken. This means that, in the short-term, capital receipts will be prioritised to reduce existing borrowing.
- 5.5 This has an impact on this project as the programme of land and asset disposals that could have supported investment in the Hub and the wider

regeneration programme will now first be deployed against debt in line with the approach set out in the budget report. Until there is a sufficient reduction in debt and the Council has confidence in both the level and deliverability of a pipeline of future capital receipts, it will not be possible for the Council to undertake further borrowing for this project. As set out in the budget report, a Financial Resilience Plan is now in place and work is underway to provide more certainty on the pipeline of capital receipts. The decision to move to RIBA stage 4, given the intention at the end of that stage to award the construction contract, will now appropriately take place alongside an updated MTFs position in July. This consideration will also benefit from 6 months progress on delivery of the Financial Resilience Plan. The decision is likely to take the form of a Cabinet report setting out project affordability linked to the revised MTFs and propose a financing strategy for the construction and ongoing running of the new building and services.

- 5.6 The project will continue to use estimates of the likely income to be received from the operator when assessing future net running costs of the building until the operator procurement is completed. The cost implications of the move of the Council offices, forecasts of income from tenant rent and the costs of the new 'cultural offer' also need to be estimated during the next stage of the project.

6 Civic Quarter enabling works - One Public Estate Brownfield Land Release Fund

- 6.1 In March 2023, the Council submitted a One Public Estate Brownfield Land Release Fund (BLRF) bid of approx. £2m for funding to facilitate a package of enabling works including the demolition of the Pinehurst Roundabout decked car park alongside site preparation and utilities diversions across Plot I, H1 and H2. The outcome of this bid was successful and a funding allocation of £1.725m was confirmed. The fund timescales dictate that the necessary works need to be in contract by March 2024 and land released for housing by 2027.
- 6.2 In respect of the decked car park demolition, Ridge multidisciplinary consultants have been working alongside the internal regeneration team and Portsmouth procurement team to prepare the tender documentation and this was issued on the ProActis portal on the 8th January 2024. The open tender required contractors to attend a site visit and respond to the tender by early February. Tender returns will be reviewed, and contracts executed by 31st March 2024 to comply with the One Public Estate BLRF deadline.
- 6.3 It is anticipated that the contractor will be in a position to take possession of the Pinehurst car park from mid-May. The work programme will be confirmed as part of the tender process, but the demolition is anticipated to take up to 6 months. Contractors will submit detailed method statements and risk assessment as part of the tender process. It has been requested that pedestrian access will be maintained throughout. It is likely that a small area of Queensmead Car Park will be used for site set up and welfare although this will be confirmed once the tenders are returned and the preferred bidder identified.

- 6.4 The Council will be aware that the Pinehurst car park hosts a popular car boot sale, particularly during the winter months as it benefits from being covered. The last car boot sale will be held in Pinehurst car park in May 2024, after which it will temporarily relocate to Aldershot in the High Street multi-storey car park. This will be communicated to the public closer to the time with regular stall holders being made aware earlier.
- 6.5 The anticipated tender value is £600,000-£750,000 and the final agreed sum will be paid from OPE funding. The remainder of the £1.725m will be allocated to other Farnborough Civic Quarter enabling works including utilities diversions. Topographical and Ground Penetrating Radar surveys are currently underway which will assist with informing the extent of these works.
- 6.6 Outside the parameters of the OPE funding, the Council continues to have positive dialogue with Homes England on options to support and unlock the delivery of wider infrastructure including the highway changes that will maximise the value of a number of the Civic Quarter plots. Cabinet approved a capital budget in August 2023 to assist with progressing these tranches of work. It is not anticipated that the full allocation of Capital will be expended within the current financial year (23/24). In order to enable the Council to progress conversations with Homes England, it is proposed that any shortfall in expenditure in the current year be carried forward into 24/25 to allow for such items as design feasibility to progress as and when required.

7 Alternative Options

- 7.1 There is an option not to deliver a new facility and use the land for other purposes. This is not in line with Masterplan or Council priorities. Alternative uses for the site have not been assessed but could include use as public open space or other commercial or housing uses. All of these alternative 'exit strategies' would have associated costs and budget implications which would need to be assessed in line with the MTFs. Reinstatement costs for the land would need to be absorbed in the revenue budget if there was no capital project proceeding.
- 7.2 Not providing a new facility would have a significant impact on the leisure procurement and reduce the attractiveness of the current offer to the market.
- 7.3 Re-design of the buildings can also be considered as part of the design process as described above.

8 Consultation

- 8.1 A comprehensive statement of consultation undertaken to date was set out in the 3 October report to Cabinet on this project. Since then, a Public engagement event and other engagement with end users has been undertaken as part of the design processes. The next stage of public consultation will be in March as part of the pre-planning application process.

9 IMPLICATIONS

Risk management

- 9.1 The Council will be accepting a number of risks in proceeding with delivery of this project. These include the usual risks associated with the development and delivery of a capital project of this scale and the associated stakeholder management. While the Council have secured £20,000,000 funding towards the scheme, the Council will be accepting the risk of identifying the remaining funding for the project and the wider scheme as well as the wider revenue implications of delivering the cultural offer.
- 9.2 A detailed project and technical risk register are in place for the project. This is a live document which has been developed during feasibility with input from the Project Team, Technical Advisor and Wilmott Dixon Construction. This will continue to be managed and updated throughout project delivery with risks being closed out as the scheme progresses.
- 9.3 Procurement risks have been mitigated with public procurement compliant frameworks with core project, contractor, and design team appointments already in place.
- 9.4 The top five risks are reviewed at fortnightly project team meetings as well as Programme Board with any significant changes to risk or new risks arising being escalated between meetings if necessary.
- 9.5 Alongside the Risk Register, the Council have an established change management procedure in place. This will document any changes requested during the design phases of the project, assess the cost impact of this and assess the impact to the programme. Any change requests will need formal sign off through a change control form by the Council as client before any of these can be implemented.
- 9.6 The highest scoring wider project risks include:
- Insufficient funding available to proceed with the project results in decision not to progress or change of scope and abortive costs.
 - Grant funding is dependent on project delivery with a risk that costs incurred could need to be covered by the Council if the scheme does not go forward/complete as anticipated.
 - Lack of resource and capacity across the Council to support delivery of the project.
 - Wider Civic Quarter delivery alignment and dependencies unresolved delaying the scheme.
 - Significant ground contamination or other issues.
 - Supply chain, labour and materials shortages resulting in price and programme uncertainty.

Legal Implications

- 9.7 External legal assistance and budget will be required on various aspects of the project, including property, planning and contractual matters. Work will include (but is not limited to) reviewing of consultancy appointments, carrying out necessary due diligence and drafting contractual agreements.

Equalities Impact Implications

- 9.8 The project addresses significant Health and Cultural inequalities as set out in the case for change. An Equality Impact Assessment will be produced during the next phase of the project and updated it as the project progresses.

10 CONCLUSIONS

- 10.1 The Leisure and Cultural Hub project is a significant priority for the Council, and it is important that all reasonable actions are taken to ensure the project can be delivered in line with the Levelling Up timelines. Given the Council's current budget pressures the proposals in this report provide the opportunity to review project costs and revise the approach to project funding in line with the Financial Resilience Plan. The focus of the project over the next year remains to complete the design phase and to develop options for funding based on the delivery of the Civic Quarter Masterplan.

BACKGROUND DOCUMENTS:

Report Nos. REG2307 and REG2308

M.J. TENNANT
PORTFOLIO HOLDER FOR
MAJOR PROJECTS AND PROPERTY

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COUNCIL MEETING – 22ND FEBRUARY 2024**AGENDA ITEM NO. 7****COUNCIL TAX RESOLUTION 2024-25**

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2024-25 will be as follows:

Preceptor	2023-24	2024-25	Increase	
	£	£	£	%
Rushmoor Borough Council	225.98	232.74	6.76	2.99
Hampshire County Council	1,460.25	1,533.24	72.99	4.99
Police & Crime Commissioner for Hampshire	251.46	261.46	10.00	3.98
Hampshire & Isle of Wight Fire & Rescue Authority	80.43	82.84	2.41	3.00
Total Band D	2,018.12	2,110.28	92.16	4.57

1. That it be noted that the Council calculated the amount of 33,011.65 as it's Council Taxbase.
2. Base for the year 2024-25 in accordance with Section 31B(3) of the Local government Finance Act 1992 as amended by the Localism Act 2011 (the 'Act').
3. That the following amounts calculated by the Council for the year 2024-25 in accordance with Sections 31 & Sections 34 to 36 of the Act.
 - a. £ 43,283,163.00 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
 - b. £ 35,600,031.58 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - c. £ 7,683,131.42 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.
 - d. £232.74 being the amount at 2(c) above, all divided by the amount in 1 above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of it Council Tax for the year.

e.

Valuation Band	Rushmoor Borough Council
	£
A	155.16
B	181.02
C	206.88
D	232.74
E	284.46
F	336.18
G	387.90
H	456.48

being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which, in that that proportion, is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. That it be noted that for the year 2024-25 Hampshire County Council, the Police and Crime Commissioner for Hampshire, and Hampshire and Isle of Wight Fire and Rescue have stated the following amounts in precepts issued the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Authority	Precept Amount
	£
Hampshire County Council (HCC)	50,614,782.20
Police & Crime Commissioner for Hampshire (PCCH)	8,631,226.01
Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA)	2,734,685.09

Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue precepts are provisional until the above notified amounts are formally set at their respective meetings on Thursday 29th February 2024. In the event that any of the precepting bodies elects to change their precept, Rushmoor Borough Council will need to reflect the revised precept in line with that formally approved by the precepting body.

Valuation Band	Hampshire County Council	Police & Crime Commissioner for Hampshire	Hampshire & Isle of Wight Fire & Rescue Authority
	£	£	£
A	1022.16	174.31	55.23
B	1,192.52	203.36	64.43
C	1,362.88	232.41	73.64
D	1,533.24	261.46	82.84
E	1,873.96	319.56	101.25
F	2,214.68	377.66	119.66
G	2,555.40	435.77	138.07
H	3,066.48	522.92	165.68

5. That, having calculated the aggregate in each case of the amounts at 2(e) and 3 above, the Council, in accordance with Section 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024-25 for each of the categories of dwellings shown below:

Valuation Band	Total
A	1,406.86
B	1,641.33
C	1,875.81
D	2,110.28
E	2,579.23
F	3,048.18
G	3,517.14
H	4,220.56

6. That the council determines that the Council's basic amount of Council Tax for 2024-25 is not excessive in accordance with principles approved under Section 52(ZB) of the Local Government Finance Act 1992.

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CABINET

Report of the meeting held on Tuesday, 9th January, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr G.B. Lyon, Leader of the Council
 Cllr M.L. Sheehan, Deputy Leader and Environment & Neighbourhood Portfolio Holder
 Cllr M.J. Tennant, Deputy Leader and Major Projects & Property Portfolio Holder

Cllr A. Adeola, Digital First & Corporate Portfolio Holder
 Cllr J.B. Canty, Development & Economic Growth Portfolio Holder
 Cllr Sue Carter, Community Portfolio Holder
 Cllr P.G. Taylor, Finance Portfolio Holder

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **22nd January, 2024**.

41. **DECLARATIONS OF INTEREST**

Having regard to the Council's Code of Conduct for Councillors, no declarations of interest were made.

42. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 21st November, 2023 were confirmed and signed by the Chairman.

43. **REVENUE AND CAPITAL BUDGET MONITORING REPORT - Q2 2023/24 –** (Cllr Paul Taylor, Finance Portfolio Holder)

The Cabinet considered Report No. FIN2401, which set out the anticipated financial position for 2023/24, based on the budget monitoring carried out with Heads of Service and Service Managers during October 2023. Members were informed that the Council was facing a number of external budget pressures that were having an impact on the 2023/24 budget and the Council's finances over the medium term. These included higher than expected interest rates and the rate of inflation. It was reported that, at this stage of the financial year, the projected General Fund net adverse variation was £2.352 million. The Report set out the reasons for this variance and it was confirmed that the risks and pressures were being closely monitored by budget holders. The Cabinet was supportive of the approach proposed and expressed appreciation for the work that had been carried out by the Council's financial officers.

The Cabinet RESOLVED that

- (i) the revenue budget forecast and impact on reserve balances, as set out in Section 3 of Report No. FIN2401, be noted; and

- (ii) the Capital Programme forecast, as set out in Section 5 of the Report, be noted.

44. **BIODIVERSITY SUPPLEMENTARY PLANNING DOCUMENT AND RUSHMOOR HABITAT BANK –**

(Cllr Jonathan Canty, Development and Economic Growth Portfolio Holder)

The Cabinet considered Report No. PG2401, which set out the draft Biodiversity Supplementary Planning Document (SPD) and Rushmoor Habitat Bank Procedure Note for adoption.

Members were informed that the Environment Act 2021 had introduced a new mandatory requirement for new development to provide at least 10% Biodiversity Net Gain (BNG). To support the implementation of this requirement and to maximise local BNG delivery, the Council had developed a proposal to establish a 'Habitat Bank' of off-site BNG units. It was reported that the purpose of the Biodiversity SPD and the Habitat Bank Procedure Note was to provide further guidance to applicants. Members were assured that the matter would be brought back to the Cabinet for further consideration should substantive amendments be required to either document.

The Cabinet RESOLVED that

- (i) the adoption of the Biodiversity Supplementary Planning Document be approved, with the Executive Head of Property and Growth, in consultation with the Development and Economic Growth Portfolio Holder, being authorised to make any necessary factual, statutory and/or non-substantive amendments;
- (ii) the collection of a Biodiversity Net Gain monitoring fee be approved, with the Executive Head of Property and Growth, in consultation with the Development and Economic Growth Portfolio Holder, being authorised to set the level of fee charges;
- (iii) the launch of the Rushmoor Habitat Bank be approved, with the Executive Head of Property and Growth, in consultation with the Development and Economic Growth Portfolio Holder, being authorised to approve the pricing of the Biodiversity Net Gain Habitat Units prior to launch; and
- (iv) the adoption of the Rushmoor Habitat Bank Procedure Note be approved, with the Executive Head of Property and Growth, in consultation with the Development and Economic Growth Portfolio Holder, being authorised to make any necessary factual, statutory and/or non-substantive amendments.

The Meeting closed at 7.16 pm.

CABINET

Report of the meeting held on Tuesday, 6th February, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr G.B. Lyon, Leader of the Council
Cllr M.L. Sheehan, Deputy Leader and Environment & Neighbourhood Portfolio Holder
Cllr M.J. Tennant, Deputy Leader and Major Projects & Property Portfolio Holder

Cllr A. Adeola, Digital First & Corporate Portfolio Holder
Cllr J.B. Canty, Development & Economic Growth Portfolio Holder
Cllr Sue Carter, Community Portfolio Holder
Cllr P.G. Taylor, Finance Portfolio Holder

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **19th February, 2024**.

45. **DECLARATIONS OF INTEREST –**

Having regard to the Council's Code of Conduct for Councillors, no declarations of interest were made.

46. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 9th January, 2024 were confirmed and signed by the Chairman.

47. **COUNCIL TAX SUPPORT SCHEME 2024/25 –**

(Cllr Diane Bedford, Chairman of the Council Tax Support Task and Finish Group)

The Cabinet considered Report No. FIN2405, which set out the work carried out by the Council's Council Tax Support Task and Finish Group in respect of potential changes to the Council Tax Support Scheme. The Chairman welcomed Cllr Mrs. D.B. Bedford, Chairman of the Council Tax Support Task and Finish Group, who was attending to report on the Group's considerations and recommendations.

The Council Tax Support Task and Finish Group had met on 24th July, 2023, 30th August, 2023, 26th September, 2023 and 11th January, 2024 to consider its recommendations to the Cabinet. The Group had considered the on-going impact of Covid-19 and the cost of living crisis and had paid specific attention to a number of matters during its deliberations and these were set out in paragraph 2.3 of the Report. This had led to the Group recommending that a public consultation exercise should be carried out on potential changes to the scheme, which the Cabinet approved at its meeting on 15th October, 2023. The consultation had run from 3rd November, 2023 to 15th December, 2023 and had attracted a total of 522 responses. Having considered the results of the consultation exercise, the Group recommended that, for the calculation of Council Tax Support for 2024/25, the

maximum Council Tax liability used should be increased from 88% to 100%. This would mean that in cases where maximum support was granted, no Council Tax would be payable. The rationale for this recommendation was set out in the Report.

In discussing this proposal, Members were assured that the change would be implemented, initially, for a single year, with the ability to make further changes at the end of that period. The Cabinet expressed gratitude to the Council Tax Support Task and Finish Group for its work in producing these recommendations.

The Cabinet

(i) **RECOMMENDED TO THE COUNCIL** that:

- (a) the increase of the maximum Council Tax liability used to calculate Council Tax Support from 88% to 100% be approved, to take effect from 1st April, 2024 and to apply to all calculations made within the Council Tax Support Scheme relating to liabilities occurring on or after 1st April, 2024; and
- (b) all other respects of the current Council Tax Support Scheme for working age customers be unchanged, with the addition of the annual uplift to rates used within the calculation mirroring those applied to national housing benefit rates, as advised by the Department for Work and Pensions; and

(ii) **RESOLVED** that:

- (a) the reduction of £20,000 in the budget for Exceptional Hardship during 2024/25, as set out in Report No. FIN2405, be approved;
- (b) the deliberations and considerations of the Council Tax Support Task and Finish Group in arriving at its recommendations, as set out in the Report, be noted; and
- (c) the outcome of the public consultation exercise, as set out in the Report and at Appendix 2 of the Report, be noted.

48. **COUNCIL PLAN AND RISK REGISTER QUARTERLY UPDATE OCTOBER TO DECEMBER 2023 –**
(Cllr Sue Carter, Community Portfolio Holder)

The Cabinet received Report No. ACE2401, which set out progress in delivering the Council Plan projects during the third quarter of 2023/24. Members were informed that progress against key activities and projects was included in the Report, along with the Council's business performance monitoring information and the Council's Corporate Risk Register. It was reported that, at the end of the third quarter, 90% of projects/activities were on track, with the remainder showing an amber status. No project had a red status.

In considering the Report, Members expressed satisfaction with the Council's performance levels and discussed matters around the improvement in the rate of abandoned phone calls, missed bin rates, the timely payment of invoices, phone calls misdirected to the Council's switchboard relating to non-Council activities, recycling rates and instances of violence at work.

The Cabinet NOTED the progress made towards delivering the Council Plan and the changes highlighted in the Corporate Risk Register, as set out in Report No. ACE2401.

49. **ANNUAL PEOPLE REPORT AND OTHER HUMAN RESOURCES MATTERS –**
(Cllr Ade Adeola, Digital First & Corporate Portfolio Holder)

The Cabinet considered Report No. PEO2401, which set out a number of updates in relation to the Council's workforce.

Members were informed that the Report contained updates on the implementation of elements of the Council's People Strategy, which had been adopted in 2021, and provided key data on the Council's workforce for 2023. Also being considered were a new Health and Wellbeing Statement of Intent and a Code of Practice relating to Health, Wellbeing and Stress Management. Members were also informed of the latest Pay Policy Statement and Gender Pay Gap calculations, which would be considered by the Corporate Governance, Audit and Standards Committee and approved by the Council.

The Cabinet RESOLVED that

- (i) the Annual People Report, as set out in Report No. PEO2401, be noted;
- (ii) the Health and Wellbeing Statement of Intent, as set out on the Report, be approved, noting the approach to implementation;
- (iii) the Health, Wellbeing and Stress Management Code of Practice, as set out in the Report, be approved; and
- (iv) the Pay Policy Statement and the Gender Pay Gap report, as set out in the report to the Corporate Governance, Audit and Standards Committee, be noted.

50. **FARNBOROUGH REGENERATION AND LEISURE AND CULTURAL HUB - NEXT STEPS –**
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. REG2402, which set out an update on regeneration within Farnborough town centre and on the Leisure and Cultural Hub project in particular.

The Cabinet was reminded that, at its meeting on 17th October, 2023, it had agreed the final project scope for the Leisure and Cultural Hub, the schedule of accommodation, the forecasted budget required to complete the pre-construction phases of the project and to submit the planning application. Members were

informed that this report now provided an update on the project, the operator procurement and options for the next stages, taking into account the work undertaken since October, impacts of inflation and implications for the current funding strategy, given the position relating to the Council's future capital programme, as set out in the 2024/25 budget report.

The Cabinet expressed support for the proposed approach.

The Cabinet

(i) **RECOMMENDED TO THE COUNCIL** that:

- (a) an increase of £255,000 in the Capital budget for 2023/24, funded by a further draw down from the Levelling Up grant, be approved; and
- (b) the inclusion of the £1.725 million One Public Estate Brownfield Land Release Fund grant in the 2023/24 and 2024/25 capital programmes, as appropriate, be approved, to enable the demolition of the Pinehurst Car Park and site preparation and utilities work across plots established by the Civic Quarter Masterplan; and

(ii) **RESOLVED** that:

- (a) the revised costs of the current stage of planning and design work (RIBA Stage 3) of £386,855, as set out in Report No. REG2402, be noted;
- (b) an initial sum of £50,000 towards potential redesign work be approved;
- (c) the undertaking of a costing exercise by Willmott Dixon on the RIBA 3 designs, to provide market tested costs for consideration before the decision to move to the next stage of design and development (RIBA Stage 4), be approved;
- (d) the undertaking of a pre-planning consultation exercise in March, on the designs at the conclusion of the RIBA 3 design process, be approved;
- (e) the adjustment in the overall project timeline, to take into account the market costing exercise and provide a period for any necessary design revisions as a result of the report and the pre-planning public consultation exercise, as set out in the Report, be noted;
- (f) the undertaking of work as part of the Council's Financial Resilience Plan to address the affordability of the current and future capital programme and the links to the decision to move fully to the next stage of design and development (RIBA Stage 4) be noted;

- (g) the revised funding strategy for the project, given the position set out in the 2024/25 budget report and supporting Financial Resilience Plan, be noted;
- (h) the approach to the demolition of the Pinehurst Car Park and the temporary relocation of the Council's car boot sale to the High Street multi-storey in Aldershot be noted; and
- (i) the use of any slippage on the Civic Quarter capital budget in 2023/24 to progress elements of the Civic Quarter regeneration programme, where this could lead to improved land values in line with the Financial Resilience Plan, be approved.

51. **GENERAL FUND BUDGET 2024-25 AND MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28 –**
(Cllr Paul Taylor, Finance Portfolio Holder)

The Cabinet considered Report No. FIN2406, which set out the draft General Fund Budget for 2024/25 and Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28.

The Cabinet was reminded that the Medium Term Financial Strategy set out the key work streams for the Council to focus on over the medium term to address the projected significant shortfall in the General Fund budget. Members were informed that a wide range of information was presented in the report and accompanying appendices. It was confirmed that the Council was in a position to present a balanced budget for 2024/25 and that work was underway to address the key financial issues faced by the Council, which were summarised in paragraph 2.5 of the report.

The Capital Programme for the period 2023/24 to 2027/28 was set out at paragraph 8.5 of the report. It was explained that the Capital Programme was focussed on delivering against the Council's key priority of town centre regeneration, with further schemes aimed at enhancing the delivery of core services through improvement and enhancement of assets. The main areas where the Council would be facing increased levels of risk and uncertainty over the medium term were set out in Section 9 of the report. In discussing the details of the report, Members expressed their gratitude for the hard work of the finance team.

The Cabinet

- (i) **RECOMMENDED TO THE COUNCIL** that approval be given to:
 - (a) the Medium Term Financial Strategy and the strategy to resolve the Medium Term Financial Strategy deficit, as set out in Report No. FIN2406;
 - (b) the draft General Fund Revenue Budget Estimates Summary 2024/25, as set out in Appendix 4 of the Report;
 - (c) the Council Tax requirement of £7,683,131 for this Council;

- (d) the Council Tax level for Rushmoor Borough Council's purposes of £232.74 for a Band D property in 2024/25;
 - (e) the Capital Programme, as set out in paragraph 8.5 of the Report;
 - (f) the Strategy for the Flexible Use of Capital Receipts, as set out in paragraph 9.2 of the Report;
 - (g) the UK Shared Prosperity Fund (UKSPF) project list, as set out in Appendix 6 of the Report; and
- (ii) **RESOLVED** that the earmarking of £250,000 of the Stability and Resilience Reserve during 2024-25, to provide capacity to address and deliver the Financial Resilience Plan and to enable the Chief Finance Officer to continue to engage with expert external assistance and advice, as set out in paragraph 5.8 of the Report, be approved.

52. EXCLUSION OF THE PUBLIC –

RESOLVED: That, taking into account the public interest test, the public be excluded from the meeting during the discussion of the under mentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the item:

Minute No.	Schedule 12A Para. No.	Category
53	3	Information relating to financial or business affairs

**THE FOLLOWING ITEM WAS CONSIDERED
IN THE ABSENCE OF THE PUBLIC**

53. THE GALLERIES, ALDERSHOT - UPDATE AND NEXT STEPS –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. REG2401, which set out an update on the Galleries regeneration scheme in Aldershot town centre.

Members were reminded that, in March, 2022, the Cabinet had agreed, in principle, to the disposal of the existing High Street Multi-Storey Car Park in return for the transfer of the former Conservative Club site at Little Wellington Street to the Council, as part of proposals to realise the delivery of the Galleries redevelopment. The report set out the due diligence that had been undertaken to formalise the agreement, along with the draft Heads of Terms for the Contract of Sale and a summary of the financial risks. Also included was an update on the Homes England Housing Infrastructure Fund monies.

The Cabinet RESOLVED that

- (i) the disposal of the Council's legal interest in the existing High Street Multi-Storey Car Park, Aldershot in exchange for the freehold interest of the former Conservative Club site at Little Wellington Street, Aldershot to the Council be approved, subject to the necessary terms being agreed as detailed below, on the basis that a new, purpose-built public car park of at least 250 spaces would be constructed by the developer prior to handover, noting that best consideration under Section 123 of the Local Government Act 1972 would be achieved, as set out in Appendix 1 of Exempt Report No. REG2401;
- (ii) the draft Heads of Terms for the Contract for Sale and exchange of freehold, as set out in Appendix 2 of the Exempt Report, be noted, with the Head of Regeneration and Development/Executive Head of Property and Growth, in consultation with the Major Projects and Property Portfolio Holder, being authorised to agree final terms;
- (iii) the amendments to the Housing Infrastructure Fund Marginal Viability Fund agreement, by way of Deed of Variation, regarding the extension of time to the availability period of the funding to December, 2024 and changes to the drawdown conditions, as set out in the Report, be noted; and
- (iv) for the purposes of satisfying Housing Infrastructure Fund Marginal Viability Fund drawdown conditions, the draft Mirrored Agreement, as set out in Appendix 4 of the Exempt Report and the draft Entity Company Guarantee, as set out in Appendix 5 of the Exempt Report, forming the basis of clawback arrangements in the event of the Galleries scheme not meeting the contract outputs be noted, with the Head of Regeneration and Development, in consultation with the Major Projects and Property Portfolio Holder, being authorised to agree final terms.

The Meeting closed at 7.56 pm.

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the 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 C.W. Card
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Nadia Martin
Cllr S.J. Masterson*
Cllr Sarah Spall
Cllr G. Williams

Apologies for absence were submitted on behalf of Cllr A. Adeola, Cllr Nem Thapa and Cllr Jacqui Vosper.

*Cllr S. J. Masterson attended the meeting as a Standing Deputy.

Non-Voting Member

Apologies for absence were submitted on behalf of Mr T. 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.

DEVELOPMENT MANAGEMENT COMMITTEE

Report of the meeting held on Wednesday, 6th December, 2023 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr S.J. Masterson (Chairman)
Cllr Marina Munro (Vice-Chairman)

Cllr Jib Belbase
Cllr P.J. Cullum
Cllr A.H. Gani
Cllr C.P. Grattan
Cllr Michael Hope
Cllr Halleh Koohestani
Cllr D. Sarki
Cllr Calum Stewart

An apology for absence was submitted on behalf of Cllr Sophie Porter.

Cllr Christine Guinness attended the meeting as a Standing Deputy.

Non-Voting Member

Cllr G.B. Lyon (Leader of the Council) (ex officio)

45. **DECLARATIONS OF INTEREST**

There were no declarations of interest for this meeting.

46. **MINUTES**

The Minutes of the Meeting held on 8th November, 2023 were approved and signed as a correct record of proceedings.

47. **PETITION**

RESOLVED: That the petition received in respect of the following application be noted, as set out in the Amendment Sheet:

Application No.	Address
23/00794/REVPP	Farnborough Airport, Farnborough

48. **PLANNING APPLICATIONS**

RESOLVED: That

- (i) permission be given to the following application, as set out in Appendix “A” attached hereto, subject to the conditions, restrictions and prohibitions (if any) mentioned therein:

23/00765/FULPP Aldershot Park Crematorium, Guildford Road,
Aldershot

- (ii) the applications dealt with by the Executive Head of Property and Growth, where necessary in consultation with the Chairman, in accordance with the Council’s Scheme of Delegation, more particularly specified in Section “D” of the Executive Head of Property and Growth’s Report No. PG2342, be noted

- (iii) the current position with regard to the following applications be noted pending consideration at a future meeting:

21/00271/FULPP Block 3, Queensmead, Farnborough

- ** 22/00340/REMPP Land at Blandford House and Malta Barracks
Development Site, Shoe Lane, Aldershot

23/00713/FUL Manor Park Cottage, St. Georges Road East,
Aldershot

23/00794/REVPP Farnborough Airport, Farnborough

* The Executive Head of Property and Growth’s Report No. PG2342 in respect of these applications was amended at the meeting.

** It was agreed that site visits would be arranged to these sites

49. **APPEALS PROGRESS REPORT**

The Committee received the Executive Head of Property and Growth’s Report No. PG2343 concerning the following appeal decisions:

Application / Enforcement Case No.	Description	Decision
22/00789/FULPP	Appeal against the refusal of planning permission for the erection of a two storey, three bedroom detached house, following demolition of the existing detached garage at No. 10 Mole Close, Farnborough.	Appeal dismissed

22/00591/FULPP

Appeal against refusal of planning for Appeal
extensions comprising a first floor dismissed
side, rear, two storey side and roof
extension at No. 32 Alexandra Road,
Farnborough.

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2343
be noted.

The meeting closed at 7.10 pm.

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the meeting held on Wednesday, 31st January, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

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

Cllr C.W. Card
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Nadia Martin
Cllr S.J. Masterson*
Cllr Sarah Spall
Cllr Nem Thapa
Cllr Jacqui Vosper
Cllr G. Williams

Apologies for absence were submitted on behalf of Cllr D.E. Clifford.

*Cllr S.J. Masterson attended the meeting as a Standing Deputy.

Non-Voting Member

Mr Tom Davies (ex officio)

28. MINUTES

The minutes of the meeting held on 27th November 2023 were agreed and signed as a correct record of the proceedings, subject to an amendment that Cllr Sarah Spall be recorded as present at the meeting.

29. APPOINTMENTS

The Committee **AGREED** the appointment of Cllr D.E. Clifford as a Member of the Committee in place of Cllr Ade Adeola for the remainder of the 2023/24 Municipal Year.

30. POLLING DISTRICTS AND POLLING PLACES REVIEW 2023-24

The Committee considered the Corporate Manager – Democracy's Report No. DEM2401 on the outcome of the formal review of polling districts and polling places 2023/24, which set out proposals for Rushmoor's polling districts and places. The review, which was a requirement for all constituencies in England, had been carried out with the support of the Elections Group and had included a full public consultation.

The Committee was advised of the formal review requirements and the process that had been followed, together with a summary of the comments raised during the consultation as set out in paragraph 4 of the report.

The Chairman of the Elections Group attended the meeting to summarise and present the proposals set out in Annex 1 to the Report. The key changes related to Wellington Ward (additional polling place at Smith Dorrien for the Wellesley area), Rowhill Ward (existing polling places at the Field Centre and the Traction Club to be made permanent) and Aldershot Park Ward (relocation of polling place from Lido car park mobile station to Aldershot Cricket Club).

RESOLVED: That

- (i) the recommendations for polling districts and places as set out in Annex 1 to Report No. DEM2401 be adopted, and
- (ii) authorisation be given to the Corporate Manager – Democracy to issue the appropriate notice and publish the required changes to the electoral register as a result of the review.

31. PAY POLICY STATEMENT AND GENDER PAY GAP

The Committee considered the Executive Director Report No. PEO2401, which sought approval for a Pay Policy Statement for 2024/25, as set out in the Report. The Pay Policy Statement set out the framework within which pay was determined within the Council and provided an analysis comparing the remuneration of the Chief Executive with other employees of the Authority. The Report also set out the calculations of the gender pay gap, which the Council was required to publish annually under the Equality Act 2010 (Specific Duties and Public Authorities Regulations 2017).

The Committee noted that the comparisons looked 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 was 5.9:1. The second ratio included within the analysis looked at the relationship between the median remuneration of all staff compared to the Chief Executive. It was noted that the ratio for 2024/25 was 3.5:1 the same as the previous year.

The Committee noted that the average difference (or 'gap') in pay rates between male and female salaries had decreased from 13.8% to 12.69%. The number of female employees had increased in Quartile 4 which was the highest pay quartile. As last year, both the median female hourly rate and the median male hourly rate had increased and the median gap has again decreased slightly from 10.9% to 9.52%.

The Committee:

- (i) **RECOMMENDED TO THE COUNCIL** that approval be given to the Pay Policy Statement 2024/25, as set out in the Executive Director Report No. PEO2401; and
- (ii) **RESOLVED** that the Gender Pay Gap report, as set out in the Report, be noted.

32. **RUSHMOOR DEVELOPMENT PARTNERSHIP PROGRESS REVIEW**

The Committee considered the Executive Director's Report No. ED2401, as Council Shareholder, on the latest progress review from the Rushmoor Development Partnership (RDP). The Report provided commentary on progress and delivery through the Partnership during 2022 and 2023 on the key regeneration sites agreed as part of the initial RDP Business Plan.

The partnership in which the Council and Hill Partnerships Limited's staff worked together, had enabled a commercial approach to be taken to bringing forward sites such as Parsons Barracks and Union Yard in Aldershot, and the realisation of the Civic Quarter Masterplan. Overall, the RDP had made a positive contribution to moving forward the Council's regeneration objectives over the period of the report. The Committee was invited to note the progress achieved and that a future report on the role of the company or new project plans would come forward in due course.

RESOLVED: that Report No. ED2401 be noted.

33. **ANNUAL CAPITAL STRATEGY 2024/25**

The Committee considered the Executive Head of Finance Report No. FIN2401 which set out the proposed Capital Strategy for the year 2024/25 to 2026/27, including the Prudential Indicators for capital finance for 2024/25. The Report gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services, along with an overview of how associated risk was managed and the implications for future financial sustainability. The Strategy had been written in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) "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.

The Committee was advised that decisions made during the year on capital and treasury management would have financial consequences for the Authority for many years into the future. They were therefore subject to both a national regulatory framework and to local policy framework, which were summarised in the report.

It was advised that the Council had incurred prudential borrowing of £168 million, in relation to its capital expenditure. As the debt as short term it would need to be replaced on an ongoing basis. However, the Council was expecting to reduce its borrowing need by selling £40m of assets to generate capital receipts over the next three years. This would reduce the revenue costs associated with borrowing going forward.

With regard to a query regarding the disposal of assets, it was noted that the Council's properties were valued each year and capital receipts from such sales, could be used to fund revenue streams, reduce debt and invest in development.

The Committee **RECOMMENDED TO THE COUNCIL** that the Capital Strategy for 2024/25 to 2026/27 and Prudential Indicators for 2024/250 as set out in the Executive Head of Finance Report No. FIN2401 be approved.

34. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2024/25**

The Committee considered the Executive Head of Finance Report No. FIN2402 which set out the proposed Treasury Management Strategy and Non-Treasury Management 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 (MRP) Statement.

Treasury risk management at the Council was conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which required approval of a treasury management strategy before the start of each financial year. The Executive Head of Finance's Report No. FIN2402 fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The CIPFA Code also required the Authority to have a separate Non-Treasury Investment Strategy (as set out in Appendix 2 to the report) which had to be approved before April 2024. Local authorities were also required by regulation to have regard to the provisions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) 2021.

The report set out the purpose, functions and activities of the treasury management operation and the non-treasury investment management operations and set out the Treasury Management Strategy, Annual Borrowing Strategy and Annual Treasury Management Investment Strategy (Appendix 1), Non-Treasury Investment Strategy (Appendix 2) and the Council's Minimum Revenue Provision (MRP) Statement (Appendix 3). These policies and parameters provided an approved framework within which officers undertook the day-to-day capital, treasury and non-treasury investment activities.

Following discussion on the report, the Executive Head of Finance advised that the Bank of England were predicting a base rate of 3% by the middle of 2026, this would be monitored and reviewed as necessary.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that
- (a) the Treasury Management Strategy 2024-25, Annual Borrowing Strategy 2024-25 and the Annual Treasury Management Investment Strategy (as set out in Appendix 1 to the Executive Head of Finance Report No. FIN2402) be approved;
 - (b) the Annual Non-Treasury Investment Strategy 2024-25 (set out in Appendix 2) be approved; and
 - (c) the Minimum Revenue Provision (MRP) Statement (set out in Appendix 3) be approved.

35. ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE

The Executive Head of Finance provided an update to the Committee on the current position regarding the Annual Statement of Accounts and External Auditor's Opinion.

It was advised the Government planned to lay statute in June, 2024 to reset the audit process. This would result in the next audit taking place on the current years finances in Autumn, 2024. All outstanding accounts, prior to 2023/24, would remain unaudited and published on the website with a national disclaimer explaining the situation.

RESOLVED: That the update be noted.

36. INTERNAL AUDIT - AUDIT UPDATE

The Committee received the Audit Manager's Report No. AUD2401 which provided a progress update on the 2023/24 Audit Plan.

In response to a question regarding staff levels to carry out the current year's remaining work, the Audit Manager advised the Committee that a plan of action was in place to appoint external auditors to deliver the Plan.

RESOLVED: That the Audit Manager's Report No. AUD2401 be noted.

37. SELECTION OF THE MAYOR AND DEPUTY MAYOR 2024/25

The Committee considered the Chief Executive's Report No. DEM2402 which set out the current position on the selection process for the Mayor and Deputy Mayor for the 2024/25 Municipal Year.

Following a review of the criteria for the selection of the Mayor and Deputy Mayor, the Council had adopted a revised protocol in December 2022. In accordance with the updated procedure, all Councillors had been invited to indicate their interest in the role of Deputy Mayor for 2024/25, progressing through to Mayor in 2025/26.

The Corporate Manager – Democracy reported that since the publication of the agenda, an update had been received from the Chief Executive to advise that Cllr

Gaynor Austin be recommended for the role of Deputy Mayor in 2024/25 and confirmed that Cllr Austin's nomination met the criteria by order of seniority and eligibility.

The Committee was advised that this year's Deputy Mayor, Cllr Mara Makunura, had confirmed her wish to proceed through the normal progression to the position of Mayor for 2024/25.

The Committee expressed support for the nominations. During discussion, reference was made to the Mayoral protocol and balancing the dual roles of councillor and Mayor as the First Citizen of the Borough.

The Committee **RECOMMENDED TO THE COUNCIL** that:

- (i) Cllr Mara Makunura be appointed as Mayor-Elect for the 2024/25 Municipal Year; and
- (ii) Cllr Gaynor Austin be appointed as Deputy Mayor-Elect for the 2024/25 Municipal Year.

The meeting closed at 8.53 pm.

DEVELOPMENT MANAGEMENT COMMITTEE

Report of the meeting held on Wednesday, 7th February, 2024 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr S.J. Masterson (Chairman)
Cllr Marina Munro (Vice-Chairman)

Cllr Jib Belbase
Cllr P.J. Cullum
Cllr A.H. Gani
Cllr C.P. Grattan
Cllr Michael Hope
Cllr Sophie Porter
Cllr D. Sarki
Cllr Calum Stewart

Apologies for absence were submitted on behalf of Cllr Halleh Koohestani.

Cllr Christine Guinness attended the meeting as a Standing Deputy.

Non-Voting Member

Cllr J.B. Canty (Development & Economic Growth Portfolio Holder) (ex officio)

50. DECLARATIONS OF INTEREST

There were no declarations of interest for this meeting.

51. MINUTES

The Minutes of the Meeting held on 6th December, 2023 were approved and signed as a correct record of proceedings.

52. PETITIONS

RESOLVED: That the petitions received in respect of the following application be noted, as set out in the Executive Head of Property and Growth's Report No. PG2402:

Application No.	Address
23/00794/FUL	Farnborough Airport, Farnborough

53. **PLANNING APPLICATIONS**

RESOLVED: That

- (i) the following application be determined by the Executive Head of Property and Growth, in consultation with the Chairman:

* 23/00825/FULPP Show Centre, Farnborough International Exhibition and Conference Centre, ETPS Road, Farnborough

- (ii) the applications dealt with by the Executive Head of Property and Growth, where necessary in consultation with the Chairman, in accordance with the Council's Scheme of Delegation, more particularly specified in Section "D" of the Executive Head of Property and Growth's Report No. PG2402, be noted

- (iii) the current position with regard to the following applications be noted pending consideration at a future meeting:

21/00271/FULPP Block 3, Queensmead, Farnborough

* 22/00340/REMPP Land at Blandford House and Malta Barracks
** Development Site, Shoe Lane, Aldershot

23/00713/FUL Manor Park Cottage, St. Georges Road East, Aldershot

23/00794/REVPP Farnborough Airport, Farnborough

23/00879/FULPP Mons Barracks, Princes Avenue, Aldershot

24/00063/OUT Proposed Development Site at Site of Buildings 4.2 & 4.3, Frimley Business Park, Frimley, Camberley

* The Executive Head of Property and Growth's Report No. PG2402 in respect of these applications was amended at the meeting.

** It was agreed that site visits would be arranged to these sites

54. **BLANDFORD HOUSE AND MALTA BARRACKS DEVELOPMENT SITE, SHOE LANE, ALDERSHOT - 22/00340/REMPP**

It was noted, as part of the Amendment Sheet, that the Council had received a notification of the applicants intention to lodge an appeal against the Council's non-determination on this application. The Committee would be updated should and appeal be submitted and started.

55. **SHOW CENTRE, FARNBOROUGH INTERNATIONAL EXHIBITION AND CONFERENCE CENTRE, ETPS ROAD, FARNBOROUGH - 23/00825/FULPP**

The Committee considered the Head of Property and Growth's Report No. PG2402 regarding the extension of the temporary planning permission for the retention of two sound stages, workshops and use of existing hospitality chalets as ancillary offices.

RESOLVED: That planning permission be granted, subject to:

- (i) no objections being received from Hampshire County Council,
- (ii) the receipt of a satisfactorily revised Operational Management Plan,
- (iii) amendments/updates, as set out in the amendment sheet, to Condition Nos. 2, 7 and 12, and
- (iv) the inclusion of an additional condition regarding reporting of future economic benefits

56. **APPEALS PROGRESS REPORT**

The Committee received the Executive Head of Property and Growth's Report No. PG2403 concerning the following appeal decisions:

Application / Enforcement Case No.	Description	Decision
22/00746/FULPP	Appeal against the refusal of planning permission for the demolition of existing outbuildings and erection of a single storey ancillary accommodation annex at No. 14 Fleet Road, Farnborough.	New Appeal
23/00306/ADVPP	Appeal against refusal of advertisement consent for the installation and display of illuminated digital advertisements at No. 41 Station Road, Aldershot.	Appeal dismissed

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2403 be noted.

57. **PLANNING (DEVELOPMENT MANAGEMENT) SUMMARY REPORT FOR THE QUARTER OCTOBER 2023 - DECEMBER 2023**

The Committee received the Executive Head of Property and Growth's Report No. PG2404 which provided an update on the position with respect to achieving performance indicators for the Development Management Section of the Planning Service and the overall workload of the Section for the quarter from 1st October to 31st December 2023.

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2404 be noted.

The meeting closed at 8.22 pm.

Development Management Committee

Appendix "A"

Application No. & Date Valid: **23/00765/FUL** **26th October 2023**

Proposal: Temporary placement of a cabin, container, and enclosed area at **Aldershot Park Crematorium Guildford Road Aldershot Hampshire**

Applicant: Mr Graham King

Conditions: 1 The development hereby permitted shall be removed and the land restored to its former condition on or before 3 years from the date of this permission.

Reason - Given the impact of the character and appearance of the structure, reconsideration in the light of prevailing circumstances at the end of the specified period would be appropriate in the interest of amenity.

2 The permission hereby granted shall be carried out in accordance with the following approved drawings. Drawing numbers:

020, 24, 23, 25, 21, 22, plan labelled 'container'

Reason - To ensure the development is implemented in accordance with the permission granted.

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POLICY AND PROJECT ADVISORY BOARD

Report of the meeting held on Wednesday, 29th November, 2023 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Jessica Auton (Vice-Chairman) (In the Chair)

Cllr A. Allen
Cllr Michael Hope
Cllr Peace Essien Igodifo
Cllr T.W. Mitchell
Cllr M.J. Roberts
Cllr Calum Stewart
Cllr Becky Williams
Cllr G. Williams

Apologies for absence were submitted on behalf of Cllr Marina Munro and Cllr Jib Belbase.

Cllr P.J. Cullum attended as Standing Deputy.

12. MINUTES

The minutes of the meeting held on 26th September, 2023 were agreed as a correct record.

13. ANTI-SOCIAL BEHAVIOUR POLICY

The Board welcomed David Lipscombe, Community Safety Manager, who was in attendance to review the final draft of the Anti-Social Behaviour Policy, before being presented to the Cabinet for approval at a future meeting.

It was noted that following the previous discussion at the September 2023 meeting, Members' comments and amendments had been incorporated into a revised draft, which was then circulated for further comment in early November.

Following a discussions, the amendments set out below were suggested:

- Section 5 - state explicitly what the Council can and cannot deal with
- Section 5 – include the wording "... but not limited to..." (para 2)

The Board **ENDORSED** the Anti-Social Behaviour Policy, subject to the following:

- the minor updates be made
- a final version be circulated to the Board, for reference

The Board **RECOMMENDED** that:

- the final Policy be submitted to the Cabinet at a future meeting for approval

The Chairman thanked Mr Lipscombe and the Board for their work on the development of this Policy.

14. **UK SHARED PROSPERITY FUND**

The Board welcomed Alex Shiell, Service Manager – Policy, Strategy and Transformation, who was in attendance to report on proposed projects identified in the UK Shared Prosperity Fund project list. In addition Rachel Barker, Assistant Chief Executive and Lee McQuade, Service Manager – Economy and Growth, were in attendance to answer Members queries.

Prior to the meeting, the Board had requested that Officers identified projects within themes that had yet to be reviewed, these included:

- Heritage, culture and arts activities
- Public realm improvements
- Practical support for place and businesses during town centre transition
- Local and neighbourhood support
- Sector support
- Apprenticeships, training and skills development

The projects identified were;

- CP3 – Support and commission organisers to deliver heritage, cultural and arts delivery (high value)
- CP6 – Temporary town square (capital project)
- CP7 – Developing a place brand for Farnborough (high value and interdependency with CP19)
- CP18 – Funding for neighbourhood level interventions to increase pride in place (proposed flexibility)
- CP19 – Post to encourage community ownership of civic quarter/leisure and cultural hub (high value and interdependency with CP7)
- PS1 – Digital and creative industries upskilling and mentoring programme (further planning required)
- PS3 – wrap around skills support and enhanced North Hants Employment and Skills Zone (NHESZ) website (further planning required)

Following a discussion the Board **ENDORSED** the following projects, CP3, CP18, CP19 and PS1, and additional information was requested on the other projects as set out below:

- CP6 – The Board requested that a range of options be considered for this project taking account of its longevity and value for money. Consideration could be given to setting up a task and finish group for this project.

- CP7 – In principle, support was given to this project, however, a request was made for further information on best practice, in relation to place branding, to be circulated to the Board.
- PS3 – The project was supported in principle, but it was noted that additional funding could assist with developing this project further.

With regards to next steps, it was noted that the Progress Group would be utilised to feedback on projects as necessary. For smaller projects email and SharePoint would be used to update the Board for larger projects, that required further engagement, such as the temporary town square (CP6), meetings would be convened as necessary. The Progress Group would be updated at its January 2024 meeting.

15. **WORK PLAN**

The Board noted the Current Work Plan.

Following an enquiry regarding the Supporting Communities Strategy and when it would next be refreshed, it was noted that there was no current date for this work, but the item would be added to the Work Plan for future reference.

The meeting closed at 8.55 pm.

OVERVIEW AND SCRUTINY COMMITTEE

Report of the meeting held on Tuesday, 2nd January, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr M.D. Smith (Chairman)
Cllr Mrs. D.B. Bedford (Vice-Chairman)
Cllr K. Dibble (Vice-Chairman)

Cllr Gaynor Austin
Cllr S.J. Masterson
Cllr Sophie Porter
Cllr S. Trussler

Apologies for absence were submitted on behalf of Cllr Jessica Auton, Cllr D.E. Clifford, Cllr Jules Crossley and Cllr Mara Makunura.

Cllrs Peter Cullum and Gareth Williams attended the meeting as standing deputies.

21. MINUTES OF THE PREVIOUS MEETING

The minutes of the meetings held on 9th November, 2023 were agreed as a correct record.

22. APPOINTMENTS

The Committee **NOTED** the appointment of Cllr D.E. Clifford as a Member of the Committee in place of Cllr Ade Adeola for the remainder of the 2023/24 Municipal Year.

23. CUSTOMER SERVICE CONTACT INDICATORS

The Committee welcomed Marybeth Quaintmere, Service Manager – Customer Services, Mary Timmins, Customer Services Team Leader, and Cllr Ade Adeola, Digital First & Corporate Portfolio Holder, who were in attendance to update the Committee on customer contact data, in particular around customer feedback, reception arrangements, automated messaging and the introduction of the dedicated Nepali speaking phone line.

A presentation was provided which covered the following key areas:

- Call data – it was noted that abandoned call rates had dropped since the previous report in June, 2023 by 1%, as had call waiting times by 17 seconds.
- Service levels – the industry standard for call answering was to answer 80% of calls within 20 seconds. It was noted that currently, an average of 40% of

calls were being answered within 20 seconds. It was hoped that as digital services expanded and improved allowing more self-service options to customers this rate would increase.

- Response levels – it was noted that response levels were being met within all SLA's for services such as, Customer Services (within one working day), Love Rushmoor (within one working day), Parking Charge Notice's (PCN) (within 14 days) and Council Tax (within 10 working days).
- Customer contact – it was noted that Council tax had been the main reason why customers contacted the Council via phone, via the Love Rushmoor App it was for fly-tipping and via front of house it was primarily for other, non Rushmoor, services.
- Additional team activity – it was advised that the team got involved in a number of different areas to enhance their knowledge and skill for assisting the customer. Some of the activities the team engaged with included, emergency planning training, shadowing the recycling crew, understanding homelessness, the warmer homes scheme etc.
- Improving customer experience – it was advised that since the last update in June, 2023 a number of changes had been made to the phone scripts and call waiting messaging to improve the service. A Nepali speaking phone line had also been introduced with the option to leave a voicemail after two minutes to allow a Nepali speaking operative to call back. It was planned that a “pause” facility would be introduced to allow an operative working on an email to pause to answer an incoming call. It was also noted that the facilities team would be trained to undertake the post role freeing up an operative to deal with customer enquiries.
- Customer feedback – during October, 2023 a survey of customer feedback was undertaken. During this period the system had been affected by eight consecutive working days of intermittent service, during which time there had been issues hearing the customer and vice versa. The average score given by the customer during October had been 2.85/5, however, if you removed the eight consecutive working days of intermittent service, the score would be 4.48/5.
- Areas of focus for the future – these had been identified as follows:
 - To expand the triage for Housing to all access channels
 - Continue to push transformation and service improvements
 - Response times to keeping the Borough clean should improve through the recruitment of the new Place Protection Officers – this would be monitored
 - Investigation into the frequency of issues with the telephony system with the account manager – meeting scheduled
 - Resilience within the team

The Committee discussed the presentation and in particular the resource and resilience within the team. It was advised that with resource, it wasn't just about getting additional resource but also about how digital services were utilised to best serve the customer. It was noted that consideration could be given to how the customer could be educated to use digital services, through use of the messaging system and online. The option to add a "number in the queue" message was discussed, however at this time it was felt that that could cause customers more issues as the number could increase due to the way the system currently operated.

Resilience within the team was monitored and it was noted that the "tight knit team" used a chat facility to communicate and look out for each other, in particular after having dealt with difficult calls.

ACTION:

What	Who	When
Request to see a copy of the Business Continuity Plan for when the phones are affected by system issues	Marybeth Quintmere	January 2024
Data Request: During October 2023, how many calls were received in comparison to the 87 responses to the survey	Mary Timmins	January 2024
Provide comparison details on wait and abandoned call times	Mary Timmins	January 2024

A watching brief would be maintained on the service and consideration be given to when the Committee would next review its work.

The Chairman thanked Cllr Ade Adeola, Marybeth and Mary for the contribution to the meeting.

24. COUNCIL BUSINESS PLAN - QUARTER 2 PERFORMANCE MONITORING

The Committee welcomed Rachel Barker, Assistant Chief Executive who was in attendance to report on delivery against the Council's Business Plan at the end of Quarter 2.

It was noted that the Q2 monitoring was in three parts, as set out below:

- Quarterly monitoring - 10 key activities and projects which aimed to deliver the Council's priorities within the themes of People and Place
- Business Performance - key indicators and service measures used by the Council to monitor how the Council runs
- Corporate Risk Register - factors identified in the Risk Register that could affect the future delivery of the Council Plan and impact on the Council's Business Performance

In the Q2 monitoring data, it was noted that 90% of the key activities were highlighted as green - on course, and 10% were highlighted as amber – achievement was in question. It was noted that the activity highlighted as amber was:

- People 5 - supporting key business sectors and help people to access the opportunities that they offer. Due to the presence of Reinforced Autoclaved Aerated Concrete (RAAC) at the Farnborough College of Technology, the rooms and facilities at Aerospace Research and Innovation Centre (ARIC) are currently being used as teaching space.

As a result the project had been delayed. No projects were showing as red – unable to achieve, or blue – completed, at this time.

The following areas were noted, within the Business Performance section :

- A reduction in the number of website sessions in comparison to the same quarter in 2022/23, this was mainly due to less views of the lido page (down by more than 90%). Southwood Country Park and the car boot sales had large increases in page views in comparison to 2022/23's Q2.
- Q1 2023/24 recycle rate was 44.1% (the same as Q1 in 2022/23), this information is one quarter behind.

Moving forward into Q3, it was proposed that fly-tipping data would be included in the data. In Q4, parking income data would replace PCN data, and cremations data would be included, due to the considerable service changes being undertaken during 2024.

Under the Corporate Risk Register section, the Committee noted that:

- The Council's key strategic and standing corporate risks had remained relatively unchanged.
- An additional risk of significance had been added to the standing corporate register for the Leisure and Cultural Hub Major Project.
- The addition of risks relating directly to the UK economy, in particular high interest rates.
- The risk register now included trend arrows against each risk score to assist in tracking risk changes in the short term.

It was noted that plans were in place to further update/strengthen the Corporate Risk Management Policy later in 2023/24, particularly on the matter of risk appetite. As part of the longer-term updates to the policy and arrangements, consideration was also being given to tracking longer term trends for each risk

In response to a query it was noted that the Corporate Risk Register did not include all risks to the Council and each service had its own individual Risk Register.

ACTION:

What	Who	When
Provision of detailed information on how risk is scored to be provided at the next Progress Group	Rachel Barker, Assistant Chief Executive	18 January 2024

Deeper look at how projects are RAG rated at the next Progress Group	Rachel Barker, Assistant Chief Executive	18 January 2024
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The Chairman thanked Ms Barker for her report and the actions would be picked up at the Progress Group later in the month.

25. **WORK PLAN**

The Committee noted the current work plan.

Following a discussion regarding the invitation to the five County Councillors to attend a future meeting of the Committee to discuss engagement on relevant Borough matters, and the subsequent response from the Leader of Hampshire County Council (HCC), it was agreed that a further letter would be sent from the Chairman to the Leader of HCC.

It was noted that a request had been made for a replacement for Cllr Ade Adeola on the Registered Providers Task and Finish Group for the remainder of the 2023/24 Municipal Year.

The meeting closed at 8.52 pm.
