



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, 27th February, 2025 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 - 12)

To confirm the minutes of the Extraordinary Meeting of the Council held on 5th December, 2024, the Ordinary Meeting of the Council on 5th December and the Extraordinary Meeting of the Council held on 5th February, 2025 (copies 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. NOTICE OF MOTION - EMPLOYER NATIONAL INSURANCE CONTRIBUTIONS AND LOCAL ECONOMY –

To consider the following Notice of Motion, which has been submitted by Cllr G.B. Lyon pursuant to Standing Order 9 (1):

“As a result of the UK Government Budget, Employer National Insurance contributions from April will increase from 13.8% to 15% - a tax increase for employers of almost 9%.

The threshold will also reduce from £9,100 to £5,000.

The OBR notes that ‘firms will pass on 60% of the higher costs to workers and consumers, via lower wages and higher prices’.

That many local services, including nurseries, hospices, care homes and charities will be hit by these huge tax increases in addition to many businesses of all sizes in Rushmoor.

This Council also notes the dire impact on Rushmoor's own finances which will come at the cost of local services and will lead to higher costs when dealing with contractors.

This Council resolves to:

Request Cabinet to establish a working group to work with local businesses to produce plans to support the local economy to combat the impact of these tax increases to report back to Council within 6 months.

To record our disappointment regarding the National Insurance increases and their damaging impact on all who live and work in Rushmoor.

To request the Leader to write to the Chancellor of the Exchequer to ask her to reconsider the changes.”

5. APPOINTMENTS 2024/25 –

In accordance with arrangements to secure political balance, the Council to confirm an appointment to the Corporate Governance, Audit and Standards Committee in place of Cllr A.H. Crawford, for the remainder of the 2024/25 Municipal Year.

6. RECOMMENDATIONS OF THE CABINET AND COMMITTEES –

To consider the recommendations of the Cabinet and Committee in relation to the following items:

1) **ANNUAL CAPITAL STRATEGY 2025/26 – (Pages 13 - 26)**

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 2025/26 to 2027/28 and Prudential Indicators for 2025/26. The Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

2) **ANNUAL TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT STRATEGY 2025/26 – (Pages 27 - 64)**

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 2025/26, Annual Borrowing Strategy 2025/26, and Annual Non-Treasury Management Investment Strategy 2025/26. The Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

3) **COUNCIL TAX SUPPORT SCHEME – (Pages 65 - 70)**

To receive a report from the Cabinet (copy attached – Annex 3) which recommends the continuation of the Council Tax Support Scheme for 2025/26 for approval. The Portfolio Holder for Finance & Resources will introduce this item.

4) **GENERAL FUND BUDGET 2025/26 AND MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29 – (Pages 71 - 126)**

To receive a report from the Cabinet (copy attached – Annex 4) which recommends the approval of the General Fund Budget for 2025/26 and Medium Term Financial Strategy 2025/26 to 2028/29. Cllr Gareth Williams, Leader of the Council, will introduce this item.

5) **REVISED CONTRACT STANDING ORDERS – (Pages 127 - 170)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 5) which recommends the approval of updated Contract Standing Orders for adoption as part of the Council's Constitution. The Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

6) **PAY POLICY STATEMENT, GENDER PAY GAP AND ETHNICITY PAY GAP – (Pages 171 - 186)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 6) which recommends the approval of the Pay Policy Statement for 2025/26. The Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

7. **THE COUNCIL TAX 2025/26 – (Pages 187 - 190)**

To fix the level of Council Tax for the financial year 2025/26 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 7).

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 191 - 222)**

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

Cabinet

26th November, 2024
14th January, 2025
11th February, 2025

Committees

Development Management	15th January, 2025
Corporate Governance, Audit and Standards	29th January, 2025
Development Management	12th February, 2025

10. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE – (Pages 223 - 236)**

To note the Reports of the Overview and Scrutiny Committee held on 28th November, 2024, 12th December, 2024 and 30th January 2025 (copies attached).

P. SHACKLEY
Chief Executive

Council Offices
Farnborough
Hampshire GU14 7JU

Wednesday 19 February 2025

BOROUGH OF RUSHMOOR

EXTRAORDINARY MEETING OF THE BOROUGH COUNCIL held at the Council Chamber, Council Offices, Farnborough on Thursday, 5th December, 2024 at 6.00 pm.

The Worshipful The Mayor (Cllr Mara Makunura (Chairman))
The Deputy Mayor (Cllr Calum Stewart (Vice-Chairman))

Cllr Abe Allen
Cllr C.W. Card
Cllr Sue Carter
Cllr Jules Crossley
Cllr Thomas Day
Cllr Peace Essien Igodifo
Cllr C.P. Grattan
Cllr Christine Guinness
Cllr G.B. Lyon
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr P.G. Taylor
Cllr Jacqui Vosper

Cllr Gaynor Austin
Cllr Leola Card
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Keith Dibble
Cllr A.H. Gani
Cllr Lisa Greenway
Cllr Steve Harden
Cllr Sophie Porter
Cllr Dhan Sarki
Cllr Sarah Spall
Cllr M.J. Tennant
Cllr Gareth Williams

Honorary Alderman Terry Bridgeman
Honorary Alderman Tony Gardiner
Honorary Alderman John Marsh

Apologies for absence were submitted on behalf of Cllr A. Adeola, Cllr Julie Hall, Cllr Rhian Jones, Cllr Halleh Koohestani, Cllr Nadia Martin, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr Bill O'Donovan, Cllr S. Trussler, Cllr Ivan Whitmee and Cllr Becky Williams.

27. **CENTENARY OF THE MAYORAL MACE AND MAYOR'S REGALIA**

The Mayor welcomed guests from the local Freemason organisation who joined the meeting to mark the centenary anniversary of the donation of the Mayoral Mace and Mayors Regalia. The Mace had been presented to the Borough of Aldershot by the Freemasons of Aldershot in November 1924.

28. **ELECTION OF HONORARY ALDERMAN**

It was **MOVED** by Cllr Sue Carter, **SECONDED** by Cllr Keith Dibble – That, pursuant to the provisions of Section 249(1) of the Local Government Act, 1972, the title of Honorary Alderman of the Borough of Rushmoor be conferred upon **DIANE BEVERLEY BEDFORD** in recognition of the eminent and long service rendered by her to Rushmoor Borough Council for 22 years and as Mayor of Rushmoor in 2014 to 2015.

The Motion was put to the Meeting and was **DECLARED CARRIED** unanimously.

The Mayor presented Honorary Alderman Diane Bedford with a framed copy of the Resolution conferring the title of Honorary Alderman of the Borough of Rushmoor and a Badge of Office.

Honorary Alderman Diane Bedford addressed the Council and thanked Members for the honour that had been bestowed upon her and the pride she would take in wearing her Badge of Office.

The meeting closed at 6.30 pm.

BOROUGH OF RUSHMOOR

MEETING OF THE BOROUGH COUNCIL held at the Council Chamber, Council Offices, Farnborough on Thursday, 5th December, 2024 at 7.15 pm.

The Worshipful The Mayor (Cllr Mara Makunura (Chairman))
The Deputy Mayor (Cllr Calum Stewart (Vice-Chairman))

Cllr Abe Allen
Cllr C.W. Card
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Keith Dibble
Cllr A.H. Gani
Cllr Lisa Greenway
Cllr Julie Hall
Cllr Rhian Jones
Cllr T.W. Mitchell
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr P.G. Taylor
Cllr Jacqui Vosper
Cllr Becky Williams

Cllr Gaynor Austin
Cllr Leola Card
Cllr Jules Crossley
Cllr Thomas Day
Cllr Peace Essien Igodifo
Cllr C.P. Grattan
Cllr Christine Guinness
Cllr Steve Harden
Cllr G.B. Lyon
Cllr Sophie Porter
Cllr Dhan Sarki
Cllr Sarah Spall
Cllr M.J. Tennant
Cllr Ivan Whitmee
Cllr Gareth Williams

Honorary Alderman Diane Bedford
Honorary Alderman Terry Bridgeman
Honorary Alderman Tony Gardiner
Honorary Alderman John Marsh

Apologies for absence were submitted on behalf of Cllr A. Adeola, Cllr Sue Carter, Cllr Halleh Koohestani, Cllr Nadia Martin, Cllr S.J. Masterson, Cllr Bill O'Donovan and Cllr S. Trussler.

Before the meeting was opened, the Mayor's Chaplain, Coleen Kusi-Agyapong, led the meeting in prayers.

29. **MINUTES**

It was **MOVED** by Cllr Gareth Williams; **SECONDED** by Cllr P.J. Cullum and

RESOLVED: That the Minutes of the Meeting of the Ordinary Meeting on 7th November, 2024 (copy having been circulated previously) be taken as read, approved and signed as a correct record.

30. **MAYOR'S ANNOUNCEMENTS**

- (1) The Mayor reported that former Councillor Neville Dewey, had sadly passed away in November after spending much of the last year in hospital. Councillor Dewey served as a Councillor for the former Mayfield Ward for 17 years. A

funeral for Neville would be held on 16th December at 11am at the Redan Road Chapel in Aldershot. Our thoughts were with Neville's family at this sad time.

- (2) The Mayor advised that she had been in attendance at several wreath-laying services and Services of Remembrance on Sunday 10th November. The Mayor had been really pleased to see such a large number of residents in attendance at the Aldershot Cenotaph service. She extended her thanks to all Councillors and officers who had come out to support these important commemorative events.
- (3) The Mayor then reported on the events she had attended since the previous meeting of the Council, these had included:
 - the Graduation Services for the Class of 2024 at the University Centre Farnborough on 23rd October,
 - the prize giving ceremonies at the Rose Bowl Gymnastics Centre on 26th and 27th October,
 - the Rushmoor Voluntary Services Volunteers Recognition Awards on 12th November,
 - the switching on of the Christmas Lights in Aldershot on 16th November at the Christmas Cracker event, and
 - the Hampshire Business Awards held at the Farnborough International Exhibition and Conference Centre on 21st November.
- (4) The Mayor also advised that she had attended the Hampshire and Isle of Wight Constabulary's and the Mayfield Community Partnership's Christmas Concerts and would be attending several more in the run up to Christmas.

31. **STANDING ORDER 8 - QUESTIONS**

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

32. **NOTICE OF MOTION - SECTION 106 AGREEMENTS**

The Council were asked to consider a Notice of Motion submitted by Cllr P.J. Cullum under Standing Order 9 (1) on Section 106 Agreements. It was advised that Cllr Cullum had given notice of an alteration to the Motion in advance of the meeting which the Chairman had agreed, as set out below:

"This Council believes that residents should receive the infrastructure and amenities they are promised when they buy a new home or when new development takes place nearby and that developers and this Council should be held accountable for their legal obligations within S106 agreements.

This Council will produce a quarterly report detailing performance against financial, programme and other obligations of all parties within S106 agreements of which this Council is a party and a breakdown of this by ward. The report will be issued to all members of this council.

Ward members will be given opportunities to engage with and shape the use of S106 funds in their wards through the Local Plan. Increasing transparency on performance against commitments will provide confidence to communities that promises will be delivered on while local councillor input will help target available funds more effectively.”

In proposing the Motion, Cllr Cullum advised that planning matters were determined by what was allowed and not necessarily by what people wanted. Section 106 (S106), allowed for an agreement between developers and the Council to mitigate against the impacts of development. By providing quarterly reporting which detailed performance against financial, programme and other obligations, Members would have increased visibility to enable them to help influence how S106 funds were used to provide value for money and positive outcomes for residents. In **SECONDING** the Motion, Cllr Day expressed the importance of increased transparency and accountability of all.

During discussion, there was a general consensus in support of the Motion. Positive outcomes of previous engagement which had resulted in projects funded through S106 which benefited local residents were noted. In addition, the importance of monitoring information shared by the Planning Team to keep informed on upcoming developments was crucial for early engagement. Improved reporting on S106 to provide transparency and allow residents to have a greater say was also seen as a positive measure.

The Motion was put to the meeting. There voted FOR: 32 AGAINST: 0 ABSTAIN: 0 and the Motion was **DECLARED CARRIED** unanimously.

33. **QUESTIONS FOR THE CABINET**

- (1) Cllr Lisa Greenway had submitted a question for response by the Portfolio Holder for Regeneration and Property (Cllr Christine Guinness) on the status of the internet supply for the student accommodation in Union Yard.

In response, Cllr Guinness advised that the internet had been up and running for the past two weeks and expressed her thanks to officers who had liaised with the service provider and the University of the Creative Arts whilst the issues were remedied.

- (2) Cllr Sarah Spall had submitted a question for response by the Portfolio Holder for Neighbourhood Services (Cllr Becky Williams) on the expiration of the current SERCO contract and measures being implemented to ensure value for money on contracted-out services.

In response, Cllr Becky Williams advised that the current SERCO contract allowed for a ten-year extension and had been considered a viable option. However, it was important to ensure that the agreement remained in the best interest of the Borough and provided value for money for residents. Conversations were currently ongoing with SERCO to explore this and monitoring of contracted services were being monitored as part of the process. Updates would be provided as appropriate.

- (3) Cllr Gaynor Austin had submitted a question for response by the Leader of the Council (Cllr Gareth Williams) on the key priorities and their benefit to residents.

In response, Cllr Gareth Williams advised that the Cabinet had approved the key priorities at its meeting on 26th November, 2024. The Priorities took account of the current financial position of the Council and were in line with the Prime Minister's priorities announced earlier the same day.

The Priorities included:

- Skills, Economy and Business
- Homes for All: Quality Living, Affordable Housing
- Community and Wellbeing: Active Lives, Healthier Stronger Communities
- Pride in Place: Clean, Safe and Vibrant Neighbourhoods
- Vision for the Future, Financial Sustainability

Questions 4 and 5 were taken together and responded to collectively.

- (4) Cllr Thomas Day had submitted a question for response by the Portfolio Holder for Development and Economic Growth (Cllr Keith Dibble) on the Government's housing target of 606 new homes and how the number would be achieved.

- (5) Cllr G.B. Lyon had submitted a question for response by the Portfolio Holder for Development and Economic Growth (Cllr Keith Dibble) on the Government's proposed housing target for Rushmoor.

In response, Cllr Dibble advised that he welcomed the Government's decision to provide more homes. It helped the Council deliver its priorities and take an evidence-based approach to delivering the right scale and mix of homes. The challenge should not be underestimated, and the development of the new Local Plan would help to maximise delivery going forward.

Cllr Lyon asked a supplementary question on the potential of building an area the size of North Camp every five years, and how this could be achieved within the Borough. In response, Cllr Dibble advised that mixed Member

representation on the Local Plan Group would provide valuable commentary during the development stages of the Plan.

- (6) Cllr M.J. Tennant had submitted a question for response by the Portfolio Holder for Regeneration and Property (Cllr Christine Guinness) on the prioritisation of placemaking as the guiding principle on decisions made relating to Union Yard.

In response, Cllr Guinness confirmed that placemaking would continue to be prioritised as a guiding principle on any decisions made on Union Yard, and committed to ensuring the right retail mix was provided within the development. It was important to continue to work together to provide an appealing place for residents, that offered a high quality, attractive living space, the right levels of social interaction and a relevant retail offer.

- (7) Cllr P.J. Cullum had submitted a question for response by the Portfolio Holder for Neighbourhood Services (Cllr Becky Williams) on the state of cleanliness in public areas in the Borough.

In response, Cllr Becky Williams advised that she was broadly satisfied with the performance but there was always room for improvement. It was reported that the “walk your waste” trial would take place over the next two days and the outcomes would be reported to all Members. An aim of the Pride of Place Champion had been to empower residents and communities to take pride in their area and play an active role in its upkeep.

Further questions for the Cabinet had been submitted prior to the meeting. However, as the 15-minute threshold for questions had been reached, these would be answered outside the meeting and responses shared with Members.

34. **REPORTS OF CABINET AND COMMITTEES**

RESOLVED: That the Report of the following meeting be received:

Corporate Governance, Audit and Standards - 21st November, 2024

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

RESOLVED: that the Report of the Overview and Scrutiny Committee meeting held on 24th October, 2024 and the Policy and Project Advisory Board meeting held on 19th November, 2024 be noted.

The meeting closed at 8.12 pm.

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BOROUGH OF RUSHMOOR

EXTRAORDINARY MEETING OF THE BOROUGH COUNCIL held at the Council Chamber, Council Offices, Farnborough on Wednesday, 5th February, 2025 at 7.00 pm.

The Worshipful The Mayor (Cllr Mara Makunura (Chairman))
The Deputy Mayor (Cllr Calum Stewart (Vice-Chairman))

Cllr Abe Allen
Cllr C.W. Card
Cllr Sue Carter
Cllr P.J. Cullum
Cllr Keith Dibble
Cllr A.H. Gani
Cllr Lisa Greenway
Cllr Julie Hall
Cllr Rhian Jones
Cllr G.B. Lyon
Cllr T.W. Mitchell
Cllr M.J. Roberts
Cllr Sarah Spall
Cllr M.J. Tennant
Cllr Ivan Whitmee
Cllr Gareth Williams

Cllr Gaynor Austin
Cllr Leola Card
Cllr A.H. Crawford
Cllr Thomas Day
Cllr Peace Essien Igodifo
Cllr C.P. Grattan
Cllr Christine Guinness
Cllr Steve Harden
Cllr Halleh Koohestani
Cllr Nadia Martin
Cllr Bill O'Donovan
Cllr Dhan Sarki
Cllr P.G. Taylor
Cllr S. Trussler
Cllr Becky Williams

Honorary Alderman Diane Bedford
Honorary Alderman Tony Gardiner
Honorary Alderman John Marsh

Apologies for absence were submitted on behalf of Cllr A. Adeola, Cllr Jules Crossley, Cllr S.J. Masterson, Cllr Sophie Porter, Cllr M.D. Smith and Cllr Jacqui Vosper.

Before the meeting was opened, the Mayor's Chaplain, Coleen Kusi-Agyapong, led the meeting in prayers.

36. **NOTICE OF MOTION - DEVOLUTION AND LOCAL GOVERNMENT REORGANISATION**

The Council were asked to consider a Notice of Motion submitted by Cllr G.B. Lyon under Standing Order 9 (1) on Devolution and Local Government Reorganisation, as set out below:

"The Government is proposing the most extensive change to local government structures for over 50 years.

This is being done with minimal public engagement, debate or opportunity for local residents to have their say and on a rushed timescale.

The abolition of Borough Councils like Rushmoor will significantly impact how public services are delivered across Aldershot and Farnborough and how they are democratically held to account by residents and elected members.

We believe that the people must be consulted on such changes and call on the Council to:

- Publicly set out its current position on the proposals in the English Devolution White Paper including its understanding of the likely impact on residents.
- Detail any past or planned discussions with neighbouring Districts and Hampshire County Council on future governance arrangements.
- Facilitate community engagement to inform residents about the proposals and hear their views.
- Write to the Government calling for an extension to allow for more democratic engagement including a local referendum on the proposals.”

In PROPOSING the Motion, Cllr Lyon stated the need for local engagement and transparency on Devolution and the proposed changes to local government structures. He emphasised that the voice of residents in Rushmoor needed to be heard and that communities should have their say due to the size and scale of the changes being proposed. In SECONDING the Motion, Cllr Trussler expressed the view that the White Paper had been rushed through without allowing sufficient time for open debate with the public.

It was MOVED by Cllr C.W. Card and SECONDED by Cllr T.W. Mitchell – That the Motion be amended to add an additional sentence at the end of the Motion that:

- Elections should only be postponed in exceptional circumstances.

In discussing the amendment, it was noted that some Members believed that postponing local elections should not be allowed and that while current structures were still in place, elections should continue as planned. In response it was advised that the arrangements to postpone the County Council Elections in May 2025 were typical under the circumstances and that similar action had been taken when local authority reorganisation had taken place in other areas and historically in the past.

The Amended Motion was put to the meeting. In a recorded vote, there voted FOR: Cllrs C.W. Card, Leola Card, Sue Carter, P.J. Cullum, A.H. Gani, Steve Harden, Peace Essien-Igodifo, G.B. Lyon, T.W. Mitchell, Bill O'Donovan, P.G. Taylor, M.J. Tennant and S. Trussler (13) AGAINST: Cllrs A.H. Crawford, Thomas Day, Keith Dibble, C.P. Grattan, Lisa Greenway, Christine Guinness, Julie Hall, Rhian Jones, Halleh Koohestani, Nadia Martin, M.J. Roberts, Dhan Sarki, Sarah Spall, Ivan Whitmee, Becky Williams and Gareth Williams (16) ABSTAIN: Cllrs Abe Allen, Gaynor Austin, The Deputy Mayor (Cllr Calum Stewart), The Mayor (Cllr Mara Makunura) (4) and the Amended Motion was **DECLARED LOST**.

In discussing the original Motion, it was advised that a detailed business case was yet to be drawn up with the plans for Local Government Reorganisation (LGR), but the Leader had been and would continue to attend meetings with other district leaders. Consultation with the public had been identified as an action that needed to be undertaken in a timely manner and the Council were committed to ensure that this happened. It was acknowledged that Devolution and LGR brought change and a level of uncertainty, but the benefits it would bring through direct power and funding, would enhance services provided to local residents.

In summing up, Cllr Lyon stressed the point of ensuring that the people were heard and allowed to have their say through a referendum and proper engagement.

The Motion was put to the meeting. In a recorded vote, there voted FOR: Cllrs C.W. Card, Leola Card, Sue Carter, P.J. Cullum, A.H. Gani, Steve Harden, Peace Essien-Igodifo, G.B. Lyon, T.W. Mitchell, P.G. Taylor, M.J. Tennant and S. Trussler (12) AGAINST: Cllrs Abe Allen, Gaynor Austin, A.H. Crawford, Thomas Day, Keith Dibble, C.P. Grattan, Lisa Greenway, Christine Guinness, Julie Hall, Rhian Jones, Halleh Koohestani, Nadia Martin, Bill O'Donovan, M.J. Roberts, Dhan Sarki, Sarah Spall, Ivan Whitmee, Becky Williams and Gareth Williams (19) ABSTAIN: The Deputy Mayor (Cllr Calum Stewart), The Mayor (Cllr Mara Makunura) (2) and the Motion was **DECLARED LOST**.

37. **APPOINTMENTS 2024/25**

In accordance with arrangements to secure political balance, the Council confirmed the following appointments to recent vacancies on committees for the remainder of the 2024/25 Municipal Year.

RESOLVED that:

- i) Cllr Paul Taylor be appointed to the Development Management Committee in place of Cllr Julie Hall;
- ii) Cllr Gareth Lyon be appointed as Standing Deputy for the Conservative Group to the Development Management Committee in place of Cllr Paul Taylor; and
- iii) Cllr Abe Allen be appointed as Standing Deputy for the Labour Group on the Corporate Governance, Audit and Standards Committee in place of Cllr Julie Hall.

38. **EXCLUSION OF THE PUBLIC**

RESOLVED: That, taking into account the public interest test, the public, including Honorary Aldermen and officers from the Executive Leadership Team 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 items:

Minute No.	Schedule 12A Para. No.	Category
39	1	Information relating to an individual

39. LEADER'S REPORT ON FUTURE DIRECTION

The Leader of the Council, Cllr Gareth Williams, proposed and introduced the Exempt Report, which had been circulated under separate cover to Elected Members, and which set out proposals for the future direction of the Council to secure financial sustainability. The Report was seconded by Cllr Keith Dibble.

The Council was advised that following several independent governance and financial reviews in 2024, the requirement to reduce costs had been highlighted as an immediate pressure. One of the actions agreed by Members was for the Chief Executive to undertake a review of the management structure. An initial option to achieve savings had not been acceptable to Members and a second option was now proposed, as set out in the Exempt Report.

At the beginning of the debate, the Council agreed that Standing Order 13 (5) be suspended to allow for speaking more than once, to enable supplementary questions to be asked on the report - providing Members clarity, full understanding and assurance on the proposals.

During discussion, Members sought clarification on the costs of redundancy and alternative options that had been considered. It was noted that the arrangements reflected the statutory position, and that councils were required to have three statutory roles within their organisation: a Head of Paid Service, a Section 151 Officer and a Monitoring Officer. The use of capital receipts for efficiency or savings had been previously agreed by Council in the Budget Report in February 2024. It was also noted that the recommendations, as set out, were the first steps to a broader restructuring and wider savings programme to secure financial sustainability for the Council.

The Report recommendations, as set out below, were put to the meeting. There voted FOR: 22 AGAINST: 0 ABSTAIN 11 and the Motion was **DECLARED CARRIED**.

RESOLVED that:

- i) the redundancy of the Chief Executive based on the financial costs set out, to be funded from capital receipts, be APPROVED; and
- ii) the process to appoint an interim Head of Paid Service and the requirement for this individual to bring forward further options for restructuring, budget savings and plans to deliver the Council's priorities be NOTED.

The meeting closed at 10.01 pm.

ANNEX 1

COUNCIL MEETING – 27TH FEBRUARY 2025

AGENDA ITEM NO. 6 (1)

ANNUAL CAPITAL STRATEGY 2025/26

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 29th January 2025.

SUMMARY:

The Council is required to approve a Capital Strategy for 2025/26 before 1 April 2025.

The Capital Strategy 2025/26 (Appendix 1) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the Department for Levelling Up, Housing and Communities (DLUHC) guidance on Local Government Investment.

RECOMMENDATION:

The Council is recommended to approve the Capital Strategy for 2025/26 to 2027/28 and Prudential Indicators for 2025/26 at Appendix 1.

1 INTRODUCTION

- 1.1 This report sets out the proposed Capital Strategy for the year 2025/26 to 2027/28, including the Prudential indicators for capital finance for 2025/26.
- 1.2 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.3 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.
- 1.4 The Council follows best practice by adhering to the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 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 2025/26 to 2027/28 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.

CHAIRMAN OF THE CORPORATE GOVERNANCE, AUDIT AND
STANDARDS COMMITTEE

BACKGROUND DOCUMENTS:

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

CAPITAL STRATEGY 2025/26

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 2025/26, the Council is planning capital expenditure of £10.1m as summarised below:

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

	2023/24 Actual	2024/25 Forecast *	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure	34.6	16.2	10.1	2.2	2.0

** The forecast for 2024/25 is based the revised capital programme for 2024/25 and reflects the estimated out turn on all projects.*

- 2.3 The main capital projects in 2025/26 include the completion of the crematorium upgrade and regeneration activity at Union Yard (Aldershot). The full capital programme can be found in the MTFS 2025-26 to 2028-29 budget report.

APPENDIX 1

- 2.4 In November 2020 the PWLB lending facility issued 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 is currently reviewing its entire asset base to identify assets for disposal to generate capital receipts. The key criteria are to focus on non-income generating assets and assets that require significant future capital expenditure (i.e. liability) without a commensurate uplift in income. Progress to date is included in the 2025-26 to 2028-29 MTFS. The Council's ambition to build a leisure centre at Farnborough is dependent upon securing additional funding beyond the current Levelling Up Funding allocated by government funding and developing an affordable scheme within the funding available, including the ongoing revenue implications on the Council.
- 2.8 **Governance:** non treasury management investment. 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. All projects to be recommended for inclusion in the Capital programme are appraised by the Executive Leadership Team before being proposed to Cabinet. Cabinet and Full Council is responsible for approving capital investment decisions and monitoring progress on the delivery of the capital strategy. 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. A revised capital programme is presented to Cabinet early February and to Full Council in late February each year.
- 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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External sources	4.8	4.6	1.5	1.1	1.1
Capital Receipts	-	2.7	0.8	0.8	-
Revenue Resources	0.3	-	-	-	-
Debt	29.5	9.0	7.8	0.2	0.9
TOTAL	34.6	16.3	10.1	2.1	2.0

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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
MRP	1.6	1.8	2.1	1.6	1.5
Capital receipts	-	3.3	8.6	2.1	-

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 £170.5m during 2024/25. 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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
CFR	167.4	170.5	160.9	157.2	155.7

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 sold the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is permitted to spend capital receipts on service transformation projects until 2030. 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. In addition, depending on the outcome of the due diligence on Union Yard sale of the 82 private rental units, there will be a capital receipt or a deferred capital receipt, due to the uncertainty this has not been include in the CFR at this point. There is also an assumption in the MTF5 of the sale of some of the Civic Quarter land by 2028-29 to the value of Circa £12m. due to the uncertainty of the amount and timing this has been excluded from the CFR.

Table 5: Capital receipts in £ millions

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Receipts	-	6.0	9.4	2.9	-

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 2024 the Council had £125.0m borrowing at an average interest rate of 5.1% and £28.5m treasury investments at an average rate of 6.0%.
- 3.3 It should be noted that the average rate received on investments of 6.0% is higher than usual. It is due to a steep improvement in the value of the Council's strategic pooled fund portfolio over the last year. This improvement was preceded by a fall in these funds' values and is not representative of the Council's long term expected return on investments. Historical average returns on strategic pooled funds are 2.8% as opposed to the 6.7% seen on these funds over the past year.
- 3.4 **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 rose to a high of 5.25% in August 2023. It has now experienced modest falls and is currently 4.75%.

- 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. Short term interest rates are expected to reduce whilst longer term rates are expected to remain near current levels. The current strategy is to attempt to replace maturing debt with longer term debt (i.e. more than one year) at rates as close as possible to or less than the MTFs projections. 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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt (incl. leases)	163.0	141.7	19.4	5.1	5.1
Capital Financing Requirement	167.4	170.5	160.9	157.2	155.7

- 3.3 This table only shows loans which the Council has or is contractually committed to, most of these loans will be repaid within the short term which is why the debt figures for future years reduce significantly. The forecasted figures for loans which expect to be undertaken in future, as opposed to loans currently held, is shown in table 7.
- 3.4 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 £21m. This incorporates the Council's strategic pooled funds of approximately £16m 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 was £146.0m on 31st March 2024 and is forecast to rise to £150.0m by 31st March 2025, before falling to £139.3m over the next three years.

Table 7: Borrowing and Liability Benchmark in £ millions.

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Existing borrowing	162.0	141.0	19.0	5.0	5.0
Forecast borrowing	162.0	150.0	143.3	141.3	139.3
Liability benchmark	146.0	150.0	143.3	141.3	139.3

- 3.9 The Council borrowed £16m more than the liability benchmark on 31st March 2024. This figure is not excessive and borrowing at a slightly different level to the liability benchmark is common as a result of day to day cashflow variations. As the table shows in future the Council expect borrowing to be at the liability benchmark.

- 3.10 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

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

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Authorised limit – borrowing	200.0	200.0	180.0	180.0	180.0
Authorised limit – leases	2.0	2.0	2.0	2.0	2.0
Authorised limit – total external debt	202.0	202.0	182.0	182.0	182.0
Operational boundary – borrowing	170.0	170.0	150.0	150.0	150.0
Operational boundary – leases	1.8	1.8	1.8	1.8	1.8
Operational boundary – total external debt	171.8	171.8	151.8	151.8	151.8

- 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 £16.0m 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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Near-term investments	21.6	5.0	5.0	5.0	5.0
Longer-term investments	15.4	15.4	16.0	16.0	16.0
TOTAL	36.9	20.4	21.0	21.0	21.0

- 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. 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 lends money to its subsidiary (Rushmoor Homes Limited) and is a funding partner of Farnborough International Limited. 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 2025/26 are forecast to be £122.5m, the portfolio providing a net return after all costs of 6.5%.
- 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

	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Total Net Income from Service and Commercial Investments	8.3	7.1	6.89	7.02	6.6
Proportion of Revenue Stream	64.1%	50.1%	49.3%	50.9%	48.99%

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.

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	2023/24 Actual	2024/25 Forecast	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Financing Costs	8.5	10.1	8.9	8.1	7.9
Proportion of Net Core Revenue Stream	65.5%	70.1%	62.1%	57.8%	55.7%

Note: The indicator above shows that the proportion of financing costs to the net core revenue stream increases significantly from 2023/24. 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 (and FIL loan repayment) of a minimum of £18.7m 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.

7.3 It should be noted that there are uncertainties around the timing of asset sales and the amount that assets can be sold for. The expectations shown in table 3 are that £3.3m of capital receipts will be received in 2024/25 with £8.6m being received in 2025/26. There is the possibility that these amounts may be different or be received in different years.

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 24 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 a number of Chartered Surveyors). The Council pays for staff to study towards relevant professional qualifications including CIPFA, ACT 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.

APPENDIX 1

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.

ANNEX 2

COUNCIL MEETING – 27TH FEBRUARY, 2025

AGENDA ITEM NO. 6 (2)

ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2025-26

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 29th January 2025.

SUMMARY:

The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2025-26 before 1 April 2024.

The attached Treasury Management Strategy Statement (TMSS) for 2025-26 (Appendix 1) and Non-Treasury Investment Strategy (Appendix 2) is prepared in accordance with the “Prudential Code” and the “Treasury Management Code of Practice” in 2017, and the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investment.

RECOMMENDATIONS:

The Council is recommended to approve:

- (i) the Treasury Management Strategy 2025-26, Annual Borrowing Strategy 2025-26 attached at Appendix 1;
- (ii) the Annual Non-Treasury Investment Strategy 2025-26 attached at Appendix 2; and
- (iii) the Minimum Revenue Provision (MRP) Statement set out in Appendix 3.

1 INTRODUCTION

- 1.1 This report sets out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2025-26, including the borrowing and investment strategies and treasury management indicators for capital finance for 2025-26 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 2025.
- 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 treasury management 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 2025-26 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 MHCLG (Ministry of Housing, Communities and Local Government) 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 £162.0m was incurred by 31st March 2024 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 £11.9m in asset sales over the next three years, excluding the potential sale of Civic Quarter land and private residential rental units on the Union Yard development.
- 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.

CHAIRMAN OF THE CORPORATE GOVERNANCE AUDIT AND
STANDARDS COMMITTEE

TREASURY MANAGEMENT STRATEGY 2025-26

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 Annual Non-Treasury 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 2025):

- 2.1 Economic background: The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in

office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

- 2.2 The Bank of England (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.
- 2.3 The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).
- 2.4 Office for National Statistics (ONS) figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.
- 2.5 The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

- 2.6 The US Federal Reserve has continued cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an (upwardly revised) annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.
- 2.7 Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit Outlook:

- 2.8 Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.
- 2.9 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.
- 2.10 Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the

authority's treasury adviser.

- 2.11 Overall, 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 2024):

- 2.12 The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- 2.13 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.
- 2.14 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1A.

3 LOCAL CONTEXT

- 3.1 On 31st December 2024, the Council held £125.0m of short-term borrowing and £28.5m of investments. This is set out in further detail in Appendix 1B. 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 year with renewed short-term borrowing based upon the Council's 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.

APPENDIX 1

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

	2023-24 Actual	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Capital Financing Requirement	167.4	170.5	160.9	157.2	155.7
Less: Other Debt Liabilities	1.0	0.7	0.4	0.1	0.1
Loans CFR	166.4	169.8	160.5	157.1	155.6
Less: External Borrowing	162.0	141.0	19.0	5.0	5.0
Internal Borrowing	4.4	28.8	141.5	152.1	150.6
Less: Balance Sheet Resources	45.4	40.8	38.2	36.8	37.3
Treasury Investments / (New Borrowing)	41.0	12.0	(103.3)	(115.3)	(113.3)

- 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' and Publics Works Loan Board (PWLB) short term to provide liquidity and manage cash requirement during year.
- 3.3 The Council's CFR is projected to increase to £170.5m 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 £113.3m of additional borrowing will be needed by 2027/28.
- 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 2025-26 and

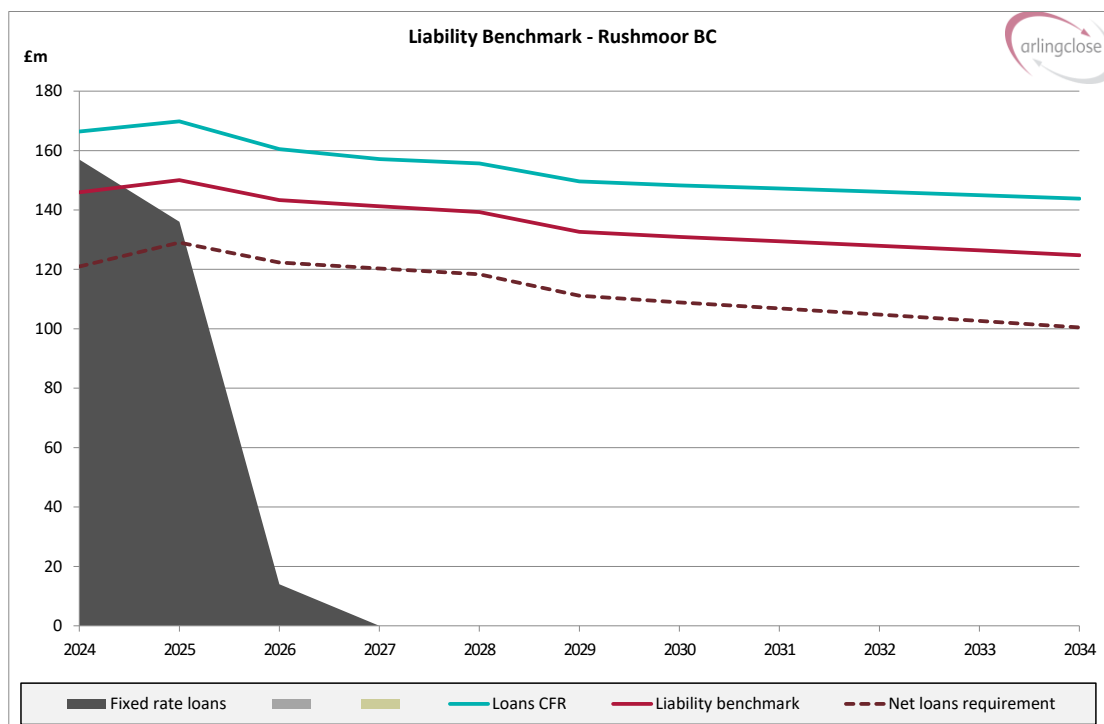
following two financial years.

- 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 £21m at each year-end. This incorporates £16m invested in strategic pooled funds that cannot be sold at short notice and an additional £5m liquidity buffer to manage short-term cashflow requirements. The minimum cash levels at 31st March 2024 are higher at £25m as the strategic pooled fund balance was higher at this date, it is now lower as some funds have been sold during 2024/25.
- 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

	2023-24 Actual	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Loans CFR	166.4	169.8	160.5	157.1	155.6
Less: Balance Sheet Resources	45.4	40.8	38.2	36.8	37.3
Net Loans Requirement	121.0	129.0	122.3	120.3	118.3
Plus: Liquidity Allowance	25.0	21.0	21.0	21.0	21.0
Liability Benchmark	146.0	150.0	143.3	141.3	139.3

- 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 2029/30. 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 2025-26

4.1 The Council held £145.0m in loans at 31st December 2024 as part of its previous strategy for funding prior years' capital programmes. This represents a decrease in borrowing from the previous year end. 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 £103.3m by the end of 2025/26 to fund the capital programme. However, incorporating minimum cash requirements of £21.0m increases this borrowing requirement to £124.3m This borrowing need stems predominantly from the need to replace existing short-term loans as they mature.

4.3 **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.

4.4 **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 rose to a high of 5.35% in August 2023. It has now experienced modest falls and is currently 4.75%.

- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.
- 4.9 **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)
 - National Wealth Fund 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
 - Retail investors via a regulated peer-to-peer platform
 - UK Municipal Bond Agency plc and other special purpose companies created to enable local authority bond issues.
 - Lottery monies

4.10 **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

4.11 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.

4.12 **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 2025-26

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 31st December 2024 the Council's investment balance stood at £28.5m. In future years the Council expects to hold a minimum of £21m in investments. Further detail on current investments is given in Appendix 2.

5.3 During 2024 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 31st December 2024:

- £15.3m in pooled funds (providing a balance across a range of 5 different types of funds).
- £8.1m held in money market funds with next day access
- £5.0m invested with Cornwall Council for 45 days
- £0.1m deposited with Lloyds Bank plc 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 due as 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

APPENDIX 1

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 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 5.13 **Local Authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other 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.
- 5.14 **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, secured deposits 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.
- 5.15 **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.

- 5.16 **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.
- 5.17 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded 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 can be either withdrawn after a notice period or sold or exchanged, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 5.18 **Operational bank accounts:** These 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.
- 5.19 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.
- 5.20 **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.

5.21 **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.

5.22 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.

5.23 **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.

5.24 **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.

5.25 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.

- 5.26 **Investment limits:** 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
Investments held in a broker's nominee account	15
Foreign countries	6

- 5.27 **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), of which at least two will be UK domiciled, 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:** CIPFA encourages the use of an indicator which limits the Councils exposure to interest rate movements. Compliance with this indicator may lead to the Council being required to borrow, or invest, on a long-term fixed rate basis to limit its exposure to interest rate changes over the next year.

The Council's loans are currently predominantly short term, and the Council does not consider that it is affordable to lock in current rates on a long term basis. It therefore does not believe that it is appropriate to set a limit on the amount of short-term borrowing that can be undertaken at the present time as this could force the Council to borrow long term at an unaffordable rate.

The Council does aim to structure debt in the medium term to manage the revenue impact of a 1% change in interest rates.

The impact of a 1% fall in interest rates will be positive for the Council as short-term borrowing is expected to far exceed short term investments in the medium term. It is thus not seen as necessary to set a limit on the impact of a 1% fall in rates.

The use of this indicator will be kept under review going forward.

- 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 Council's 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	£30m	£30m	£20m

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 2025-26 is £1.0m, based on an average investment portfolio of £30m at an average interest rate of 3.5%. 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 2025-26 is £6.4m (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	2024-25	2025-26
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 1A: Arlingclose Economic and Interest Rate Forecast – December 2024

Underlying assumptions:

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.
- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will

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remain elevated as the market digests incoming data for clues around the impact of policy changes.

- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

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Appendix 1B: Existing Investment and Debt Position – December 2024

	31/12/2024 Actual Portfolio £m	31/12/2024 Average Rate
External borrowing:		
PWLB	20.0	5.0%
Local authorities	112.0	5.1%
Building societies	5.0	4.7%
Northern Ireland Housing Executive	8.0	5.3%
Other long-term liabilities:	1.0	1.3%
Total gross external debt:	146.0	5.1%
Treasury investments:		
Bank accounts	0.1	4.6%
Money market funds	8.1	4.8%
Local authorities	5.0	5.2%
Strategic pooled funds	15.4	6.0%
Total treasury investments	28.5	6.0%
Net debt	117.3	4.8%

ANNUAL NON-TREASURY INVESTMENT STRATEGY 2025-26

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 2025/26 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) and local businesses 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. 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	2023-24 Actual £m	2024-25 Forecast £m	2025-26 Estimate £m
Local businesses	6.5	6.5	6.5
Subsidiaries & partnerships	1.5	1.5	1.5
Total	8.0	8.0	8.0

- 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:** The Council has two loan agreements with FIL. The first loan repayments are due in June 2026 with a final repayment in June 2028.

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. The Council will not be acquiring any further investment assets primarily for yield.

Property held for investment purposes.

Property by Type	31-Mar-24 Actual		
	Purchase Cost £m	Gains / (Losses) £m	Value in Accounts £m
Industrial units	51.8	9.7	61.5
Offices	36.6	-3.9	32.6
Retail	42.1	-8.1	34.0
Caravan Park	0.3	3.1	3.5
Petrol Stations	2.3	0.5	2.8
Waste Recycling	1.0	0.4	1.4
Mixed Use	0.2	0.1	0.3
Other	0.2	0.1	0.3
Total	134.4	2.0	136.4

- 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 2024/25 and 2025/26 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, for completeness, the Council has no financial guarantees or loan commitments.

6 PROPORTIONALITY

- 6.1 The Council has become increasingly dependent on profit generating investment activity to achieve a balanced revenue budget. The 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 of 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

Investment income as a proportion of gross service cost	2023-24 Actual	2024-25 Forecast	2025-26 Budget	2026-27 Budget	2027-28 Budget	2028-29 Budget
Investment income £m	10.2	11.1	11.4	11.5	11.3	11.1
Gross service expenditure £m	34.1	35.1	34.2	34.6	35.3	36.0
Proportion	30.0%	31.6%	33.5%	33.2%	31.9%	30.9%

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. The Council also engages a number of other agents to manage specific properties.

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 and Cabinet before final approval. The Overview and Scrutiny committee review all decisions made by the Cabinet. Although after the event the Committee can make any recommendations to the Council if it sees fit.

9 INVESTMENT INDICATORS

9.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure because 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-24 Actual	31-Mar-25 Forecast	31-Mar-26 Forecast
Treasury Management Investments	41.0	21.0	21.0
Service Improvement: Loans	8.0	8.0	8.0
Commercial Investments: Property	134.4	131.1	122.5
Total	183.4	160.1	151.5
Commitments to lend	-	-	-
Guarantees issued on loans	-	-	-
Total exposure	183.4	160.1	151.5

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-24 Actual	31-Mar-25 Forecast	31-Mar-26 Forecast
Service Improvement: Loans	8.0	8.0	8.0
Commercial Investments: Property	92.2	88.9	80.3
Total	100.2	96.9	88.3

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.

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Investments net rate of return	2023-2024 Actual	2024-25 Forecast	2025-2026 Budget
Treasury Management Investments	6.3%	3.6%	3.9%
Service Improvement: Loans	4.0%	4.0%	4.0%
Commercial Investments: Property	8.3%	7.1%	6.5%
All Investments	7.7%	6.5%	6.0%

- 9.5 Short term interest rates are also expected to be lower in the MTFS and returns seen in strategic pooled funds are not expected to be maintained. The MTFS is also forecasting a reduction in net income, this is being addressed in the MTFS budget strategy.

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 2024.
2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits.
3. The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and provides several options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.
4. MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.
5. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant 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.
6. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 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 due to the adoption of the IFRS 16 Leases accounting standard,

and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

9. For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
10. For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
11. For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
12. For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.
13. Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:
 - Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
 - Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
 - Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

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- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.
14. For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
15. Capital expenditure incurred during 2025/26 will not be subject to a MRP charge until 2026/27 or later.
16. Based on the Authority's latest estimate of its CFR on 31st March 2025, the budget for MRP has been set as follows:

	31.03.2025 Estimated CFR £m	2025/26 Estimated MRP £
Capital expenditure after 31.03.2008	172.57	2.094
Leases and Private Finance Initiative	0.093	0.023
Capital loans to third parties	2.978	0.016
Total General Fund	175.64	2.133

ANNEX 3

COUNCIL MEETING – 27TH FEBRUARY 2025

AGENDA ITEM NO. 6 (3)

COUNCIL TAX SUPPORT SCHEME 2025/26

1 INTRODUCTION

- 1.1 Cabinet considered the attached report (FIN2501) on the Council Tax Support Scheme (CTSS) at its meeting on the 14th January 2025.
- 1.2 This followed work undertaken by the Council Tax Support Task and Finish Group to review the Council's Council Tax Support Scheme and recommend actions.

2 RECOMMENDATIONS

- 2.1 Based on the work and recommendations of the Council Tax Support Task and Finish Group, which were considered and recommended for approval by the Cabinet, the Council is recommended to approve that:
 - (1) the current Council Tax Support Scheme for working age customers continues for 2025/26 with the annual uplift to rates within the calculation mirroring that applied to national benefit rates.
 - (2) the budget for Exceptional Hardship relief be maintained at £12,000; and
 - (3) minor changes be made in accordance with the annual uprating amounts applied by the Department of Work and Pensions.

FINANCE AND RESOURCES
PORTFOLIO HOLDER

CABINET
14th January 2025

COUNCIL TAX SUPPORT TASK AND FINISH GROUP

Key Decision: NO

Report No. FIN2501

COUNCIL TAX SUPPORT SCHEME - 2025/26

SUMMARY:

This report sets out the work undertaken by the Council Tax Support Task and Finish Group, to review the Council's Council Tax Support Scheme (CTSS) and recommend action as follows:

RECOMMENDATIONS:

Cabinet are requested to:

- a) Recommend to Council that the current Council Tax Support Scheme for working age customers continues for 25/26 with the annual uplift to rates within the calculation mirroring that applied to national benefit rates.
- b) The budget for Exceptional Hardship relief be maintained at £12,000.
- c) To make minor changes in accordance with the annual uprating amounts applied by the Department of Work and Pensions

1. INTRODUCTION

- 1.1 The purpose of the report is to present to Cabinet the proposed CTSS for 2025/26, prior to consideration by full Council on 20 February 2025.

2. BACKGROUND

- 2.1 Since 1 April 2013, local authorities have been providing their own CTSS to replace the previous national Council Tax Benefit Regulations, which had supported residents with their Council Tax costs.
- 2.2 Whilst local authorities have the freedom to set their own schemes, based on local circumstances and needs, local authorities are required to provide pensioners with the same level of support received under the previous national Council Tax Benefit arrangements.
- 2.3 Accordingly, most local authorities have devised hybrid schemes, whereby those of pensionable age receive up to 100% of their Council Tax bill in support, whilst the maximum level of support for working age customers can be typically lower and a range of other local adjustments have been made.
- 2.4 In Rushmoor we are in our eleventh year of operating our local scheme, which has been overseen by a cross-party Member Welfare Group, superseded in 2018

by the Council Tax Support Task and Finish Group, convened by the Overview and Scrutiny Committee.

- 2.5 In previous years Rushmoor's scheme awarded maximum awards of CTS at 92%, 90% and 88% of a person's council tax liability, subject to a means test to determine the amount of CTS they could receive. In all cases a CTS recipient would pay a minimum contribution to their Council Tax.
- 2.6 Evidence showed that people were struggling to pay their minimum contribution of 12% (in the 2023/24 scheme) towards their Council Tax where they are on the lowest incomes and these small balances are disproportionately costly for the Council to collect.
- 2.7 However last year, the Council agreed to amend the Working Age scheme for 24/25 to allow a maximum award of up to 100% of the Council Tax liability for people on the lowest incomes.
- 2.8 Collection rates for recipients of CTS do tend to be lower than those of the overall collection rate. The way these are calculated is slightly different to the main rates as CTS is awarded at the start of the year for up to the full annual charge. Main collection rates are calculated as a % of the Council Tax due in the year to date. The only date we are 100% sure of the actual figures is at 31 March when we have comparable figures.
- 2.9 Council Tax collection rates to date show a 72% collection rate for people in receipt of CTS, which is up on the same date last year of 62%. Previously reported figures for Working Age recipients in November 23 were reported incorrectly at 88%. This was the correct figure for the Pensioner collection rate.
- 2.10 This improvement in the collection rate for CTS working age recipients is mirrored in the main council tax rates which at the end of November 24 were 94.01% against 93.93% in November 23. We expect to see this increase maintained through the remaining months of the year, resulting in an overall increase in council tax in year collection for 24/25.

3 DETAILS OF THE PROPOSAL

General

- 3.1 The Group met on the 16 October 2024, and 4 December 2024 to make their recommendations.
- 3.2 The Group considered all the data regarding the CTSS and the on-going impact of the change to 100% maximum support for those on the lowest income introduced in April 2024.
- 3.3 The Group weighed up several factors and paid specific attention to the following matters during their deliberations:

- Current collection rates for Council Tax payments in Rushmoor and those of CTS recipients, and how they compare to previous years
- Council Tax Support caseload data
- Council Tax Support scheme costs
- Comparable data relating to CTS schemes for other local authorities in Hampshire
- Other general economic indicators
- Claims for exceptional hardship support

TABLE 1: Overall Council Tax Collection Rates

Month and Year	% Collected of in year charge due to date
November 22	94.18%
November 23	93.93%
November 24	94.01%

TABLE 2: Council Tax Support - Caseload Data

Date	Working Age	Pensioner	Total
November 22	2802	1956	4758
November 23	2774	1953	4727
November 24	*2830	1941	4771

**Caseload figures show an increase in CTS claims due to UC taking over from Housing Benefit*

Presently expenditure on the CTS scheme is £6,115,270, the table below shows the comparative position.

TABLE 3: Council Tax Support – Award Data

CTS paid by group	November 22	November 23	November 24
Pensioner	£2,221,024	£2,319,064	£2,417,282
Working age	£2,889,591	£3,028,816	£3,697,988
Total	£5,110,615	£5,347,880	*£6,115,270

**The scheme costs are shared with the major preceptors. RBC share is 11% of the total.*

At the meeting of the Member Working Group in December 2024 the Group were advised that no payments to customers on the grounds of hardship had been made to date during 24/25 and that this was primarily attributable to the scheme enhancements made with effect from 1st April 2024.

Option put forward by the Group

- 3.4 Having considered all the data available and recognising that the scheme change in 24/25 is still settling in, the Group, on balance considered the best option was

one of no immediate change to the scheme but to continuing monitoring performance and keep it under review.

Alternative Options

- 3.5 No alternative options were considered.

Consultation

- 3.6 No public consultation was necessary as the CTS Task and Finish Group has recommended the scheme remain unchanged for 25/26.

4 IMPLICATIONS

Risks

- 4.1 There are not considered to be any risks associated with the implementation of the recommendations of this report.

Legal Implications

- 4.2 The Local Government Finance Act 2012 provided the introduction of the localisation of CTS by making changes to the Local Government Finance Act 1992. These require that:

“For each financial year, each billing authority must consider whether to revise its scheme or replace it with another scheme.”

Financial Implications

- 4.3 It is assumed at the time of writing, that there will not be any additional financial support from the Ministry of Housing, Communities and Local Government (MHCLG) for 25/26 to fund additional pressures on the CTSS in England.
- 4.4 The Group considered the data relating to the cost of the scheme to date. The estimated cost of the scheme for 25/26 will be included in the estimate for calculating the total amount of Council Tax income for the year.

Resource Implications

- 4.4 None. Revenue and Benefits staff will continue to administer the scheme within existing staff and budget resources.

Equalities Impact Implications

- 4.5 An Equalities Impact Assessment is not needed in this instance. This is because the scheme is unchanged from the previous year where the changes included in the 24/25 scheme, meant no individuals were detrimentally affected.

Other

4.6 None.

5 CONCLUSIONS

5.1 Following careful analysis of the CTSS, by the Council Tax Support Task and Finish Group, they propose that Cabinet should make recommendations to the Council as set out at the head of the report.

ANNEX 4

COUNCIL MEETING – 27TH FEBRUARY 2025

AGENDA ITEM NO. 6 (4)

GENERAL FUND BUDGET 2025-26 &
MEDIUM TERM FINANCIAL STRATEGY 2025-26 to 2028-29

A report from the meeting of the Cabinet held on 11th February 2025

SUMMARY AND RECOMMENDATIONS:

This report sets out the draft General Fund Budget for 2025/26 and Medium-Term Financial Strategy (MTFS) up to 2028/29. The MTFS sets out the key work streams for the Council to focus on over this period which, collectively, aim to address the projected significant shortfall in the General Fund budget.

The Council is recommended to approve the following:

1. the Medium-Term Financial Strategy & the strategy set out in this report to resolve the MTFS deficit;
2. General Fund Revenue Budget Estimates Summary 2025-26 Appendix 1;
3. the Council Tax Requirement of £8,008,514 for this Council;
4. the Council Tax level for Rushmoor Borough Council's purposes of £239.70 for a Band D property in 2025-26 (an increase of £6.96);
5. the Capital Programme as per Appendix 6;
6. The Strategy for the Flexible use of Capital Receipts as per paragraph 3.29 below; and
7. The UKSPF funding allocations at Appendix 7.

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 2025-26 and a medium-term financial forecast.
- 1.2. This is a key decision because it is likely to result in the Council incurring expenditure or making savings which are significant in as much as they will have a material effect on the level of council tax, balances or contingencies in relation to the Council's overall budget.

2. BACKGROUND AND EXECUTIVE SUMMARY

- 2.1. In February 2023 the council approved a balanced budget without the need to draw on reserves for 2023-24 and forecasted a balanced budget for the following year, 2024-25. However, these forecasts significantly underestimated the interest payment on the £167m of short-term borrowing (February 2023 bank rate 4% vs budgeted 1.66%) and the borrowing was fully exposed to further interest rate rises in the coming year. Inflation had also been underestimated at circa. 2.5% vs inflation of 10.4% as at February 2023 and projected to reduce gradually. Consequently, the revised 2024-25 budget approved on 22nd February 2024 projected a £5.4m deficit before savings and a cumulative £16.6m MTFS deficit to 2027-28 with £10.7m of available reserves to cover the deficit (increased to £12.22m in July 2024 by the 2023-24 outturn surplus).
- 2.2. At the 22nd February 2024 Budget Council, a financial recovery plan was agreed requiring a total recurrent net budget reduction of £4m by the end of 2027-28 to balance the budget without any further reliance on reserves beyond the MTFS period. The plan acknowledged that interest on the £167m of short-term borrowing (i.e. property investment and regeneration projects were funded by borrowing maturing in less than one year where rates were below 1% compared to longer term where rates were 2-3% higher) was the ongoing cause of the deficit, and therefore required £40m of asset sales over the MTFS period to repay borrowing and consequently reduce annual interest and principal (minimum revenue provision - MRP) repayments by £2.04m per year. In addition, whilst ever inflation is above 2%, service expenditure inflation outpaces the council's ability to increase income, resulting in a need for a £500k per year reduction in cost of services to achieve a recurrent £2m per year reduction by the end of the MTFS period.

February 2024 savings profile	2024-25 '000	2025-26 '000	2026-27 '000	2027-28 '000
Interest and MRP (£40m assets)	(240)	(1,558)	(2,040)	(2,040)
Cost of services reduction	(500)	(1,000)	(1,500)	(2,000)
Total Savings:	(740)	(2,558)	(3,540)	(4,040)

() implies improvement

- 2.3. The agreed savings profile required £740k (£240k interest/MRP and £500k cost of services) in 2024-25, acknowledging that it would take time for asset sales to be actioned resulting in £4.6m of the £5.4m deficit to be funded from reserves.

February 2024 planned use of reserves	2024-25	2025-26	2026-27	2027-28	Total
	'000	'000	'000	'000	'000
Savings requirement:	(740)	(2,558)	(3,540)	(4,040)	(10,878)
Deficit prior to savings:	5,379	4,127	3,504	3,641	16,651
Deficit/Surplus net of savings funded by reserves	4,639	1,569	(36)	(399)	5,773
Available reserves:	(10,679)	(6,040)	(4,471)	(4,507)	(4,906)

() implies improvement/surplus

The savings profile projected £4.9m (of the £10.7m, increased to £12.2m in July) reserve remaining to mitigate changes in underlying key budget assumptions and risks and ensure the council remains able to set a legally balanced budget.

- 2.4. Although £3.3m income from sale of assets is due in March 2025, it is too late to achieve the £240k 2024-25 interest and MRP required reduction. Despite this, the £740k 2024-25 savings target has been fully met of which £342k is recurrent (i.e. ongoing in future years) and £398k will carry forward to contribute to the 2025-26 savings target.
- 2.5. A significant amount of progress has been made in identifying savings for 2025-26 onwards. Whilst these are incorporated into the 2025-26 budget estimates, several of the key risks in the February 2024 MTFS have materialised resulting in a 2025-26 estimated deficit of £5.2m (£4.1m projection in February 2024). The table below provides headlines, and a detailed explanation is given on **Appendix 2**.

Explanation of budget changes	2025-26	2026-27	2027-28	2028-29
	£000	£000	£000	£000
Lines of enquiry	(1,667)	(782)	49	(113)
Domestic waste ERP income	(615)	0	0	0
Union Yard sale of 82 PRS units	(418)	(408)	(5)	(5)
Finance Settlement	(228)	134	355	364
Earmarked Reserve movements	(74)	148	24	(13)
Civic Quarter capital receipt	0	0	0	(1,111)
Union Yard holding costs	221	(221)	0	0
Staff Pay award	319	480	489	498
Contract Inflation	362	218	220	227
Net interest and MRP	926	(690)	(162)	(93)
Pooled funds provision one off	1,000	(1,000)	0	0
Net change in deficit	(174)	(2,120)	969	(246)
Prior year deficit	5,379	5,205	3,085	4,054
Current deficit	5,205	3,085	4,054	3,808
Net change	(174)	(2,120)	969	(246)

- 2.6. Excluding some significant one-off costs in 2025-26 and fluctuations in commercial property income, the cumulative MTFs deficit has remained similar in comparison to the February 2024 projection, despite the progress on savings. This emphasises the importance of protecting reserves to mitigate risks.

Change in deficit prior to savings:	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	`000	`000	`000	`000	`000	`000
February 2024	5,379	4,127	3,504	3,641	3,641	20,292
2025-26 estimates	5,379	5,205	3,085	4,054	3,808	21,531
Change:	0	1,078	(419)	413	167	1,239

() implies improvement

- 2.7. Work on the February 2024 £40m asset sales target has identified potential sales estimated at £11.9m, of which £3.3 will be received by the end of 2024-25 and a further £8.6m in 2025-26. In addition, Farnborough International Ltd is due to repay £6.7m of loans, £2.1m in 2026-27 and £4.7m in 2028-29. The interest and MRP savings generated are included in the budget projections. Whilst the total asset sales estimate is lower than target, the overall £2.04m annual interest and MRP saving will be achieved by 2029-30, 4 years later than anticipated. This achievement from a lower sales value is made possible by a higher interest rate (4.78% vs 3.1% in February 2024) and complying with the MRP policy that allows income from the sale of assets that are not linked to borrowing to reduce MRP over ten years (i.e.1/10) compared to the budget assumption of 2% (50 years: 1/50 =2%) due to not knowing which assets would be sold. The 4-year delay in achieving the full £2.04m interest and MRP reduction will require further cost of service reductions to be identified to compensate. It is not certain that sufficient additional asset sales will be achieved in time to close the gap by the end of 2026-27. In addition to the £18.7m projected income, the budget includes a projected £12m income in 2028-29 from sale of some of the Civic Quarter land, in addition to the numbers in the table below.

- 2.8.

Interest and MRP savings requirement	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	`000	`000	`000	`000	`000	`000
February 2024 £40m	(240)	(1,558)	(2,040)	(2,040)	(2,040)	(2,040)
2025-26 estimates £18.7m		(434)	(1,354)	(1,596)	(1,763)	(2,070)
To be funded from cost of services/reserves	240	1,124	686	444	277	(30)

- 2.9. The deficit in 2025-26 includes some significant one-off (i.e. not ongoing in future years budgets) costs and the MTFs experiences some fluctuations in commercial property income. These one-off changes are best resolved by drawing upon reserves. Therefore, the underlying need for recurrent savings of £2.8m in 2025-26 broadly remains the same as the £2.6m forecast in February

2024. This is a significant number to achieve from a standing start and it is proposed to draw an extra £1m from reserves in 2025-26 to enable a stepped increase i.e. £1.8m in 2025-26 in the savings requirement, which then steps up annually by £1m to a total recurrent saving of £3.8m in 2027-28. Achieving this savings profile, and assuming all budget assumptions remain equal, the final projected reserves balance will be £3.6m (£4.9m February 2024) to cover the uncertainty in later year projections. Unless additional assets are identified, the full annual recurrent required savings of £3.8m is now predominantly focused upon cost of services and building up the commercial income.

2025-26 planned use of reserves	2024-25 `000	2025-26 `000	2026-27 `000	2027-28 `000	2028-29 `000
Deficit prior to savings:		5,205	3,085	4,054	3,808
Required Savings:		(1,784)	(2,784)	(3,781)	(3,781)
Net deficit funded by reserves		3,421	301	273	27
Available reserves:	(7,568)	(4,102)	(3,801)	(3,528)	(3,501)

() implies improvement

- 2.10. The 2025-26 budget and MTFs has been projected in the context of the current Local Government Reorganisation on the basis that the council will continue in existence and is able to balance its budget and MTFs without external financial assistance. There is a high degree of uncertainty in several of the assumptions in the 2025-26 MTFs, and it is therefore crucial that the council achieves a minimum £1.8m net budget reduction (i.e. the 2025-26 required savings) and strives to make significant inroads into the additional £1m increase the following year. The 2025-26 MTFs projects an additional £2.9m drawdown of reserves compared to 22nd February 2024 to a level of £3.6m and therefore has no flexibility for any unplanned draw on reserves in addition to the identified risks around the budget assumptions if the council is to be able to set a balanced budget each year of the MTFs.

Change in planned use of reserves	2024-25 `000	2025-26 `000	2026-27 `000	2027-28 `000	2028-29 `000	Total `000
February 2024	4,639	1,569	(36)	(399)	0	5,773
2025-26 estimates	4,639	3,421	301	273	27	8,661
Change in estimate	0	1,852	337	672	27	2,888
Remaining Reserves after funding		planned	deficit:			
February 2024:	(6,040)	(4,471)	(4,507)	(4,906)	(4,906)	
February 2024 restated in July:	(7,588)	(6,019)	(6,055)	(6,454)	(6,454)	
2025-26 estimates	(7,588)	(4,167)	(3,866)	(3,593)	(3,566)	
Change in reserves projection	0	1,852	2,189	2,861	2,888	

() implies improvement

February 2024 £10.679m was improved by £1.550m with 2023-24 surplus (i.e. £12.227m)

2.11. The 2025-26 MTFS assumes several high-risk significant value assumptions underpinned with unknown certainty of likelihood of occurrence but high impact. The most significant risks and opportunities that could affect the £3.6m projected reserve are listed below.

- Interest on borrowing is the highest risk due to the volatility of interest rates. Half a percent increase equates to an additional annual £600k interest and c. £2m over the MTFS period drawdown of reserves. The financial markets are settling and this could also provide an opportunity to reduce interest costs.
- A delay in the sale of the identified commercial assets beyond 2025-26 will delay a £636k reduction in MRP and forgo £300k interest saving. A one-year delay will impact reserves by £1m.
- The government has stated an intention to rebase Retained Business Rates in 2026-27 to redistribute funding to councils with higher levels of deprivation. The council has £1.9m retained growth above its £3m baseline funding level at risk. This budget assumes there will be transition relief of 1/3rd per year of the assumed £1.9m reduction. We may not get clarity until the December 2025 Provisional Finance Settlement.
- Underachievement of the 2025-26 £1.8m required net cost of services reduction will have a knock-on effect over the MTFS period and require additional drawdown from reserves.
- The government is being lobbied to continue the Pooled Funds accounting dispensation that is due to end in 2024-25 and required the current £1m book loss to be accounted for as a one-off cost in the revenue account. This will be adjusted each year as the value changes until such time as the pooled fund are cashed in. A continuation of the dispensation will avoid a £1m drawdown of reserves.
- Disposal of some of the Civic Quarter land is currently being negotiated. The budget assumes a £12m sales receipt that will equate to £1.1m per year budget saving on interest and MRP in 2028-29. Earlier receipt will benefit the MTFS by £1.1m per year.

The above risks are potential pressures on the remaining reserve, assuming that they cannot be managed in year, and therefore have an implication on the council's statutory duty to set and maintain a balanced budget. To achieve this, the council must ensure that it retains sufficient reserve to manage the in-year, and the following years projected deficit, based upon realistic savings achievement and risks. Ultimately, targeted spend controls are the last resort tool available to manage the in-year budget position to bring the budget back within the boundaries of the MTFS and available reserves. A full schedule and analysis of risk is given on **Appendix 2**.

2.12. A Financial Recovery Plan was approved at 15th October Cabinet establishing three separate workstreams; (1) Revenue Savings, (2) Capital Receipts, and (3) Financial Service capacity and capability. The revenue savings workstream has identified over 30 lines of enquiry (**Appendix 3**) and associated actions and progress to date is reflected in the budget, including progress on capital receipts. The lines of enquiry have been an effective lens to enable a systematic

and objective review of the councils' services from several angles and as expected have led onto new lines of enquiry that will continue to be pursued.

- 2.13. 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 borrowing. Therefore, the course of action the council will be taking in 2025-26 as a result is to:
- a. Continue working through the lines of enquiry
 - b. Complete a detailed commercial property review and review of portfolio management to drive up income and reduce costs from the portfolio (aim for net £750K improvement) by 2027-28 at the latest.
 - c. Bring forward the Civic Quarter capital receipt to gain the benefit earlier than 2028/29 (assuming £12m disposal value benefit is Circa £1.1m per year)
 - d. Identify further asset sales with zero underlying debt to benefit from 1/10th MRP reduction and interest saved on borrowing, outweighing lost income.
- 2.14. Achieving the full £1.8m required cost of services reduction in 2025-26 is a significant challenge. In recognition of this challenge an immediate project is underway to identify a schedule of actions to deliver a budget reduction this year. Services managers have been asked to review specific services, activity and costs which:
- Could stop – i.e. not already contracted or contract not renewed in year
 - Expenditure to temporarily stop for current or next year
 - Could be carried out in a different way/scaled back to take account of devolution and/or local government reorganisation at reduced cost
 - Service development projects/IT upgrades that can be on hold until local government reorganisation is progressed.

Potential service reductions have been identified and reviewed with Cabinet and work is continuing. Formal decisions will be required and a final proposal will be presented to Cabinet for approval in April 2025.

- 2.15. Implement and complete a review of services to align establishment to ongoing priorities and reduce cost by the end of September supported by a comprehensive roll out plan. The ongoing management restructure and redesign is underway, with redundancy of the Chief Executive role approved at Council on 5 February 2025 delivering savings of £179k which are not currently reflected in the Proposed Budget. The capital programme includes £1m of capital receipts to support the service review under the flexible use of capital receipts directive.

Role of the Chief Finance Officer

- 2.16. 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.
- 2.17. As proposed in this report, the Council can balance the 2025-26 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 Recovery Plan which will be updated regularly during the year.

3. Medium term Financial Plan 2025-26 to 2028-29

- 3.1. 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.
- 3.2. 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.
- 3.3. The 2025-26 budget and MTFS has been set in the context of the current Local Government Reorganisation on the basis that the council will continue in existence and is able to balance its budget and MTFS without external financial assistance. It is also 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.
- 3.4. The Council's MTFS ending 2028-29 has been updated to include the latest General Fund assumptions and projections including identification of reserves

earmarked for specific purposes that may have to be drawn upon to meet the MTFS budget shortfall set out on **Appendix 2**. This report sets out the ongoing material financial pressures, risks and uncertainty which remain on a significant scale. The latest MTFS projections show an estimated total cumulative gross budget shortfall, before compensating measures, over the four-year period of **£16.152m**. 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 summary is set out on **Appendix 1**:

Fees & Charges

- 3.5. Fees and Charges income has been reviewed under a line of enquiry project. Service managers were consulted to gauge what their views on what is appropriate in relation to affordability, demand for service and market rates alongside benchmarking data from other authorities where available. Three scenarios were considered i.e. 3.5%, 5% and 10% to help illustrate the impact from the service user perspective and the increased income generated. The full schedule of fees and charges related budget adjustments are on **Appendix 4** and the Council's current fees and charges schedule is published separately on the council's web.
- 3.6. The 2023-24 outturn illustrated that some fees and charges budgets required alignment to reflect the actual achievement and trend service trend. A further line of enquiry is to ensure services are achieving full cost recovery on discretionary services and challenge the service delivery where income is slipping.
- 3.7. A revised tariff structure for the Council's sixteen pay and display (P&D) car parks is proposed from 1 April 2025. In general, charges will increase by 10p an hour, with the night charge rising from £1.50 to £2.00, and the Sunday charge in Aldershot increasing from £1.00 to £1.50. The new tariff structure is forecast to generate additional P&D income of c.£120,000 in 2025/26, assuming car park usage remains the same. A detailed breakdown of the proposed tariff changes is shown in **Appendix 4**.
- 3.8. The Animal Welfare regulations have now been signed into legislation and a Primate License is now required for private keepers. A fee for this license is proposed to be set on a cost recovery basis as per licensing legislative requirements.
- 3.9. A Fees and Charges book has been produced to support the budget. This will be circulated separately to this report for Cabinet to review and approve under its delegated authority.

Earmarked Reserves

- 3.10. A detailed schedule of all useable revenue earmarked reserve movements and balances is on **Appendix 5**.

- 3.11. On 16 December, the Government published its devolution and local government reorganisation White Paper. This gives a clear policy direction for local government and during 2025 and beyond, Councils will need to commit resources and increase capacity to prepare for these changes. It is not yet clear what will be required but the expectation is that Hampshire will be included in the priority programme with LGR proposals due in detail by the Autumn (or potentially May if not included in the priority programme). Therefore, Members are requested to put aside a reserve of £100,000 for expenditure with delegated authority to commit any spend to the Assistant Chief Executive following consultation with the Executive Head of Finance and the Leader.
- 3.12. The Council's Local Plan is due to be revised as a project over the next two years and will require funding to resource surveys and relevant consultations. Therefore, Members are requested to put aside a reserve of £100,000 for expenditure with delegated authority to commit any spend to the Executive Head of Property and Growth following consultation with the Executive Head of Finance and the Leader.
- 3.13. The continued development of the Financial Recovery 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 2025-26, to be called upon if needed. The principle of this expenditure is to enable to council to drive forward delivery of savings and realise the targets for balancing the budget over the MTFS term.
- 3.14. Union Yard construction is reaching practical completion. There is a negotiation with the contractors, Hills Associates, regarding the cost overrun due to extensions of time. The negotiations may proceed to arbitration and require external legal support. Therefore, Members are requested to put aside a reserve of £150,000 for expenditure with delegated authority to commit any spend to the Executive Director & Deputy Chief Executive following consultation with the Executive Head of Finance and the Leader.
- 3.15. A new addition to the earmarked reserves is the remaining balance of the Community Recovery Fund which is currently forecast to hold £507k at the start of the financial year and will be utilised to support further community engagement.
- 3.16. It is recommended that all of the above requests are funded from the projected 2024-25 surplus achievement above the budgeted drawdown of reserves as a first call.

Treasury Management Strategy

- 3.17. The council as part of its previous strategy for funding prior year capital programmes will have a need to borrow £170m by the end of 2024-25, of which approximately £136m will be borrowed from other local Authorities and the Public Works Loan Board (PWLB). The majority of this borrowing is due to mature within the next 12 months and will need to be replaced with new borrowing.
- 3.18. The council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty. The 2025-26 MTFs assumes an interest rate of 4.78% and has planned a service cost reduction to bring the MTFs back into balance without use of reserves. The council's treasury advisors recommend a strategy to extend borrowing maturity towards 5-year maturity over the next 18 months, with the expectation that the rates will settle just below 5% as can be seen on the interest projection slide on appendix 2.
- 3.19. Current interest rates are above this level and are reducing as forecasted. All borrowing replaced above 4.78% in the next year will require additional compensating savings to be found. The council has already started to take out longer term PWLB borrowing beyond one year and is actively managing its borrowing projections and monitoring rates to ensure a balance between affordable rates and longer-term certainty can be achieved.
- 3.20. Borrowing has been delayed as long as possible during the year to benefit from maximising the use of the councils surplus cashflows and only borrowing to maintain a minimum cash balance of £5m. This has achieved over £1m reduction in interest cost during 2024-25.
- 3.21. Treasury management operation is monitored and managed daily, with a strategic officer oversight panel reviewing market forecasts against the borrowing and cashflow forecasts. The council's treasury Advisor meets monthly with senior officers to review strategy. The Finance Portfolio holder will be briefed regularly on the overall position and strategy going forward. Corporate Governance, Audit and Standards Committee receive quarterly updates.
- 3.22. The statutory override for pooled funds in England – which requires fair value gains and losses to be taken to an unusable reserve unless the fund is sold – is set to end in 2025/26, i.e. the last year it will be in place will be 2024/25. The council's pooled funds are currently valued below their purchase price because of rising interest rates and the economic downturn. There is therefore a debit balance in the pooled investment funds adjustment account that will to be moved to the General Fund in 2025/26 and the budget now includes a £1m set aside of a revenue reserve to cover the deficit. The government is being lobbied to continue the statutory override, which would be a one-off improvement in 2025-26.

Capital programme

- 3.23. The council's Capital Strategy and Capital Programme are considered over a three-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. The detailed capital programme and funding strategy is on appendix 6.
- 3.24. Work on scoping the cost of a leisure centre on the Civic Quarter site is still underway. The council has been able to retain the balance of the Levelling Up Funding circa £18m to enable the project and in addition can contribute the land. The next step in the project scoping is to achieve RIBA Stage 3 work and the operator procurement process that will include a detailed Business Case, and an appropriate funding strategy supported by robust independent due diligence to test viability. At this point Cabinet will make a decision to recommend to Full Council on proceeding to RIBA stage4/build contract.
- 3.25. 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. It was noted that an accurate assessment of refurbishment costs would become available once a Main Contractor has been appointed, as expected, several technical matters that were not possible to be accurately assessed until the project was underway and are currently being worked through. At this stage it is projected to be within the overall budget approval. An update report will be brought to Cabinet.
- 3.26. The capital programme now includes a £1m provision to enable service restructuring costs to be capitalised and funded from existing capital receipts.
- 3.27. Over the last year, progress has been made on developing an asset management capital expenditure programme to support the management and maintenance of the council's-built estate. In anticipation of the programme being finalised and agreed the capital programme has an £800k per year budget funded from anticipated long leasehold capital receipts. All expenditure against this budget will require a business case and cabinet approval, unless it is under the Cabinet delegated limit (ELT approval). The funding must also be secured prior to the expenditure being incurred.
- 3.28. The programme has an updated Information and Computing Technologies (ICT) Services Capital Schemes programme, and the funding has been switched from borrowing to existing capital receipts. In light of the local government reorganisation, the ITC programme will be revisited, and only essential work will be carried out to enable the councils ICT infrastructure to continue supporting service delivery.

Flexible use of capital receipts

- 3.29. 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. The 2025-26 provisional finance settlement has extended this directive to end in 2030.
- 3.30. The Council will have to make significant changes to its service provision including efficiencies. It is sensible to alleviate pressure on revenue reserves by using capital receipts and make the required council resolution to enable this to be done. It is the Council's proposed strategy for 2025-26 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 service review.

Council Tax Support Scheme (CTSS)

- 3.31. 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. The CTSS 2025-26 has been recommended to Council under report FIN2501.

External review and oversight

- 3.32. Given the financial situation, the Council has sought external perspectives on its financial plans and overall performance through a LGA Peer challenge and by commissioning CIPFA to undertake an independent review. The outcome of these reviews has been reported to Council during 2024. Cabinet has established a cross-party Cabinet Working Group to be known as the 'Financial Recovery Working Group' with the primary role of overseeing delivery of the Financial Recovery Plan. The group has engaged an experienced local government finance specialist from CIPFA as an independent member.

UK Shared Prosperity Fund

- 3.33. The UK Shared Prosperity Fund (UKSPF) supports the Government's five national missions to deliver its plan for change: pushing power out to communities everywhere, with a specific focus to help kickstart economic growth and promoting opportunities in all parts of the UK. The UK government's Autumn Budget announced a further funding for local investment by March 2026. On 13 December 2024 government announced that the Council has been allocated £327,146 for 2025-26, with £60,401 capital funding and £266,745 revenue funding.

- 3.34. 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 national missions have been mapped by Government against existing UKSPF priorities and investments, allowing a wider range of activity to be funded in 2025-26. The proposed projects support the Council's Delivery Plan priorities and will be included in the forthcoming decision on the 2025-26 Council Delivery Plan at April Cabinet.
- 3.35. Cabinet is asked to:
- Consider and approve for recommendation to Council the funding allocations, subject to the full receipt of the funding and the outcome of the service cost review.
 - Delegate final decisions on specific project allocations to the Leader in consultation with the relevant portfolio holder.

Alternative Options

- 3.36. The council must produce and keep under review a MTFs that by its nature includes several assumptions and options to deal with a range of transactions and service delivery strategy. Where there are options, these have been brought out in the relative section of this report.

Consultation

- 3.37. All Members of the Council are invited to a budget briefing seminar on 10th February 2025 to discuss the budget proposals and the full budget report is available online.
- 3.38. The Financial Recovery Working Group (FRWG) meet regularly to review progress in delivering the budget savings and effectiveness of the strategy to address the budget deficit.

4. IMPLICATIONS

Risks

- 4.1. There are a range of risks associated with the delivery of the MTFs and plan to address the budget shortfall. A full matrix of risks is provided at **Appendix 9**.

Legal Implications

- 4.2. 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).
- 4.3. 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.

- 4.4. 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.”
- 4.5. The Council appears to be able to balance the 2025-26 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 £16.152million deficit in the period to 31 March 2029. 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.
- 4.6. 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.
- 4.7. 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.

Financial Implications

- 4.8. Detailed in the body of this report.

Resource Implications

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

Equalities Impact Implications

- 4.10. 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.

- 4.11 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.
- 4.12 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 Recovery Plan.

5 CONCLUSIONS

The Council can set a balanced budget with the use of reserves. There is a £16.152million deficit over the MTFS term and a Financial Recovery Plan is in place to address the challenge. To achieve this, the budget will continue to require the implementation of cost reduction, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves.

GARETH WILLIAMS
LEADER OF THE COUNCIL

LIST OF APPENDICES/ANNEXES:

Appendix 1: Medium Term Financial Strategy 2025-26 to 2028-29
Appendix 2: General Fund assumptions and projections
Appendix 3: Lines of Enquiry
Appendix 4: Fees and charges adjustments
Appendix 5: Earmarked Reserves schedule
Appendix 6: Detailed capital programme
Appendix 7: Schedule of UKSPF projects
Appendix 8: Section 25 report
Appendix 9: Risk Register

BACKGROUND DOCUMENTS:

Budget Council agenda 22nd February 2024: including the MTFS and Capital strategy reports.
25th July 2024 Council agenda item 5: MTFS update and 2023-24 budget outturn
15th October Cabinet agenda item 4: Financial Recovery Plan.

Appendix 1: Medium Term Financial Strategy 2025-26 to 2028-29

Medium Term Financial Strategy 2025-26 to 2028-29	2023-24 outturn `000	2024-25 `000	2025-26 `000	Change `000	2026-27 `000	2027-28 `000	2028-29 `000
Cost of service							
Community & Residents	2,151	2,050	2,200	150	2,391	2,391	2,391
Development & Economic Growth	1,070	1,046	1,072	26	1,064	1,036	1,007
Enabling Services	4,320	4,945	5,137	192	5,224	5,221	5,219
Finance	1,768	1,816	1,876	61	1,900	1,900	1,900
Neighbourhood Services	5,120	5,812	5,439	(373)	5,346	5,219	5,015
Policy, Climate & Sustainability	1,003	832	835	3	849	849	849
Regeneration	567	560	604	44	615	615	615
Property	(6,906)	(6,715)	(6,840)	(126)	(6,985)	(6,761)	(6,616)
Service Budgets	9,095	10,347	10,323	(24)	10,404	10,472	10,381
Other Service-related Income &Exp							
Insurance	345	465	356	(108)	356	356	356
Contract inflation	0	780	362	(418)	558	759	964
Pay inflation	0	842	299	(543)	480	969	1,467
Union Yard PRS holding costs provision	0	0	221	221	0	0	0
Vacancy margin	0	0	(400)	(400)	(400)	(400)	(400)
ERP income	0	0	(615)	(615)	(615)	(615)	(615)
Total: Other Service related I+E	345	2,087	223	(1,864)	380	1,069	1,772
Corporate Income &Exp							
Union Yard PRS disposal	0	0	(418)	(418)	(826)	(831)	(836)
Civic Quarter capital receipt	0	0	0	0	0	0	(1,111)
Net Interest and MRP	3,791	6,657	7,584	926	6,894	6,732	6,639
Pooled Fund capital loss	0	0	1,000	1,000	0	0	0
Collection fund provision writeback	(1371)						
Local government finance settlement	(15,746)	(13,831)	(14,093)	(263)	(13,959)	(13,604)	(13,241)
Total: Corporate Income &Exp	(13,326)	(7,174)	(5,928)	1,245	(7,892)	(7,704)	(8,549)
Deficit to be funded:	(3,886)	5,260	4,618	(642)	2,892	3,837	3,604
Specific Earmarked Reserve movements	335	119	587	468	193	217	205
Net deficit to be funded from reserves and savings	(3,551)	5,379	5,205	(174)	3,085	4,054	3,808

() are an improvement i.e. increased income or reduction in cost

MTFS 2025-26 to 2028-29

General Fund assumptions and projections: Appendix 2

Summary of annual budget changes

Explanation of budget changes from prior year	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Lines of enquiry	(1,667)	(782)	49	(113)
ERP income	(615)	0	0	0
Union Yard sale of 82 private units	(418)	(408)	(5)	(5)
Finance Settlement	(228)	134	355	364
Earmarked Reserve movements	(74)	148	24	(13)
Civic Quarter capital receipt	0	0	0	(1,111)
Union Yard holding costs provision	221	(221)	0	0
Pay award and changes	319	480	489	498
Contract Inflation	362	218	220	227
Net interest and MRP	926	(690)	(162)	(93)
Pooled funds	1,000	(1,000)	0	0
Net change in deficit	(174)	(2,120)	969	(246)
Prior year deficit	5,379	5,205	3,085	4,054
Current deficit	5,205	3,085	4,054	3,808
Net change	(174)	(2,120)	969	(246)

() are an improvement i.e. increased income or reduction in cost

Detailed analysis is provided on the following slides.

Lines of enquiry and other budget adjustments

	2025-26	2026-27	2027-28	2028-29
Lines of enquiry budget adjustments	£000	£000	£000	£000
LO05 Vacancy margin	(400)	0	0	0
2024-25 Budget alignments	(317)	0	0	0
LO18 Fees and charges	(306)	(771)	(176)	(258)
Union Yard estimate adjustment	(215)	(79)	(64)	0
Elections - fallow year	(150)	150	0	0
LO32 insurance contract	(108)	0	0	0
LO34 Local Plan to be funded from reserves	(98)	0	0	0
LO09 Ctax/Business Rates	(90)	(5)	(5)	0
A331 Air Quality Project exit strategy	(68)	(10)	0	0
2526 Quick Wins Business rates payable	(56)	(64)	0	0
LO10 Utilities	(25)	(7)	0	0
Property Feasibility budget reduction	(25)	(25)	0	0
LO15a - unspent budgets	(25)	4	0	0
LO33 Commercial rent review	215	35	293	145
Total: lines of enquiry budget adjustments	(1,667)	(782)	49	(113)

The table correlates with the lines of enquiry schedule in the FRP plan. It also captures all other budget adjustments that have not been covered off elsewhere. Further detail on the Lines of enquiry can be found on **appendix 3**.

Assumptions: Sale of Union Yard 82 PRS asset:

External Sale		RHL		Difference
Capital Receipt:	(15,000,000)	Loan Note:	(15,000,000)	
Interest at 4.78%	(717,000)	Interest at 6.78%	(1,017,000)	
MRP saved	(108,992)	MRP	0	
Total Saving:	<u>(825,992)</u>		<u>(1,017,000)</u>	<u>(191,008)</u>

assumes 2% premium on average cost of borrowing

The sale of Union Yard asset externally will generate a capital receipt that will be applied to the CFR to reduce the underlying need to borrow and therefore enable borrowing to be reduced, saving MRP and interest.

A sale to RHL will create a long-term debtor on the balance sheet, as a deferred capital receipt. This cannot be applied to the CFR until the cash is received (i.e. the debt settled) and therefore MRP will not be reduced until the cash is received.

Each year the revenue account will benefit from the interest accrued on the debt at a premium over the councils cost of borrowing, compensating for the MRP not saved due to the delayed receipt of the cash. Because this interest will not be paid in cash for many years, it will be added to the debt owed by RHL to the council. This will reduce the council's working capital cashflow and require the council to borrow to ensure the council has sufficient cashflow of its own. It is assumed that this cost will be charged to RHL also on an accrual basis compounding each year until RHL is able to generate sufficient surplus cash to repay the debt.

Overall, this is a simplistic model that shows RHL will produce £142k per year more income than the external sale. **The budget has used the lower value (i.e. external sale assumption) at this point.**

Budget impact scenario testing will be provided later in this presentation. Due diligence in underway to ascertain the best option for the Council.

Provisional Local Government Finance Settlement

Local government finance settlement	2024-25	2025-26	2026-27	2027-28	2028-29
	£,000	£,000	£,000	£,000	£,000
Retained Business Rates Income	(5,100)	(5,071)	(3,172)	(3,242)	(3,307)
Business Rate Reset assumed transition relief	0	0	(1,266)	(633)	0
Council Tax	(7,706)	(8,069)	(8,319)	(8,569)	(8,819)
New Burdens Grant	0	0	0	0	0
Revenue Support Grant	(111)	(170)	(1,050)	(1,008)	(963)
New Homes Bonus	(384)	(512)	0	0	0
Services Grant	(14)	0	0	0	0
Funding Guarantee Grant	(516)	(118)	0	0	0
Rough sleepers grant rolled into RSG	0	35	0	0	0
Employers NI compensation	0	(152)	(152)	(152)	(152)
Total	(13,831)	(14,058)	(13,959)	(13,604)	(13,241)
Change:		(228)	134	355	364

- ▶ The local government finance policy statement published on 28 November outlined the intention of the government to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year Settlement in 2026-27.
- ▶ The statement highlighted “accumulated business rates growth will be subject to periodic redistribution across the country, through a business rates reset”
- ▶ No information available on any Business Rates transition relief, assumed it will be reduced in 3rds.
- ▶ Employers NI compensation will be confirmed in final settlement. It’s a formula driven allocation, not based upon actual costs incurred.
- ▶ The Finance Settlement assumes council tax increases at 2.99% and council tax base growth, these have been included in the budget.
- ▶ Settlement will not be confirmed until February 2025

Earmarked Reserve movements

Earmarked Reserve movement in the Revenue Account	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Interest on SANG Balances	298	288	299	311	300
SANG Maintenance	(32)	(23)	(23)	(23)	(23)
FRP - SANG staff recharges	0	(50)	(51)	(52)	(54)
Mercury Abatement Levy	35	10	0	0	0
Homelessness Funding	(50)	(35)	0	0	0
Assistant Ecology Officer	0	(12)	0	0	0
Domestic Abuse Officer	0	(32)	(13)	0	0
Ukrainian expenditure	(27)	(34)	0	0	0
Climate Change Post	(46)	(48)	0	0	0
Maintenance Amenity Areas	(18)	(18)	(19)	(19)	(19)
A331 Air Quality Project	(43)	0	0	0	0
Total: Earmarked Reserve movement	119	45	193	217	205
Change between years		(74)	148	24	(13)

() are an improvement i.e. increased income or reduction in cost

Earmarked reserves are specific funds ringfenced for future planned expenditure, usually restricted in use by the original grant conditions or specifically earmarked for future obligations.

Assumptions: Sale of Civic Quarter assets:

Sale of Civic Qtr assets	Cap exp on CFR £	Capital Receipt applied	2028-29
Civic Quarter MRP saved if cap rec is in 2027-28	7,434,069	(7,434,069)	(81,135)
MRP reduced by straight line on balance of cap receipt: 1/10ths		<u>(4,565,931)</u>	(456,593)
Total Capital receipt applied to CFR		<u>(12,000,000)</u>	
Interest saved on £12m debt repaid @ 4.78%			<u>(573,600)</u>
Total annual saving			<u>(1,111,328)</u>

() are an improvement i.e. increased income or reduction in cost

The Civic Quarter has £7.4m capitalised expenditure on the CFR. A capital receipt of £12m will fund the outstanding underlying borrowing and reduce the MRP charge to zero. In addition, the balance of the receipt will be applied to the MRP schedule in 10ths.

The Capital receipt will also enable £12m of borrowing to be repaid creating a saving at the prevailing interest rate.

The overall saving generated will be circa £1.1m per year. This has been included in the budget estimate for 2028-29. However, earlier receipt will significantly benefit the revenue account.

Earlier achievement of the capital receipt will not affect the overall level of savings required to bring the MTFS into balance because the £1.1m saving has been factored into the MTFS in 2028-29. However, earlier receipt will provide £1.1m per year of revenue to mitigate in year savings prior to 2028-29.

Assumptions: Contractual Inflation

Inflation assumptions	2025-26	2026-27	2027-28	2028-29
Members Allowances	2.5%	2.5%	2.5%	2.5%
IT uplift	3%	2%	2%	2%
Serco	5%	2%	2%	2%
NNDR	1.67%	2.0%	2.0%	2.0%
CPI	3%	2%	2%	2%

Impact of % change in assumed inflation				
3%	281,006	305,971	327,227	349,670
2%	187,337	202,107	214,163	226,783
1%	93,669	100,117	105,106	110,285
-1%	(93,669)	(98,244)	(101,211)	(104,249)
-2%	(187,337)	(194,614)	(198,583)	(202,634)

Inflation assumptions	Base budget 2025-26	2025-26	2026-27	2027-28	2028-29	
Audit Fees		160,000	4,800	3,296	3,362	3,429
CCTV contract		80,025	2,401	1,649	1,681	1,715
Community Patrol contract		16,000	480	330	336	343
Council Tax		12,662	380	261	266	271
Electricity		512,210	15,366	10,552	10,763	10,978
Gas		183,510	5,505	3,780	3,856	3,933
Ground Maintenance		152,730	4,582	3,146	3,209	3,273
Insurance		341,032	10,231	7,025	7,166	7,309
IT infrastructure and equipment		1,138,653	34,160	23,456	23,925	24,404
Leisure Centres contract		283,970	8,519	5,850	5,967	6,086
Members Allowances		380,650	9,516	9,754	9,998	10,248
Non-Domestic Rates		1,084,582	18,113	22,054	22,495	22,945
Playground Apparatus contract		64,610	1,938	1,331	1,358	1,385
Serco		4,862,431	243,122	102,111	104,153	106,236
Trade Refuse		37,100	1,113	764	780	795
Water		56,688	1,701	1,168	1,191	1,215
Grand Total		9,366,853	361,926	196,526	200,506	204,566

The Bank of England estimates the CPI rate at 2.7% by year end 2025 and to remain over the national 2% target in 2026.

February 2024 contractual inflation uplift was 2024-25 £780k, 2025-26 £400k, 2026-27 £300k and 2027-28 £300k

Assumptions: Net Interest projection

	2024-25	2025-26	2026-27	2027-28	2028-29
Interest and MRP projections	£000	£000	£000	£000	£000
Capitalised interest	(381)	(59)	0	0	0
Interest Payable	8,675	6,852	6,470	6,420	6,195
Interest receivable	(2,055)	(955)	(863)	(863)	(863)
RHL interest	(1,045)	(94)	(94)	(94)	(94)
FIL interest	(294)	(294)	(231)	(210)	(53)
MRP	1,758	2,133	1,611	1,478	1,453
Total: Net Interest and MRP	6,658	7,584	6,894	6,732	6,639
Change between years:		926	(690)	(162)	(93)
Assumed average borrowing rate	5.05%	5.00%	4.78%	4.78%	4.78%

() represent income

- Capitalised interest: Union Yard and Crematorium, no further capitalisation post project completion
- Interest Payable is based on annual external borrowing **net of capital receipts, excluding Civic Quarter and Union Yard asset disposal (presented separately in the budget)**. See CFR slide for detail.
- Interest receivable includes interest from Pooled Funds, Money Market Funds and Local Authority lending
- RHL interest on loan notes and working capital excluding Union Yard Private Rented units (presented separately in the budget), 2024-25 MTFS assumed transfer at £17m loan value.
- FIL loans are repaid by end of 2028-29
- MRP is net of capital receipts, excluding Civic Quarter and Union Yard asset disposal (presented separately in the budget)
- **A 0.5% increase in the interest rate assumption will result in an additional circa £330k in 2025-26 and 2026-27 onwards a £620k per year increase in cost. The timing of capital receipts, value and timing of external borrowing and working capital balances during each year will influence the actual cost of borrowing. In 2025-26 there is £102m of debt maturing and will have to be reborrowed between April and October. The interest rate will be volatile during this period. More detail on the next slide.**

Assumptions: Net Interest projection

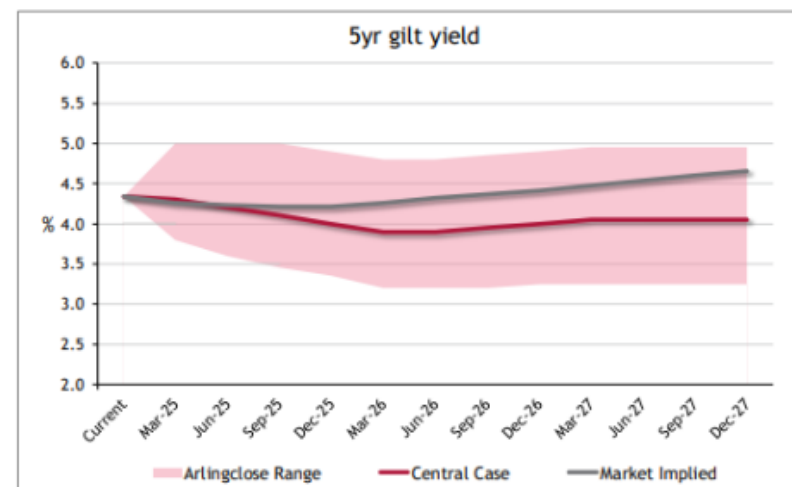
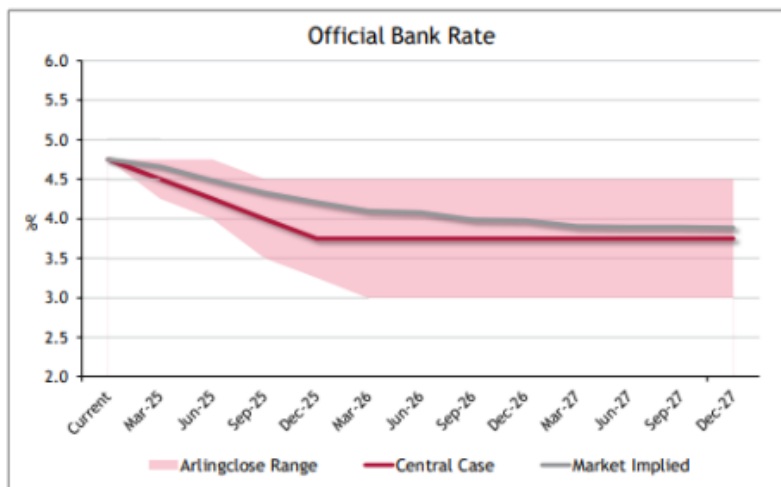
Arlingclose and Market Projections 23rd December 2024

Charts show the Arlingclose central case along with upside and downside risks:
Arlingclose judges that the risks around its Bank Rate and gilt yield forecasts are to the upside in the short term, but broadly balanced over the medium term.

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
 PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%
 NWF Rate (Maturity Loans) = Gilt yield + 0.40%

Arlingclose forecast:
 23rd December 2024

Market forward curves:
 23rd December 2024



Borrowing interest is forecast based upon 5-year gilt yield plus 0.8% to derive PWLB certainty rate. Assumption is to extend debt maturity towards 5-year maturity over the next 18 months, risk of gilts yields increasing in this period.

Assumptions: Capital Financing Requirement: External Borrowing

Capital Financing Requirement

Position as at 31 March	2024	2025	2026	2027	2028	2029	2030
Opening Capital Financing Requirement(CFR):	167	166.3	170.5	160.9	157.2	155.7	149.6
New Capital Expenditure funded by borrowing:		9.22	1.2	0	0	0	
Minimum Revenue Provision		-1.70	-2.13	-1.61	-1.48	-1.45	-1.25
FIL loan repayment				-2.1		-4.7	
Commercial Asset sale		-3.3	-8.6				
Civic Quarter			0	0			
Union yard		0	0				
Closing Capital Financing Requirement:	167	170.52	160.9	157.2	155.7	149.6	148.3
External borrowing	167	136	127.4	125.3	125.3	120.6	119.0
Use of daily cash balance	0	34.52	33.5	31.9	30.4	29.3	29.3
Total: Funding of CFR	167	170.5	160.9	157.2	155.7	149.9	148.3

The table above estimates a snapshot of the likely borrowing position at the year end.

Capital Financing Requirement (CFR) is the cumulative total of all capital expenditure funded by borrowing and is used to calculate the interest on borrowing and the amount to be put aside to repay borrowing (Minimum Revenue Provision - MRP).

The council's available cash (i.e. daily net cash flowing in and out of the bank) ebbs and flows between £5m and £60m over the course of a financial year and it aims to maintain a constant £5m cash buffer. The council can use the net daily cash balances above the £5m buffer to fund the CFR and avoid borrowing externally (from other Local Authorities or HM Treasury – PWLB) until the cash is needed at which point it is then replaced by external borrowing.

This is a high-risk strategy when interest rates are volatile. The council intends to take out longer term borrowing to provide borrowing interest certainty as soon as interest rates are within the MTFs long term estimate 4.78% (i.e. part of a balanced budget).

Assumptions: Capital Receipts - application

	Capital programme	Repay borrowing CFR reduction	Working capital
Capital Receipts application:			
2024-25			
Pooled funds CCLA March 2025 (not capital)			3.3
Frimley		3.3	
Vivid	2.2		
Long Leasehold - assume funds asset maint plan	0.5		
2025-26			
Long Leasehold - assume funds asset maint plan	0.8		
Xxxxx Sept 2025		1.5	
XXXX Aug 2025		3.6	
XXXX Sept 2025		1.5	
XXX 2025/26		2	
Union Yard Private Rental Units? c.£15m			
2026-27			
Long Leasehold - assume funds asset maint plan	0.8		
FIL loan repayment		2.1	
2027-28			
Civic Quarter (timing and value?) c.£12m			
2028-29			
FIL loan repayment		4.7	
Total:	4.3	18.7	3.3

Union Yard private rental units' disposal is still being evaluated and therefore has been presented separately in the budget working. A sale to RHL will generate a deferred capital receipt (i.e. debtor not cash). This will generate additional interest receivable to net down the cost of borrowing. An external sale with an immediate receipt will be a capital receipt, used to reduce borrowing and reducing the interest on borrowing and MRP charge.

Civic Quarter assets have been evaluated separately due to the uncertainty of timing and value and therefore not included in the interest on borrowing or MRP projections.

Assumptions: Minimum Revenue Provision (MRP)

Minimum Revenue Provision	MTFS capital expenditure '000	Minimum Revenue Provision						
		2023-24 '000	2024-25 '000	2025-26 '000	2026-27 '000	2027-28 '000	2028-29 '000	2029-30 '000
Civic Quarter	7,434	70	6	7	63	79	81	83
FIL loan funded by borrowing	2,200	0	0	0	0	0	0	0
FIL loan repayment: funded by borrowing: loan #2	(2,418)	0	0	0	0	0	0	0
FIL loan repayment: funded from capital receipt loan #1	(4,605)	0	0	0	0	(211)	(211)	(461)
Investment	84,760	1,146	1,175	1,209	1,239	1,271	1,303	1,337
Investment sale of assets funded by borrowing	(3,538)	0	0	(60)	(64)	(65)	(67)	(69)
Investment sale with no underlying debt	(6,362)	0	0	0	(636)	(636)	(636)	(636)
Union Yard	53,443	69	71	427	446	461	477	494
Union Yard Capital receipt	0	0	0	0	0	0	0	0
Operational	19,959	272	357	464	482	494	443	434
RHL	778	15	16	16	16	17	17	17
Leased	93	0	21	23	24	25	0	0
Meads	10,511	0	46	48	51	54	57	59
Meads Cap receipt funded by borrowing	(2,000)	0	0	0	(10)	(11)	(12)	(12)
Total MRP charged to revenue account:	160,256	1,572	1,692	2,133	1,611	1,478	1,453	1,247

MRP is calculated based upon the expected useful life of the asset (max 50 years) on an annuity basis. Capital receipts generated from the sale of an asset with underlying borrowing is applied to reduce the capital expenditure (i.e. repay the borrowing) using the remaining asset life and annuity rate originally applied.

Capital receipts generated from assets **without** underlying borrowing that are used to reduce the CFR balance are spread over ten years on a straight-line basis, i.e. 1/10 per year.

FIL loans total £6.8m of which loan 2: £2.2m was funded by borrowing and loan 1: £4.6m funded from capital receipts. Loan 1 is repaid in two tranches in 2026/27 and 2028/29 and applied to the CRF in 10ths. Loan 2 reduced the CFR but no MRP is applicable to the loan so does not generate an MRP reduction.

Material risks to the budget/MTFS

- ▶ Level of savings to be achieved without further draw upon reserves. **£2.8m in 2025-26, plus £1m in 2026-27 and £1m**
- ▶ Officer capacity to identify and deliver agreed savings and managing income and costs within budget assumptions.
- ▶ Political decision-making not being able to agree proposed savings to be delivered and timing
- ▶ Commercial income and costs are managed within current budget – **requires higher net income c.£750k by 2027-28**
- ▶ Fees and charges income track to budget and increases are achieved. **C.£220k per year**
- ▶ Establishment increases are managed within 2.5% allowance, 2025-26 **£320k 2026-27 c.£480k**
- ▶ Vacancy margin annual establishment savings target requires active management to achieve **£400k**
- ▶ Inflation tracks no higher than assumed increases **2025-26 c.2% £362k and 2026-27 c£200k per year**
- ▶ Capital receipts being achieved to assumed value and timing. **2025-26 £9.4m plus Union Yard £15m (or RHL interest), 2026-27 £0, 2027-28 Civic Qtr £12m or sooner.**
- ▶ Borrowing interest rates tracking on forecast. **0.5% increase is an additional £620k per year**
- ▶ Business rates reset reduction in baseline funding being transitioned in less than 3rds. **£1.9m assumed reduction in retained business rates.**
- ▶ Pooled funds values deterioration will further impact revenue account. **Currently £1m loss and £14m of value remaining – Mostly invested in Gilts and Stocks(equities).**
- ▶ Pooled funds technical accounting dispensation may be extended – government is being lobbied **Saves £1m reserve use 2025-26**
- ▶ Contingent liabilities on grant funding for Union Yard, **c.£5m HIF**, Shaviram Aldershot (the Galleries) **c.£1.8m plus balance of the £3.4m agreement once paid all HIF** and Civic Quarter **c. £1.7m HIF(?)**, are called in by Government due to conditions on housing targets not being met within timescales. In addition, **RDP £750k** council's share of 50:50 development agreement costs help on RDP balance sheet.
- ▶ Right of light claims on Union Yard cease to be capital expenditure once practical completion, will require revenue reserve to fund **c.£400k to £1m** – technical accounting matter to be resolved with EY, it's a grey area.
- ▶ Divestment of Union Yard 82 PRS units is delayed beyond August 2025. **£44.5k per month Ctax, utilities, service charge etc.**

Appendix 3: Lines of Enquiry

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
18	Review fees and charges for potential to increase	£306k	£306k	In progress
32	Insurance contract review and service charges	£108k	£108k	Completed
5	Determine vacancy margin budget	£400k	£400k	Complete
31	Review forecast pay rise position	£200k	£191k	Complete
11	Review reactive property maintenance costs	£150k	£0	Complete
33	Move Local Plan budget to earmarked reserve	£98k	£98k	Complete
34	Add new Extended Producer Responsibility (EPR) payments to the budget	£615k	£615k	Complete
33	Organisational Redesign (restructure)	£179k	£0	In progress
27	Determine Southwood SANG repayment (related to #21)	£1m Capital receipt	£0	In Progress
9	Review council tax and business rates budgets and challenge rateable values	Up to £130k	£90k	Completed
29	Analyse community asset costs and rent reliefs	Up to £50k	£0	In Progress
22	Review spend covered by external grants	TBC	£0	In Progress
23	Review debtor and provision balances	TBC	£0	In Progress
17	Review property service charges	TBC	£0	In Progress
25	Review planned spend from earmarked reserves	TBC	£0	In Progress

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
30	Review interim and contractor spend	TBC	£0	In progress
10	Align utilities costs and budgets	Up to £69k	£25k	Complete
15	Review and challenge other costs expenditure type	Nil	£0	Complete
15a	Remove unspent budgets	£25k	£25k	Complete
15g	Review property costs	£25K 25/26 £50K 26/27	£25k	Complete
21	Maximise SANG/S106 drawdown	Up to £49k	£49k	Complete
6	Confirm previous budget saving initiatives applied to budget	Nil	£0	Complete
7	Identify revenue impact of capital projects	Nil	£0	Complete
14	Review software requirements	TBC	£0	On Hold
20	Confirm trading accounts cover non-direct costs	TBC	£0	On Hold
26	Review opportunity for community assets disposal	TBC	£0	On Hold
28	Review opportunity to offer trading licences	TBC	£0	On Hold
15d	Review miscellaneous and small cost items	TBC	£0	On Hold
8	Compile list of revenue projects	Nil	£0	Closed
15b	Review costs of CCTV, elections, and homelessness	Nil	£0	Closed
15e	Review community grant spend	Nil	£0	Closed

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
15f	Review member costs	Nil	£0	Closed
15h	Review Place Protection costs	Nil	£0	Closed
15i	Review other costs/services	Nil	£0	Closed
19	Align property income to budget, identify risks, and set up income smoothing reserve	Nil	£0	Closed
4	Confirm one off and grant funded posts are not in MTFS	Nil	£0	Closed
13	Compile IT contracts inflation schedule	Minimal	£0	Closed
16	Reduce grounds maintenance activity	N/A	£0	Closed
24	Review Farnborough International loan	Nil	£0	Closed
15c	Review Print & Post costs	Nil	£0	Closed
1	Work with Cabinet to understand their priorities and review service levels and affordability	TBC	£0	Not Started
2	Review alternative methods of service delivery where savings could be made (including shared service opportunities)	TBC	£0	Not Started

Appendix 4: Fees and charges adjustments

	change				
	2024-25	2025-26	2026-27	2027-28	2028-29
Fees and charges increases	£000	£000	£000	£000	£000
Princes Hall	(1,436)	(224)	(43)	(45)	(46)
Crematorium	(1,215)	18	(664)	(214)	(163)
Parking	(1,167)	(79)	0	0	0
Development Management	(716)	9	(17)	(18)	(18)
Building Control	(657)	59	(7)	(7)	(7)
Recycling Green Waste	(620)	(49)	(20)	(20)	(21)
Cemeteries	(212)	17	(6)	(6)	(6)
Recycling Glass Sales	(189)	(162)	0	170	0
Domestic Refuse	(122)	2	(4)	(1)	(1)
Bulky Waste Col	(120)	7	(3)	(4)	(4)
Markets and car boot sales	(119)	(25)	(3)	(3)	(3)
Land charges search fees	(112)	30	(2)	(3)	(3)
Elections cost recovery	(100)	96	(0)	(0)	(0)
Parks& Rec	(98)	(14)	(2)	(3)	(3)
Revenue & Benefits costs recovered	(81)	5	0	0	0
Service charges	(73)	8	0	0	0
S106 Income Grounds maintenance	(43)	43	0	0	0
HMO licencing	(40)	(43)	(2)	(3)	(3)
Food, Health & Safety	(25)	19	(0)	(20)	20
Allotments Rental Income	(22)	(0)	(1)	(1)	(1)
Southwood Field centre income	(14)	5	(0)	(0)	(0)
Council Office committee room rental	(12)	11	0	0	0
Military Covenant Fund	(8)	0	4	0	0
Licensing vet Inspection Fee	(2)	2	0	0	0
Emergency planning shared role	0	(39)	0	0	0
Total Fees and charges	(7,203)	(306)	(771)	(176)	(258)

() are an improvement i.e. increased income or reduction in cost

	2024-25		2025-26				2026-27	2027-28	2028-29
	Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit	Proposed Capital Use	Transfers In	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves Supporting Specific Initiatives									
Climate Emergency Reserve	124	58	- 34				24	-	-
A331 Air Quality Project	213	185					185	185	185
Mercury Abatement	528	-			- 10	10	-	-	-
Homes for Ukraine - Support	320	258	- 48				210	210	210
Budget Carry Forwards - approved July 2024	216	-					-	-	-
Asylum Dispersal	144	307					307	307	307
Deprivation Reserve	106	84					84	84	84
Covid Council Tax Hardship	43	-					-	-	-
LAHF	42	144					144	-	-
Cyber Security	27	15			- 15		-	-	-
Afghan Relocation Scheme	24	12					12	12	12
Community Recovery Fund	0	507					507	507	507

	2024-25	2025-26	2026-27	2027-28	2028-29		2024-25	2025-26	2026-27	2027-28
	Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit	Proposed Capital Use		Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit
	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Homes for Ukraine-Expenses	19	19					19	19	19	19
COMF Reserve	8	-					-	-	-	-
UKSPF	7	40					40	-	-	-
Supported and Temp Accom Work	7	7					7	7	7	7
	1,828	1,636	82	-	25	10	1,539	1,331	1,331	1,331
Reserves not available for deficit relief										
S106/SANG	5,934	6,129	-91			288	6,326	6,532	6,749	6,953
Pipeline - Env Improvement Reserve	134	81					81	81	81	81
Farnborough Airport Environment Fund	129	129					129	129	129	129
Insurance Reserve - MMI	253	253					253	253	253	253
Workforce Reserve	312	145					145	145	145	145
	6,762	6,737	91	-	-	288	6,934	7,140	7,357	7,561

Total Earmarked Reserves	20,819	15,941	-	-	-	298	12,575	12,272	12,216	12,393
Working Balance	2,000	2,000					2,000	2,000	2,000	2,000

Appendix 6: Detailed capital programme

Scheme	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Union Yard commercial units fit out lease contributions		175,000		175,000	175,000	-	850,000	850,000		
Union Yard construction	5,384,408		544,490	5,928,898	5,928,898			-		
Union Yard - other costs				-			400,000	400,000		
Leisure and Civic Hub (CQ Plot B)			237,411	237,411	160,411	77,000		77,000		-
Civic Quarter General			15,434	15,434	15,434	-	-	-	-	-
Southwood Park (s106)	450,000	-		450,000	150,000	300,000		300,000		-
Crematorium	4,418,340	-	362,885	4,781,225	4,396,225	385,000	366,000	751,000	-	-
Temporary Housing	-	742,000		742,000	-	742,000		742,000	-	-
Hawley Lane	340,000	-	11,359	351,359	100,000	-	-	-	-	-
Frimley Business Park Plots 4.2 and 4.3	222,000	-	3,986	225,986	125,000	-	-	-	-	-
Ashbourne House	-	-	74,000	74,000	74,000	-	-	-	-	-
Hotel Civic Quarter (CQ Plot D)	-	-	40,000	40,000	40,000	-	-	-	-	-
CQ Enabling workings including Pinehurst Car Park Demolition	-	1,725,000	-	1,725,000	1,725,000	-	-	-	-	-
Civic Quarter Plot I	-	-	85,046	85,046	85,046	-	-	-	-	-
The Galleries	-	-	3,400,000	3,400,000	-	3,400,000	-	3,400,000	-	-
CCTV	-	-	184,667	184,667	184,667	-	-	-	-	-
Food Waste	7,000	-	-	7,000	7,000	-	7,000	7,000	7,000	7,000
Wheeled Bins	120,000	-	-	120,000	106,000	-	120,000	120,000	120,000	120,000
Disabled Facilities Grants	1,632,000	-	-	1,632,000	1,632,000	-	1,111,000	1,111,000	1,111,000	1,111,000
Aldershot Pools Solar panels	-	208,350	-	208,350	208,350	-	-	-	-	-
Asset Management Capital expenditure provision	109,000	-	-	109,000	50,000	-	800,000	800,000	800,000	800,000
ICT Services Capital Schemes	582,100	-	193,243	775,343	466,000	309,343	140,800	450,143	156,200	-
Meeds block 4 contract costs UKSPF	-	333,000	-	333,000	333,000	-	-	-		
Various S106 projects (s106 funded)	208,000	-	246,330	454,330	327,146	127,184	-	127,184	-	-
REFCUS: Service review capitalised costs provision	-	-	-	-	-	-	1,000,000	1,000,000		
TOTAL	13,472,848	3,183,350	5,398,851	22,055,049	16,289,177	5,340,527	4,794,800	10,135,327	2,194,200	2,038,000

Appendix 6 continued: Detailed capital programme

Scheme	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Funding										
Developer contribution to Wheeled bins	(20,000)	-		(20,000)	(20,000)		(20,000)	(20,000)	(20,000)	(20,000)
HIF (The Galleries)	-	-	(3,400,000)	(3,400,000)		(3,400,000)	-	(3,400,000)	-	-
S106/ Grant (Southwood Play Area)	(450,000)	-		(450,000)	(150,000)	(300,000)	-	(300,000)	-	-
S106 (Play Areas etc)	(208,000)	-	(246,330)	(454,330)	(327,146)	(127,184)	-	(127,184)		
LAHF Funding + Ukraine + S106 Commuted		(742,000)		(742,000)		(742,000)		(742,000)		
UKSPF		(333,000)		(333,000)	(333,000)	-		-		
Swimming Pool Grant	-	(208,350)		(208,350)	(208,350)		-	-	-	-
One Public Estate Brownfield Land Release Fund		(1,725,000)		(1,725,000)	(1,725,000)			-		
LUF			(377,891)	(377,891)	(300,891)	(77,000)		(77,000)		
DFG	(1,632,000)	-		(1,632,000)	(1,632,000)		(1,111,000)	(1,111,000)	(1,111,000)	(1,111,000)
Capital receipts reserve: UY lease contributions*	-	(175,000)		(175,000)	(175,000)	-	(850,000)	(850,000)		
Capital receipts reserve: IT infrastructure						(309,343)	(140,800)	(450,143)	(156,200)	-
Capital receipts reserve: Wheeled bins							(107,000)	(107,000)	(107,000)	(107,000)
Capital receipts reserve: REFCUS: Service review capitalised costs*							(1,000,000)	(1,000,000)		
Long Leasehold extensions capital receipt target*						-	(800,000)	(800,000)	(800,000)	(800,000)
Vivid Capital receipt	(2,200,000)			(2,200,000)	(2,200,000)			-		
Borrowing	(8,962,848)	-	(1,374,630)	(10,337,478)	(9,217,790)	(385,000)	(766,000)	(1,151,000)	-	-
Total Financing:	(13,472,848)	(3,183,350)	(5,398,851)	(22,055,049)	(16,289,177)	(5,340,527)	(4,794,800)	(10,135,327)	(2,194,200)	(2,038,000)
* requires business case and Cabinet approval										

Appendix 6 continued: Detailed capital programme

Scheme	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Borrowing by scheme for the MRP schedule update:										
Crematorium	(4,418,340)	-	(362,885)	(4,781,225)	(4,396,225)	(385,000)	(366,000)	(751,000)		
Union Yard contract retention				-	-		-	-		
Union Yard - other costs				-	-		(400,000)	(400,000)		
Union Yard construction	(3,184,408)	-	(544,490)	(3,728,898)	(3,728,898)					
Food Waste	(7,000)	-	-	(7,000)	(7,000)					
Wheeled Bins	(100,000)	-	-	(100,000)	(86,000)					
Asset Management Capital expenditure	(109,000)	-	-	(109,000)	(50,000)					
ICT Services Capital Schemes	(582,100)	-	(193,243)	(775,343)	(466,000)					
Hawley Lane	(340,000)	-	(11,359)	(351,359)	(100,000)					
Frimley Business Park Plots 4.2 and 4.3	(222,000)	-	(3,986)	(225,986)	(125,000)					
Ashbourne House			(74,000)	(74,000)	(74,000)					
CCTV			(184,667)	(184,667)	(184,667)					
	(8,962,848)	-	(1,374,630)	(10,337,478)	(9,217,790)	(385,000)	(766,000)	(1,151,000)	-	-

Appendix 7: Schedule of UKSPF projects

The UK Shared Prosperity Fund (UKSPF) supports the Government's five national missions to deliver its plan for change: pushing power out to communities everywhere, with a specific focus to help kickstart economic growth and promoting opportunities in all parts of the UK. The UK government's Autumn Budget announced a further funding for local investment by March 2026. The Council has been allocated £327,146 for 2025-26, with £60,401 capital funding and £266,745 revenue funding.

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.

Funding allocations 25/26

The proposed 2025-26 funding allocations consist of interventions that continue successful activity from 2024-25 and new activity that support the Council's Delivery Plan priorities. The projects have been reviewed to ensure they will have a lasting impact, can be self-sustaining, and to minimise the use of fixed term contracts. The total expenditure within the proposed project list is £327,146. Budget over- and under-spends will be managed in accordance with the Council's Financial Procedure Rules. Grant funding interventions can be increased or decreased to achieve a balanced budget.

UKSPF Theme	Total
Communities and Place	£ 287,332.00
People and Skills	£ 20,000.00
Supporting Local Business	£ 10,000.00
Management and administration costs	£ 9,814.00
Grand Total	£ 327,146.00

Appendix 8

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

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

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).

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

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.

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 this report.

7. The MTFS shows a £16.152million budget deficit as described in the report along with a process to address the deficit and bring the revenue account back into balance. The savings target has been set predicated on the assumptions on interest rates, capital receipts and a number of other significant assumptions set out within the MTFS.

Risk

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 2025/26 Budget and the MTFS have been prepared with consideration of the risks summarised in the report. It has not been possible to mitigate these risks through use of reserves alone and a budget recovery plan has been proposed.

Adequacy of the Reserves

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 is projecting to have £7.59m of useable reserves on 1st April 2025. The MTFS presented in appendix 1 forecasts that a significant repurposing of earmarked reserves will be required during 2025/26 (i.e., current year forecast deficit) 2024/25 to fund the forecast deficit.

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 2025/26, and

potentially 2026/27, depending upon how the assumptions play out and progress made in achieving the cost-of-service reduction in the coming months through the implementation of the savings plan described above.

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 2025/26 and the need to ensure reserves remain adequate over the medium-term.

Peter Vickers
Executive Head of Finance and Section 151 Officer

| 29 January 2025

Appendix 9 - Risk Register

Ref	Risk category	Risk description	Inherent risk			Mitigations currently in place	Residual risk			Action required	Owner of further action	Target date for further action
			Likelihood	Severity	Risk Score		Likelihood	Severity	Risk Score			
1	Financial Statements	<p>As the external audit of the Council's Financial Statements was disclaimed back to 2020-21 assurance cannot be provided on the opening balances of the Council's reserves. Full audit assurance cannot be achieved until the 2026/27 financial accounts, where opening reserve balances would have been assured, which is due to be completed by Feb 2029.</p> <p>Therefore, at any point during this period there is a risk that the reserve balances could be affected impacting the availability of reserves.</p>	3	3	High	<p>Building up stronger balance sheet controls and increase capacity/technical capability within the finance team. (See risk 2)</p> <p>EY building up audit assurances over the next few years to have a clean audit report.</p>	1	1	Low	<p>The team structure to be reviewed within 2025 to ensure the Council has the technical capacity required and develop a regular management review process.</p>	<p>Peter Vickers, Executive Head of Finance and Rosie Plaistowe-Melham, Finance Manager</p>	Jun-25

Page 120	Staffing, skills and capacity	There is currently a lack of experienced capacity within the Finance team to support the Council through its current MTFS challenges and achieve a balanced budget.	4	2	High	The finance team is currently supported by experienced interim accountants' whilst a review of the team structure is completed.	1	1	Low	The team structure to be reviewed within 2025 to ensure the Council has the capacity required to support the Council through the MTFS challenges.	Peter Vickers, Executive Head of Finance and Rosie Plaistowe-Melham, Finance Manager	Dec-25
3	Financial Sustainability	Capital receipts are not achieved on time or at the value set out in the MTFS, which will have a material impact on the Council achieving the budget reduction in borrowing and MRP.	3	4	High	Work is underway to review the resources available to deliver the capital receipt requirements. Overview by Financial Recovery Working Group of the performance towards achieving the capital receipts on a 4 weekly basis.	3	4	High	2025/26 - Sale of the identified assets up to £24.4 2027/28 - Sale of further assets identified up to £12m	Tim Mills, Executive Head of Property and Growth Dave Goodwin, Interim Estates Manager	Mar-25

4	Treasury Management	Assumptions on interest rates and inflation reductions do not materialise as planned.	3	3	High	The Council utilise Arlingclose for specialist advice on market assumption around interest and inflation rates. A strategic Treasury Management panel are in place in the Council who meet monthly to review positions from a strategic point of view with officers in place reviewing more regularly with an aim to lock in rates in line with the MTFS over the longer term when they materialise to provide more certainty over the MTFS period.	3	3	High	Active monitoring of rates and striving to achieve deals on borrowing which align to the Council's MTFS predictions. Locking in longer term borrowing to achieve cost certainty. Daily oversight of cashflow requirements.	Peter Vickers, Executive Head of Finance, Rosie Plaistowe-Melham, Finance Manager, Nikki Fleming, Financial Governance Manager	Ongoing review
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Page 122	Treasury Management	Pooled funds capital deficit continues to increase beyond the £1m provision in the 2025-26 MTFS.	3	3	High	Current and ongoing monitoring of these funds by the Treasury Management panel and officers will determine the net benefit of selling compared to holding onto these funds.	3	3	High	Continue to monitor the pooled funds and assess the right time to sell or hold the funds to mitigate the impact on the Council's MTFS.	Peter Vickers, Executive Head of Finance, Rosie Plaistowe-Melham, Finance Manager, Nikki Fleming, Financial Governance Manager	Ongoing review
6	Property portfolio	Work on identifying and evaluating the latent liability (such as energy efficiency standards, major component replacement or dilapidations) on the substantial property holdings and additional capital expenditure on lease transactions has not been concluded and incorporated into the capital programme or revenue account through planned maintenance and income projections.	3	3	High	A senior management project working group will be set up to further develop this.	2	3	Medium	An agreed planned maintenance schedule that is risk asset and funded within the MTFS and actively managed.	Peter Vickers, and Tim	Apr-25

7	Financial Sustainability	There is an unsecured loan to Farnborough International Limited (FIL) of £6.482m due for repayment in tranches in the next three years. There is a risk of the loan not being repaid.	2	3	Medium	The financial stability of FIL is reviewed quarterly by S151 to understand their trading and cashflow position and the risk to the council.	2	3	Medium	Continue engagement	Peter Vickers	Ongoing review
8	Financial Sustainability	The fees and charges income does not track the circ.£220k increase included within the MTFS.	3	2	Medium	Budgets have been rebased and benchmarked and risk assessed. Monthly monitoring will be carried out by the Finance team in conjunction with services.	3	2	Medium	Monthly review and identification of actions to bring budget back into balance.	Peter Vickers	Ongoing review
9	Financial Sustainability	Vacancy margin annual establishment savings target is not achieved as set out in the MTFS.	3	3	High	Carry out service reviews to reduce establishment cost in line with the target set within the MTFS.	2	3	Medium	Active management to ensure the council achieves the £400k saving.	Peter Vickers	Ongoing review
10	Financial Sustainability	Inflation higher than the assumed increases within the MTFS.	3	2	Medium	Detailed inflation analysis to scenario test the impact of adverse variation form assumptions.	3	2	Medium	Monitoring of inflation to ensure within the budget estimates and reviewed if estimated it will increase greater than the	Peter Vickers	Ongoing review

Page 124										£362k in 2025/26 and £200k in 2026/27.		
124	Financial Sustainability	Business rates reset reduction in baseline funding is transitioned in less than the three thirds set out in the MTFS.	3	3	Medium	A reasonable estimate has been included within the MTFS of £1.9m reduction over 3 years.	3	3	Medium	Monitor government policy and ensure the budget recover plan is on track.	Peter Vickers	Ongoing review
12	Financial Statements	The Government could request repayment of grants (Circa £11m) due to conditions on grant funding not being met within timescales or should the Council become insolvent. This will require new borrowing and will have revenue implications currently not included within the MTFS.	3	4	High	Detailed analysis of the respective legal agreements, dialogue with the funders and conversation with the respective services re meeting the conditions.	3	3	High	Complete the current work and agree a position with the auditors.	Peter Vickers	Ongoing review
13	Financial Statements	Right of light claims on Union Yard cease to be capital expenditure once practical completion, which will require revenue reserve to fund circ.£400k to £1m. The technical accounting around this is to be agreed with Ernst & Young.	3	3	High	Defend the claims and manage the budget position.	3	3	High		Peter Vickers	Ongoing review

14	Financial Sustainability	Divestment of Union Yard 82 PRS units is delayed beyond August 2025 will create circ. £44.5k per month council tax, utilities, service charge etc which have not been factored into the MTFS.	3	3	High	Budget provision is in place to end of August 2025. Work on the options analysis is underway and due to be completed by end of February, with a recommendation proceeding form there.	3	3	High	Complete the diligence on the options appraisal. Seek Political approval for the agreed action.	Karen Edwards/Tim Mills	Mar-25
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Rating Consistency Guidance

	Likelihood of Occurrence (L)	Severity of Outcome (S)
1	<p>Very unlikely Very unlikely to occur, (no history or near misses etc). Less than 5% probability.</p>	<p>Minor Risk to specific role. Legal action unlikely. No significant illness or injury. Negative customer complaint. Financial impact negligible.</p>
2	<p>Unlikely Unlikely but may occur (may have happened, but not within past 5 years). Is not expected to happen in next 5 years, less than 25% probability</p>	<p>Moderate Risk to normal continuation of service. Legal action possible but defensible. Short term absence/minor injury. Negative customer complaints widespread. Financial impact manageable within existing Service budget.</p>
3	<p>Likely Likely to occur (or already happened in the past 2 to 5 years). Is expected to happen in the next 2 to 5 years, 25 - 50% probability</p>	<p>Significant Partial loss of service. Legal action likely. Extensive injuries or sickness. Negative local publicity. Significant fine. Financial impact manageable within existing Corporate budget - but not Service.</p>
4	<p>Very likely Very likely to occur (or has already happened in the past year), may occur frequently. Is expected to happen in the next year, more than 50% probability</p>	<p>Major Total loss of service. Legal action likely & difficult to defend. Death or life threatening. Negative National publicity. Imprisonment. Financial impact not manageable within existing funds.</p>

COUNCIL MEETING – 27TH FEBRUARY 2025**AGENDA ITEM NO. 6 (5)****REVISED PROCUREMENT CONTRACT STANDING ORDERS (CSOs) 2025**

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 29th January 2025.

SUMMARY

Procurement legislation in the UK is in the process of being significantly reformed, most notably with the introduction of the Procurement Act 2023 (due to come into force on 24th February 2025). As a result, the Council is required to review and update its Contract Standing Orders (CSOs) within its constitution.

Although driven primarily by legislative change, the revision of the Council's CSOs has been taken as the opportunity to more closely align them with the Council's Procurement Strategy. The revised Procurement Strategy 2025 – 2028 was approved by Cabinet on 26th Nov 2024.

The revision of the Council's CSOs also includes a more pragmatic view on the procurement methodology used for contracts valued under £100,000, where the burden on both the Council and those businesses tendering for contracts can now be more appropriate to the risk and the value rather than being prescribed on the basis of value alone.

At its meeting on 29th January, the Corporate Governance, Audit and Standards Committee considered and endorsed the approval of the updated CSOs, subject to additional clarification in the document around the use of procurement cards.

RECOMMENDATION:

That the Council approve the updated Contract Standing Orders, as attached at Appendix 1, for adoption as part of the Council's Constitution.

1 BACKGROUND & HISTORY

- 1.1 Procurement is the process of acquiring goods, works and services. The process spans the whole life cycle, from identification of needs to the monitoring of performance, through to the end of a contract or the end of the useful life of an asset.
- 1.2 The importance of effective procurement has never been greater for local government. The demand for public services is increasing, while resources

have reduced significantly in real terms. The pressure to find greater efficiencies and improve productivity is driving the Council to look for different ways to deliver better public services for its community.

- 1.3 Procurement legislation in the UK is in the process of being significantly reformed, most notably with the introduction of the Procurement Act 2023 (due to come into force on 24th February 2025). As a result, the Council is required to review and update its CSOs within its constitution, in addition to its Procurement Strategy.
- 1.4 The Council is legally required to have in place local rules, referred to as CSOs. This set of local rules describes how the Council meets its legislative obligations both under the Procurement Act and associated Regulations, but also the duty to deliver 'best value' under the Local Government Act 1999.
- 1.5 Although driven primarily by legislative change, the revision of the Council's CSOs has been taken as the opportunity to more closely align them with the Council's Procurement Strategy. The revised Procurement Strategy 2025 – 2028 was approved by Cabinet on 26th Nov 2024. This Strategy introduced aspirations to increase social value considerations during the procurement process, and are now embedded within the CSOs themselves.
- 1.6 The CSOs are closely linked with other parts of the Council's constitution, most notable the Financial Procedure Rules and Scheme of Delegation. It is within these associated rules that budgetary matters and governance are controlled.
- 1.7 This paper presents the Council's revised Contract Standing Orders (CSOs), attached as Appendix 1 to the report.

2.0 NEW ARRANGEMENTS

- 2.1 The revised CSOs have been written with the assistance of the specialist Legal Advisers at TLT PLP and the Council's current technical advisors at Portsmouth City Council, with whom the Council has an ongoing Service Level Agreement (SLA).
- 2.2 Given that the majority of the revisions made to Rushmoor's arrangements are in answer to new legislative requirements, these are not the focus of this report. What will be highlighted are those changes that are made specifically in the processes for procurement activity below the current statutory threshold of £214,904 (for supplies, services and design contracts). These lower value arrangements are a matter of local decision for the Council.
- 2.3 In defining these new local thresholds, the Council reviewed the arrangements of those in neighbouring authorities and consulted key stakeholders within the organisation throughout the process.
- 2.4 **Exemption Approvals.** A strong oversight of any deviation from the rules is being retained from the previous CSOs in section 6.1 of the revised CSOs, these are known as exemptions. During this process a justification must be made and the exemption request must be formally approved by both the Legal and Finance teams at the Council. In the new CSOs, deputies for this

approval process have been introduced, as delays in process due to single authorised officers has been routinely noted.

2.5 **Local Thresholds.** The thresholds for procurement activity below statutory threshold and the procurement procedures to be followed are detailed in the following table, located within the CSOs as Table 1, section 2.8.4:

Estimated Contract Value	Procedure / Notes
MINOR VALUE Up to £10,000 (including VAT)	Contracting Officers must follow procedure for Minor Value transactions. (e.g. small or consumable items). <u>At least 1 quote or use a Framework.</u>
LOW VALUE £10,001 to £30,000 (including VAT)	Contracting Officers must follow the procedure for Low Value transactions. <u>At least 3 quotes or use a framework.</u>
MEDIUM VALUE £30,001 up to £99,999 (including VAT)	Contracting Officers must follow the Medium Value transactions. <u>At least 3 Quotes, or advertised tender, or use a framework.</u> In line with these rules (<u>subject to any exception being agreed</u>). Seek advice from the Procurement Team / complete a Gateway Assessment to determine the most appropriate procurement route.
HIGH VALUE Exceeding £100,000 (including VAT) for goods, services, and works. (This is also the key decision threshold)	Contracting Officers must follow the tender procedure for High Value transactions and seek advice from the Procurement Team . Appropriate frameworks may continue to be used. For <u>Regulated Below Threshold contracts</u> – an <u>advertised tender</u> in line with these rules (subject to any exemption being agreed in line with these Rules). For <u>Concession Contracts and Utilities Contract</u> that are below the relevant <u>Covered Procurement</u> threshold – <u>a quotes or competitive selection process</u> in line with these rules (subject to any exemption being agreed in line with these Rules). For <u>Public Contracts</u> – a procurement procedure in line with the <i>Relevant Procurement Legislation</i> .

2.6 The previous CSOs were not protected from the effects of inflation and other price increases, and therefore the Council increasingly found itself seeking exemptions from its own rules in order to apply a pragmatic way forwards with lower value / lower risk procurement activity.

2.7 Although not directly comparable due to changes in categorisation, the previous CSOs required Officers to apply full tender rules to all procurement activity over £50,000, with no accounting for any factors other than cost. This was found to be burdensome to all parties and introduced unnecessarily long procurement timescales.

2.8 The revised CSOs introduce a new pragmatic approach towards contracts up to the Council's key decision threshold of £100,000 (including VAT), whereby the completion of a 'Gateway Assessment' and consultation with the Procurement Team will allow for the determination of the most suitable procurement procedure to be applied. This balances the legal requirements and risk mitigation with the burden on both the Officers of the Council and

those businesses wishing to engage with the Council in order to provide goods and services.

2.9 **Social Value.** The revised CSOs incorporate the requirements of the new Procurement Strategy under section 1.10.

2.10 The inclusion of Social Value as a consideration will be the default position for all procurement activity unless it can be clearly demonstrated as being detrimental. Where Social Value is included within a procurement a weighting of at least 10% of the overall score will be applied.

2.11 The delivery of social value as a minimum weighting of 10% will be monitored for all new procurement activity over the value of £5,000 that takes place from 1st April 2025, reported in the quarterly performance Monitoring report to Cabinet. In addition, the percentage of new contracts over £5,000 provided to organisations based within the Southeast Region and to SMEs or VCSEs will also be recorded and reported.

2.12 **Working with Local Suppliers.** As part of the new Strategy, the Procurement Team has committed to working with local businesses to give general advice and guidance outside of any specific procurement activity in order to assist interested parties in what a 'good' bid might look like. The procurement team will also ensure that documents such as specifications are written in a manner that make them more accessible to local SMEs etc.

2.13 The Procurement Team has also committed to include local business engagement in its annual work plans/Service Plan, working with the economy and growth team to encourage local bids and give general guidance and increase uptake of the opportunity to register on the Council's digital procurement portal for notifications.

3.0 IMPLEMENTATION AND EMBEDDING NEW RULES

3.1 The revised CSOs, once approved, would come into force on 28th February 2025, following Full Council on 27th February 2025.

3.2 The revised CSOs incorporate additional practical guidance for Officers, including on estimated timescales to deliver procurement projects

3.3 Advice and guidance for all procurement activity will continue to be made available to Officers of the Council via the current arrangements; the Council's Procurement Team and Portsmouth City Council.

3.4 In order to raise awareness and effectively implement and embed the requirements of the new rules, a suite of guidance documents including aide memoirs and process maps are being prepared by the Procurement Team. These will be made available prior to 27th February 2024 via the Council's SharePoint site.

- 3.5 In addition to this written information and guidance, Officers will be provided appropriate procurement training as required for their role. The Procurement Team is preparing this training material and will identify those Officers requiring this enhanced awareness training. Basic procurement information will also be provided via the Council's induction training programme.

CHAIRMAN OF THE CORPORATE GOVERNANCE,
AUDIT AND STANDARDS COMMITTEE

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CONTRACT STANDING ORDERS

(v1.1 30/01/25)

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1 Procurement Overview

1.1 Background

- 1.1.1 In these rules, **Council** means Rushmoor Borough Council
- 1.1.2 These rules set out how the **Council** will contract their various requirements and how **Suppliers** wishing to work for the **Council** can access those opportunities; including how the Council is removing barriers for small and medium-sized enterprises (SMEs).
- 1.1.3 Public sector procurement is the process of acquiring goods, services and works as needed to deliver our services.
- 1.1.4 Depending on the nature of the procurement, the value, and any specific social interests that the contract may attract, the procurement process must be proportionate, and designed to facilitate competition, optimise quality, and deliver value for money across the whole life cycle of the contract.
- 1.1.5 Furthermore, the **Council** has an obligation to deliver **Best Value** and secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.1.6 To ensure delivery of the above, all procurements must be carried out within a specific legal framework and based on principles of equal treatment, transparency, and non-discrimination.

1.2 Governing Legislation

- 1.2.1 The **Local Government Act 1972 section 135** requires Public Bodies to have standing orders for how they enter into contracts. These **Contract Standing Orders** (“Rules”), which form part of Rushmoor Borough Council’s Constitution, set out how the **Council** will deliver against this obligation.
- 1.2.2 All Procurements for Contracts, by **Council Officers** or members (including where managed by an external organisation or another public body on the **Council’s** behalf), **MUST** comply with these **Rules**, the **Council’s** Financial Regulations, **Relevant Procurement Legislation** and all other relevant UK Legislation; with ‘*relevant*’ relating to the date on which the procurement is commenced/ advertised, the framework/ DPS/ Dynamic Market was established or where no competitive process is required, a purchase order is raised.
- 1.2.3 Where there is a discrepancy between these rules and the **Relevant Procurement Legislation, Officers** are to comply with the legislation.
- 1.2.4 Where there is a conflict between the **Relevant Procurement Legislation** and any other **Relevant Public Sector Legislation** (as identified during procurement planning) the **Corporate Manager (Legal Services)/ Executive Head of Finance** must be consulted immediately to carry out a legal, project risk assessment.
- 1.2.5 Central government guidance should be considered when designing a procurement; specifically, [Procurement Policy Notes](#) (PPNs), [Procurement Act 2023 - Guidance documents](#) and the [National Procurement Policy Statement](#) (NPPS); however, they are generally not mandatory other than where specifically identified as such or where included in the **Council’s Relevant Procurement Policy Notes** list.
- 1.2.6 Guidance on when and how to apply current PPNs and the NPPS should be sought from procurement.
- 1.2.7 Non-compliance with any of these rules may constitute grounds for disciplinary action.

1.3 Application of the Rules (Regulated Procurements)

- 1.3.1 These rules govern:
 - (a) any contract for the supply, of goods, services or works, (not exempt/ excluded under 1.4 below) (for pecuniary interest) regardless of value,

- (b) using Frameworks or Dynamic Purchasing Systems, or Dynamic Markets.
- (c) collaborative procurements,
- (d) consultancy requirements,
- (e) equipment hires or lease through rental agreements,
- (f) disposal of assets.

1.4 Excluded/ Exempted Contracts (Not Regulated)

- 1.4.1 These rules do not apply to contracts that are classified as excluded/ exempted, as defined by the **Relevant Procurement Legislation**; including but not limited to:
- (a) **Council to Council** (Subsidiary) arrangements, vertical or horizontal – subject to approval by the **Procurement Team**. e.g.
 - (i) **Vertical** - The **Council's** exercises a parent or similar control or joint control with other **Contracting Authorities** on the entity as it does with its own departments, the entity carries out more than 80% of its activities for the controlling **Councils** and there is no private sector money in the entity.
 - (ii) **Horizontal** - **Council's** to **Council's** co-operation – to achieve objectives which the **Contracting Authorities** have in common, through an arrangement that is solely for the public interest, and the parties perform less than 20% of the services covered by the arrangement on the open market.
 - (b) Subject matter exemptions:
 - (i) Certain types of legal advice e.g., relating to judicial proceedings and/ or dispute resolution
 - (ii) Certain types of financial advice e.g., funding or financing arrangements, investment services
 - (iii) Employment contracts
 - (iv) Purchases made at public auction or of goods sold due to insolvency.
 - (v) Land contracts (including leases, licences, and transfers)
 - (vi) Grants of money, these cannot be contracts as there is no consideration and they are not services required to be delivered by the Authority.
 - (c) Any other arrangements excluded by the **Relevant Procurement Legislation**.
- 1.4.2 If unclear whether something is captured by these rules, **Contracting Officers** should seek advice from the **Procurement Team** or **Executive Head of Finance**.

1.5 Procurement Objectives

- 1.5.1 Procurement aims and objectives cover not only those objectives set out in the **Relevant Procurement Legislation**, but also those set out in the **NPPS** and the **Council's** own **Procurement Strategy**; these objectives should be used to determine the contract specific outcomes to be achieved by a specific procurement during the planning process.
- 1.5.2 These objectives may include, but are not limited to, all or any of the following: and their inclusion should be informed by and tailored to the subject matter of the contract (legal, technical, and commercial requirements).
- (a) Delivering Value for Money
 - (b) Maximising public benefit (such as delivering Social Value)
 - (c) Sharing Information

- (d) Equal Treatment (non-discrimination), unless justified.
 - (e) Removing Barriers for Small and Medium Enterprises (SMEs)
 - (f) Acting (and being seen to act with) Integrity (inc. accountability)
 - (g) Fair and transparent (effective) competition
- 1.5.3 Further Guidance on what these mean and how to include them within a procurement is available in the **National Procurement Policy Statement** and **Public Policy Notices (PPNs)**.

1.6 Roles & Responsibilities

- 1.6.1 **Corporate Management Team (CMT)/Heads of Service** are responsible for.
- (a) Overseeing the arrangements for resourcing procurements and managing contracts within their team.
 - (b) Ensuring every **Officer** within their teams/ service areas are aware of these Rules and that all procurements for works, goods, and services where the estimated contract value is £30,000 or above go through the **Procurement Team**.
 - (c) Ensuring those **Officers** that are authorised as **Contracting Officers** are appropriately skilled, trained, and supervised in the application of these **Rules**.
 - (d) Ensuring that a procurement has the relevant delegated authority or approval inline with the budget requirements; including putting it on the Forward Plan in time to deliver the contract requirements.
 - (e) Overseeing that all **Contracts** are delivered in line with the relevant documents and that this includes collecting the data needed to comply with the transparency/ reporting obligations of the **Relevant Procurement Legislation**.
- 1.6.2 **Contracting Officers** are responsible for.
- (a) Complying with these **Rules**, all relevant statutory obligations, the **Council's** decision-making processes and the **Council's** Constitution as a whole.
 - (b) Ensuring that before commencing a procurement, that there is appropriate analysis of the requirement, timescales, delivery constraints, and documentation to be used, that any procurement process is proportionate and that rules relating to advertising are applied in line with these **Rules**.
 - (c) Advising the **Procurement Team** of all contracts with a value of more than **£5,000**, for inclusion on the contracts register.
 - (d) Ensuring that proper records of all contract award procedures, waivers, exemptions, and extensions are maintained with separate files for each purchase of a value of **£5,000** or more.
 - (e) Ensuring that any contract includes the mandatory conditions of contract.
 - (f) Manage the performance of the contract throughout its term, and any reporting required by the **Relevant Procurement Legislation**.
 - (g) Seek appropriate advice from the **Procurement Team**, **Executive Head of Finance**, and/ or the **Corporate Manager (Legal Services)**
 - (h) Have regard to all relevant corporate procurement guidance, government procurement guidance and best practice as identified by these **Rules**.
 - (i) Ensure that any third party organisation managing a procurement process on behalf of the council, is provided with copies of these **Rules** and that they are adhered to.
- 1.6.3 **All Officers shall**

- (a) Report breaches (whether actual or suspected) of these **Rules** to the **Corporate Manager (Legal Services)** and the **Executive Head of Finance**.

1.7 Separation of Duties

- 1.7.1 As part of the commitment to transparency, accountability, and service integrity, an individual that conducts a procurement, raises a purchase order, or requests a waiver cannot also approve one.
- 1.7.2 All requests and approvals/ awards therefore should be raised by one individual and approved by a different individual and in accordance with the decision value and these **Rules**.

1.8 Conflicts of Interest

- 1.8.1 As part of ensuring that all processes are managed fairly and with integrity, all individuals (**Officers** and members) and suppliers involved in any stage of the contract life cycle, are required to both identify/ disclose and mitigate any perceived, potential and/ or actual conflicts of interest.
- 1.8.2 Compliance with this requirement will include carrying out a conflict-of-interest assessments whenever anyone new gets involved in the procurement, approval and/ or contract management.
- 1.8.3 All conflict-of-interest assessments must be recorded on conflicts of interest register and kept under review during the whole life cycle of the contract. The assessment must also include details of any mitigations taken/ to be undertaken to mitigate potentially unfair outcomes, e.g., use of Ethical Wall agreements, use of alternative evaluators, etc.
- 1.8.4 The **Procurement Team** will own the register and in conjunction with the **Corporate Manager (Legal Services) and Executive Head of Finance**, advise on appropriate mitigations and risks.

1.9 Procurement Strategy

- 1.9.1 The **Council** has established a **Procurement Strategy** that sets out the agreed approach and standard for designing and delivering procurement procedures in consideration of the **National Procurement Policy Statement**. Wherever possible (and permitted by the **Relevant Procurement Legislation**) the **Contracting Officer** should include for the following.
- (a) Appointing contractors that employ local staff/will create local jobs.
 - (b) Using trainees and apprentices
 - (c) The use of sustainable practices/reducing CO2 emissions and contributing towards the Council's Net Zero objectives
 - (d) Appointing SMEs and local organisations (including in the supply chain/sub-contractors)
 - (e) Promotion of health and wellbeing initiatives
 - (f) Where possible appointing local charitable and voluntary sector organisations
- 1.9.2 **Officers** are required to align their procurements to this Strategy, with guidance available from the **Procurement Team**.

1.10 Procurement Policy & Social Value

- 1.10.1 The **Council** has created a **Procurement Strategy** which details their commitment to delivering social value through their procurements, this being in consideration of the **Relevant Procurement Legislation**, the **Public Sector (Social Value) Act 2012** and associated **Procurement Policy Notes** relating to delivering social value, and the **Social Value Model** (PPN 06/20).

- 1.10.2 The **Council's** commitments relate to creating opportunities to support the local economy, local jobs, training opportunities, as well as ensuring the wellbeing of both the staff and the communities in which we work.
- 1.10.3 The inclusion of Social Value as a consideration will be the default position for all procurement activity unless it can be clearly demonstrated as being detrimental or inappropriate to do so. Where Social Value is included within a procurement, it should be allocated at least 10% of the overall score whenever possible, must be related to the subject matter of the contract and its inclusion must not increase costs. **Contracting Officers** should seek guidance from the **Procurement Team** if there is a concern that this is not possible.

1.11 Partnership Arrangements

- 1.11.1 The **Council** has entered into a number of arrangements with partner **Councils** for the purchase of various back-office services; **Contracting Officers** must therefore liaise with the **Procurement Team** before commencing a new procurement for similar/ additional requirements to ensure that those arrangements are not breached or cause relationship problems across the partners.

1.12 Corporate Contracts

- 1.12.1 The **Council** has established a number of corporate contracts, including but not limited to; stationery, treasury, insurance, and ICT services. **Officers** must therefore liaise with procurement before carrying out a separate/ an additional procurement for such requirements.

1.13 Contractor Quality

- 1.13.1 In appointing a **Suitable Supplier** to provide goods, services or works, a **Contracting Officer** must ensure, in accordance with these rules, and the **Relevant Procurement Legislation**, that they have the requisite experience, qualifications and standing to contract with the **Council** for those requirements, and that they will contract on a basis acceptable to the **Council** and will provide the required insurance and assurances in line with these rules and the **Constitution** more broadly.

1.14 Use of Consultants

- 1.14.1 Where the **Council** requires the technical input of industry experts/ consultants to either resource and/or manage a procurement or inform a specification, or deliver a particular process, **Officers** are required to ensure the following is applied:
- (a) The service is for a discrete (or multiple discrete) piece of work and/or is not backfilling a **Council** post.
 - (b) The consultants are procured in accordance with these Rules.
 - (c) The consultant is experienced in and fully understands all **Relevant Procurement Legislations** and agrees to be bound by them.
 - (d) There is a clear specification of requirements and responsibilities set out in their appointment, including adherence to these rules and relevant legislation and that this is documented in the form of contract used.

1.15 Working with SMEs

- 1.15.1 The **Council** is committed to making contracting opportunities accessible to all interested suppliers; and where appropriate (and not disproportionate to do so) remove barriers to SMEs participating in the procurement.
- 1.15.2 **Contracting Officers**, when designing a procurement, must consider the use of Lots, encourage consortia bids, structuring the documents to be SME friendly, and set financial participation thresholds to the minimum needed to manage performance risk/ failure.

1.16 Excluding Suppliers & Subcontractors

- 1.16.1 The **Council** may exclude a supplier where they or one of their proposed subcontractors have exhibited behaviours that are unacceptable to the **Council**.
- 1.16.2 Details of when and for what (mandatory and discretionary grounds) a supplier may/ must be excluded is available in the **Relevant Procurement Legislation**; this may include (but is not limited to) breaches of law and/ or improper behaviour (failing to comply with the rules of the procurement).
- 1.16.3 As a minimum, the **Council** will not award a contract to any Supplier included on the **Debarment List**, be that either for **Public Contract** or **Regulated Below Threshold Contract**.

1.17 Identifying Opportunities

- 1.17.1 All advertised procurements must be advertised initially on the **Central Digital Platform** in line with the contract value the **Relevant Procurement Legislations**. It will also be advertised on and managed through the **Council's** e-tendering Portal.
- 1.17.2 Suppliers wishing to bid for **Council** contracts should register on both the **Central Digital Platform** and the referenced e-tendering portal. Details of which are published on the Council's website.

1.18 Contracts Register

- 1.18.1 The **Council** is required to keep a record of all contracts with a value in excess of £5,000 on an **Online Contract Register**. This requirement includes providing details of all current supplier(s), contract value, and the current contract expiry date along with details of any options to extend as a minimum.
- 1.18.2 **Contracting Officers** must advise the **Procurement Team** of all new awards over £5,000 (regardless of how they were procured) so they can be added to the **Online Contract Register**.

2 Procurement – Planning, Design, Timings & Documentation.

2.1 Overview

- 2.1.1 The activities detailed in this section applies where the spend is not exempted from these rules under Section 1.4 above.
- 2.1.2 **Officers**, members, and others responsible for spending public funds must consider all of the following legal and best practice obligations when designing a procurement.
- 2.1.3 No procurement may proceed without an **Officer** having properly completed the **appropriate record forms (as made available by the Procurement Team)** and evidencing that they have considered all of the planning, documentation and process considerations detailed in this document) and that they have all the required approvals in place, (e.g., value, duration, lots, budget, risk, authority to procure/ award) all in accordance with the **Council's Procurement Strategy**.

2.2 Contract Types and Regimes

- 2.2.1 All spend must be classified by type and regime before a procurement process can be designed; this is due to different types and regimes having different financial thresholds and obligations. The types and regimes include.
- 2.2.2 **Types - Goods** (goods or products), **Services** (labour, consultants, or technical resources); or **Works** (Construction Projects);
- 2.2.3 **Regimes - Utilities** (Gas, electric, Water, transport e.g., Buses on a fixed network), **Light Touch** (social Care, legal services, education), **Concession** (Supplier risk/ paid by service users), **Exempt/ Excluded** (Not covered).

2.3 Defining the Need

- 2.3.1 **Contracting Officers** are required, before commencing a procurement to identify and specify the size, scope and quantity of the goods, services, or works required clearly and carefully; this to include not just any initial requirements, but also any optional extras or variations that may be required during the life of the contract.

2.4 Contract Durations

- 2.4.1 Before a procurement process can be commenced, **Contracting Officers** need to decide both the initial and maximum contract durations (including any optional extension) and what might be the justification to apply those extensions; noting the obligation to comply with these **Rules**, deliver against the **Council's** policy aims and achieve **Best Value**. The duration should not be set with the intention of circumventing these Rules or the **Relevant Procurement Legislation**.
- 2.4.2 Depending on the value and nature of the contract being procured, the duration may be limited by the **Relevant Procurement Legislation**. **Contracting Officers** must check the proposed duration with the **Procurement Team**, the **Corporate Manager (Legal Services)** and the **Executive Head of Finance** (budget checks) before finalising this decision.

2.5 Estimating Contract Values

- 2.5.1 The estimated contract value must include ALL monies that could be paid over the maximum life span of the contract (or Framework/ Dynamic Market), to the successful tenderer(s) regardless of the source; e.g., all planned and potential costs, additional requirements, fees/ commissions, contract extensions and/ or prizes/ participation costs plus any contingencies, whether funded by the authority, other grants or paid by service users. The total must also include VAT.
- 2.5.2 This value must not be artificially inflated or disaggregated as it will feed into various decisions, including route to market, and assessing whether a supplier has the capacity and capability to deliver the contract.
- 2.5.3 The above calculated value, calculations and assumptions must be documented in the appropriate record form provided by the Procurement team and where it exceeds the Authority threshold for a **Key Decision**, this must be reported in accordance with the **Key Decision** rules. The value must also be included in the relevant Notice.

2.6 Budgets

- 2.6.1 **Revenue Budget**
- (a) The **Head of Service** may approve the procurement of any contract for the supply of services, goods or works that will incur any revenue expenditure contained within an approved budget in accordance with these Rules.
- 2.6.2 **Capital Budget**
- (a) For any contract that will incur capital expenditure from an approved budget, the Head of Service shall consult with the relevant portfolio holder prior to proceeding with the procurement process in accordance with these Rules.

2.7 Duty to Consider Lots

- 2.7.1 When considering the above, **Officers** must consider the use of Lots and the potential benefit of working with (local) SMEs (e.g., reduce overhead costs, local knowledge, public benefit) with the opportunity to achieve economy of scale discounts, manage market uncertainty, and the potential contract management benefits of appointing a single supplier.
- 2.7.2 In considering how to make opportunities accessible to SMEs, **Officers** MUST ensure that they do NOT disaggregate, or sub-divide like of similar requirements purely for the sole purpose of avoiding the rules for above threshold/ public contracts. They must also ensure that the process for removing barriers for SMEs, does not unfairly advantage them.

2.8 Thresholds

- 2.8.1 Procurement Thresholds are determined by category and sector (regime); they determine which routes to market are available and what rules must be followed.
- 2.8.2 The Thresholds come from the **Relevant Procurement Legislation** (and updated by **Procurement Policy Notes**) and are based on the **Government Procurement Agreement** (GPA); these values being updated every other year.
- 2.8.3 The rules and available routes to market are determined by whether the estimated contract value is deemed to be 'Above Threshold' (Covered Procurements/ Public Contracts) or 'Below Threshold.' See [Procurement policy notes](#).
- 2.8.4 The follow table sets out the procedures to be applied by Contracting Officers.

Table 1 – Thresholds

Estimated Contract Value	Procedure / Notes
MINOR VALUE Up to £10,000 (including VAT)	Contracting Officers must follow procedure for Minor Value transactions. (e.g. small or consumable items). <u>At least 1 quote or use a Framework.</u>
LOW VALUE £10,001 to £30,000 (including VAT)	Contracting Officers must follow the procedure for Low Value transactions. <u>At least 3 quotes or use a framework.</u>
MEDIUM VALUE £30,001 up to £99,999 (including VAT)	Contracting Officers must follow the Medium Value transactions. <u>At least 3 Quotes, or advertised tender, or use a framework.</u> In line with these rules (<u>subject to any exception being agreed</u>). Seek advice from the Procurement Team / complete a Gateway Assessment to determine the most appropriate procurement route.
HIGH VALUE Exceeding £100,000 (including VAT) for goods, services, and works. (This is also the key decision threshold)	Contracting Officers must follow the tender procedure for High Value transactions and seek advice from the Procurement Team . Appropriate frameworks may continue to be used. For <u>Regulated Below Threshold contracts</u> – an <u>advertised tender</u> in line with these rules (subject to any exemption being agreed in line with these Rules). For <u>Concession Contracts and Utilities Contract</u> that are below the relevant Covered Procurement threshold – <u>a quotes or competitive selection process</u> in line with these rules (subject to any exemption being agreed in line with these Rules). For <u>Public Contracts</u> – a procurement procedure in line with the Relevant Procurement Legislation .

- 2.8.5 Regardless of the minimum obligations, **Contracting Officers** may choose (or may be instructed by the **Procurement Team**) to conduct a procedure in line with a higher value, including one which is for Above Threshold/ Covered Procurement; including issuing a **Tender Notice** to invite interested suppliers to submit a tender/ participate in the procurement.
- 2.8.6 **The Procurement Team** may also mandate such a process where the estimate contract value is very close to the relevant £GPA Threshold, or the contract is high profile/ of public interest, or where it is a condition of the funding that a specific process must be applied.
- 2.8.7 An explanation of what is required for each procurement process/ values is provided below.

2.9 Risk Assessments

- 2.9.1 **Officers** are required to carry out a risk assessment as part of the project initiation and planning process, and at the very least, in the following situations:
- (a) where the procurement is both a Key Decision and Above Threshold (a Covered Procurement) AND/ OR
 - (b) is establishing a new Framework or Dynamic Market with multiple suppliers.
 - (c) includes a Special Purpose Vehicle,
 - (d) is for a contract duration in excess of five years,
 - (e) includes design liabilities and/ or collateral warranties,
 - (f) involves intellectual property,
 - (g) involves a significant Health & Safety consideration,
 - (h) is likely to be subject to significant inflation risks, or
 - (i) where the spend relates to substantial direct awards or contract extensions that carry risks under the **Relevant Procurement Legislation**.
- 2.9.2 The outcome of the risk assessment must both be:
- (a) documented in the **Procurement Instruction Document** as it will feed into the process design and governance/ approval process; and
 - (b) added to the **relevant Risk Register** for appropriate monitoring.

2.10 Preliminary Market Engagement

- 2.10.1 **Officers** are required as part of designing both the **Competitive Tendering Procedure** and the **Associated Tender Documentation** to consider running a **Preliminary Market Engagement Event**. Such events should be used where a contract has been assessed as high value, high profile, complex or specialist in nature, the market is saturated, made up of SMEs, or is suitable for a consortia delivery model; or as otherwise directed by Procurement. This decision and reason are to be recorded in the **Procurement Instruction Document** and the **Tender Record**.
- 2.10.2 Where a **Preliminary Market Engagement Event** is to be used, it must be advertised using an appropriate notice, and the **Council** must take reasonable steps to ensure that participants at an event do not have an unfair advantage in the subsequent procurement; this to be assessed using the **Conflict-of-Interest Assessments** and documented in the **Tender Record**.
- 2.10.3 All information shared before, during or after a **Preliminary Market Engagement Event** must also be included within the subsequent Associated Tender Documents (tender pack).

2.11 Legal Considerations

- 2.11.1 **Purchase Orders**
- (a) A **Purchase Order** is required for all purchases, and must specify the the goods, services, or works to be provided, the price to be paid, the terms of payment and the terms and conditions that apply to the delivery of the purchase.
 - (b) For purchases with a value of less than £30,000 incl. VAT, the standard **Purchase Order** terms and conditions (available on the **Council's** website) are likely to be sufficient; however, should the **Contracting Officer** (in conjunction with the **Corporate Manager (Legal Services)**) determine that there are obligations or risks which are not sufficiently addressed within the **Purchase Order** terms and conditions, then an alternative contract may be selected.

2.11.2 **Contracts**

- (a) For purchases with a value equal to or in excess of £30,000, the standard **Purchase Order** terms and conditions are unlikely to be sufficient; for these purchases, the **Contracting Officer** is required to liaise with the **Corporate Manager (Legal Services)** to agree the most appropriate form of contracting.
- (b) All contracts must clearly detail the goods, services, or works to be provided, the price to be paid, the terms of payment, the terms and conditions that apply to the delivery of the purchase, the insurance requirements and any assurance required.
- (c) All contracts must be completed either in hardcopy or electronically and signed by authorised individual within both parties.
- (d) The contract may be a standard form, an amended standard form, a bespoke/ project specific contract, or a set of Heads of Terms; and these may be provided either in a finalised or draft form (depending on the value and procurement process being applied).
- (e) The agreed form of contract must be made available to suppliers as part of the **Procurement/ Associated Tender Documents** before they are required to submit a price/ tender.
- (f) Where the **Council** may require a limitation period of more than six years, e.g., works or construction consultancy, the **Corporate Manager (Legal Services)** must be consulted to determine whether the contract should be made under seal to extend the limitation period to 12 years.

2.11.3 **Bonds & Guarantees**

- (a) All contracts over £100k will include an option for the **Council** to request a **Performance Bond** and/ or a **Parent Company Guarantee**; or retain funds to protect the **Council** from **Supplier** failure. The adoption and value of which are at the discretion of the **Head of Service/ Corporate Manager (Legal Services)**. The requirement is likely to be applied where the project or a contractor is deemed as a high risk for failure (likelihood and/or impacts). Advice is available from the **Procurement Team, Corporate Manager (Legal Services)** and **Executive Head of Finance**.
- (b) Where a bond or guarantee is deemed necessary – this should be in a form acceptable to the **Council** and in consideration of the form of contract being used.

2.11.4 **Service Credits and Liquidated Damages**

- (a) **Contracting Officers** should, as part of designing the requirement, determine whether there is a requirement to include **Service Credits** and/ or **Liquidated Damages** as a means of managing the quality and timely delivery of the required performance. These should be proportionate to the complexity and risks inherent in the contract.

2.11.5 **Insurance**

- (a) Insurance levels must be set at level that is as appropriate to the nature and complexity of the contract and should be agreed with the **Executive Head of Finance**.

2.11.6 **Non-Procurement Legislation**

- (a) The design of any procurement must take into account all relevant legislation; as applies to the **Council**, the project, and the supply chain.
- (b) In the event that there is an incompatibility identified between two or more relevant pieces of legislation; this must be escalated to the **Corporate Manager (Legal Services)/ Executive Head of Finance** for advice and a decision on how to manage the conflict.

2.12 **Routes to Market, Document Requirement & Timescales**

- 2.12.1 The minimum process/ route to market is determined by the category and value.

- 2.12.2 The **Council** has decided that procurements should be let following the following hierarchy.
- (a) Where permitted by table 1 above, a single quote is permitted, this should be obtained from a suitable supplier.
 - (b) Where a competitive process is required by the above table, Contracting Officers should procure those requirements using one of the following options.
 - (i) Corporate contracts or own frameworks, Dynamic Markets or Dynamic Purchasing Systems
 - (ii) CCS frameworks, Dynamic Markets or Dynamic Purchasing Systems
 - (iii) Other frameworks, Dynamic Markets or Dynamic Purchasing Systems as permitted by Procurement Team.
 - (iv) A process in line with the following.
- 2.12.3 **Minor value transactions**
- (a) This level of transaction requires at least **ONE** written quotation to be obtained from a **Suitable Supplier**, be this directly or from a suitable **Framework**.
 - (b) Whilst a single quote is the minimum requirement, **Contracting Officers** are encouraged to obtain multiple quotes (at least two) to help demonstrate value for money.
 - (c) Emailed quotations/screen-prints are acceptable and copies must be retained.
 - (d) Further guidance can be provided by the **Procurement Team** on request.
- 2.12.4 **Low value transactions**
- (a) This level of transaction requires at least **THREE** written quotations to be obtained from **Suitable Suppliers** **OR** a **Competitive Selection Process** ran under a suitable **Framework**.
 - (b) If less than three quotations are received, the **Contracting Officer** must obtain an exemption in accordance with **Rule 22** of these Rules.
 - (c) Emailed quotations are acceptable but copies **must** be retained.
 - (d) Further guidance can be provided by the Procurement Team on request.
- 2.12.5 **Medium value transactions**
- (a) **Contracting Officers** must seek advice from the **Procurement Team** and where instructed, complete a **Gateway Assessment** prior to commencing any procurement activity to determine the most appropriate route to market. At this value range flexibility is required on a case-by-case basis to ensure that the procurement process followed is not too onerous for businesses, particularly **SMEs**, and that best value is achieved. This could be delivered by obtaining three or more written quotations, an advertised tender, or the use of a **Framework** as appropriate.
 - (b) Where a relevant Framework exists and is to be used then a **Competitive Selection Process** must be applied in line with the terms of the **Framework** (unless a direct award is agreed in line with these **Rules**).
 - (c) If quotations are deemed appropriate, and if less than three quotations are received, the **Contracting Officer** must obtain an exemption in accordance with these **Rules**.
 - (d) Emailed quotations are acceptable but copies must be retained in accordance with the Council's document retention policy.
 - (e) If the opportunity is being advertised, and the contract value exceeds £30,000 then an advert must be placed in line with the **Relevant Procurement Legislation**.

2.12.6 **High value transactions**

- (a) For all high value transactions, the tender process **must** be agreed by the appropriate **Head of Service** following receipt of advice from the **Procurement Team** and managed/supported either by the **Procurement Team** or such other person as the **Procurement Team** agrees.
- (b) A **Gateway Assessment Form** **must** be completed and submitted to **Procurement Team** unless otherwise agreed by the **Procurement Team**. The assistance of the **Procurement Team** is available to assist **Contracting Officers** in completing this document. This start-up document will require evidence of budgetary provision from the **Head of Service**.
- (c) Where the opportunity is being advertised, the process must be in line with the following.
 - (i) For Goods & Services *below threshold* – this must be a single-stage process.
 - (ii) For Works *below the Goods and Services threshold* - this must be a single-stage process.
 - (iii) For Works *above the Goods and Services threshold* – **Contracting Officers** may use a single-stage or a two-stage process.
 - (iv) For all Above Threshold/ covered procurements – **Contracting Officers** may use an **Open Procedure** or a **Competitive Flexible Procedure**.

In these cases, the advert will be placed, and the Procurement/ Associated Tender Documents will be published by the Procurement Team.

- (d) Where a relevant **Framework** exists and is to be used then a **Competitive Selection Process** must be applied in line with the terms of the **Framework** (unless a direct award is agreed in line with these rules).
- (e) Where the contract to be awarded is for works, and the value is *above the Goods and Services threshold*, and a suitable **Dynamic Market** or **Dynamic Purchasing System** is available, a procurement may be conducted in line with that arrangement and the **Relevant Procurement Legislation**.

2.12.7 **Direct Award**

- (a) **Contracting Officers** may directly award under a Framework if.
 - (i) This approach is agreed with by **Procurement Team**.
 - (ii) The **Framework** expressly permits direct awards for the value, duration, and technical requirements of the contract to be awarded.
 - (iii) A desk top evaluation is carried out in line with the **Framework** rules to identify the **Most Advantageous Tender**, and
 - (iv) The identified **Supplier** is a **Suitable Supplier** (in line with these **Rules**).
- (b) Alternatively, **Contracting Officers** may directly award a contract without advertisement or a competitive process with a **Suitable Supplier** if permitted by these **Rules** and the **Relevant Procurement Legislation**; specifically.
 - (i) Urgency
 - (ii) Single suppliers/ monopoly
 - (iii) Additional goods and services.

2.13 **Procedural Requirements**

- 2.13.1 Depending on the procedure selected to identify the **Most Advantageous Tender**, **Contracting Officers** will be required to complete a number of activities/ produce specific documents in line with the following tables.

2.13.2 Any deviation from the requirements in the following tables will require approval from the Procurement Team by way of an **Exemption Request**.

2.13.3 Timescales are indicative only.

Table 2a – below threshold procedures

Stages	Activities/ Documents	Single quote	Three Quotes	Advertised Below Threshold Tender G&S	Advertised Below Threshold Tender Works (<i>above G&S threshold</i>)
Process for identifying/ inviting suppliers to quote/ tender	Identify suitable supplier (s)	✓	✓	X	X
	Include at least 1 local supplier where possible	✓	✓	X	X
	Invite all interested/ listed Suppliers to tender	X	X	X	X
	Advert on Find a Tender Service/ Central Digital Platform	X	X	✓	✓
Communication methodology	Manage by email	✓	✓	X	X
	Manage on portal	X	X	✓	✓
Documentation to be provided	Specification created collaboratively with Supplier	✓	X	X	X
	Specification created by Council	X	✓	✓	✓
	Contract	✓	✓	✓	✓
	Tender Response Document	X	✓	✓	✓
	Form of Tender	X	X	✓	✓
	Tender Instruction inc. timescales	X	X	✓	✓
	RFQ Instructions	X	✓	X	X
Evaluation Methodology	Price Only Evaluation model	✓	✓	X	X
	Quality & Price Evaluation model	X	✓	✓	✓
	Quality, Social Value & Price Evaluation model	X	✓	✓	✓
Suitability assessment	Due Diligence Form - Capacity & Capability - part of tender	X	✓	✓	✓
	SSQ/ CAS- Conditions of Participation/ Capacity & Capability - discrete stage	X	X	X	✓
	SSQ/CAS- Conditions of Participation/ Exclusion as part of Tender submission	X	X	X	X
Review/ negotiation opportunity	Acceptability Review	✓	X	X	X
	Opportunity for a Presentation to Suppliers round	X	X	X	X
	Opportunity for a Presentation from Suppliers round	X	X	X	X
	Opportunity for Negotiation rounds	✓	✓	X	X
	Opportunity for product testing, site visits etc.	X	X	X	X
	Opportunity to Limit Suppliers	X	X	X	✓
process considerations	Min Number of evaluators	2	3	3	3
	Estimated timescales	2-4 weeks	4-6 weeks	6-10 weeks	6-10 weeks
Outcome notifications	Selection stage Outcome Letters	X	X	X	X
	Award Outcome Letters to all suppliers	X	✓	✓	✓
	Standstill Period (notice) – Find a Tender Services	X		Optional	
	Award Notice – Find a Tender Service – Over £30k	Over £30k incl. VAT			
	Modification Notice - Find a Tender Service	N/A			

Table 2b – Above Threshold Procedures

Stages	Activities/ Documents	Covered Procurement - Open Procedure	Covered Procurement - Competitive Flexible Process	Covered Procurement - Direct Award
Process for identifying/ inviting suppliers to quote/ tender	Identify suitable supplier (s)	X	X	✓
	Include at least 1 local supplier where possible	X	X	X
	Invite all interested/ listed Suppliers to tender	✓	X	X
	Advert on Find a Tender Service/ Central Digital Platform	✓	✓	X
Communication methodology	Manage by email	X	X	X
	Manage on portal	✓	✓	✓
Documentation to be provided	Specification created collaboratively with Supplier	X	✓	✓
	Specification created by Council	✓	✓	✓
	Contract	✓	✓	✓
	Tender Response Document	✓	✓	X
	Form of Tender	✓	✓	X
	Tender Instruction inc. timescales	✓	✓	X
	RFQ Instructions	X	X	X
Evaluation Methodology	Price Only Evaluation model	X	X	X
	Quality & Price Evaluation model	X	X	✓
	Quality, Social Value & Price Evaluation model	✓	✓	✓
Suitability assessment	Due Diligence Form - Capacity & Capability - part of tender	X	X	X
	SSQ/ CAS- Conditions of Participation/ Capacity & Capability - discrete stage	X	✓	✓
	SSQ/CAS- Conditions of Participation/ Exclusion as part of Tender submission	✓	✓	X
Review/ negotiation opportunity	Acceptability Review	X	X	✓
	Opportunity for a Presentation to Suppliers round	X	✓	X
	Opportunity for a Presentation from Suppliers round	X	✓	X
	Opportunity for Negotiation rounds	X	✓	✓
	Opportunity for product testing, site visits etc.	X	✓	X
	Opportunity to Limit Suppliers	X	✓	X
process considerations	Min Number of evaluators	3	4	2
	Estimated timescales	12-14 weeks	over 26 weeks	2 weeks
Outcome notifications	Selection stage Outcome Letters	X	✓	X
	Intermediate outcome letters	X	✓	X
	Award Outcome Letters to all Suppliers	✓	✓	X
	Standstill Period (notice) – Find a Tender Services	Mandatory		
	Award Notice – Find a Tender Services	✓	✓	✓
	Modification Notice - Find a Tender Service	In accordance with Legislation		

Table 2c – Frameworks & DPS

Stages	Activities/ Documents	Direct Award under a Framework	Competitive Selection Process Under a Framework	Competitive Process under a Dynamic Market	Competitive Process under a Dynamic Purchasing System
Process for identifying/ inviting suppliers to quote/ tender	Identify suitable supplier (s)	X	X	X	X
	Include at least 1 local supplier where possible	X	X	X	X
	Invite all interested/ listed Suppliers to tender	✓	✓	✓	✓
	Advert on Find a Tender Service/ Central Digital Platform	X	X	✓	X
Communication methodology	Manage by email	X	X	X	X
	Manage on portal	X	✓	✓	✓
Documentation to be provided	Specification created collaboratively with Supplier	✓	X	X	X
	Specification created by Council	✓	✓	✓	✓
	Contract	✓	✓	✓	✓
	Tender Response Document	X	✓	✓	✓
	Form of Tender	X	✓	✓	✓
	Tender Instruction inc. timescales	X	✓	✓	✓
	RFQ Instructions	X	X	X	X
Evaluation Methodology	Price Only Evaluation model	✓	X	X	X
	Quality & Price Evaluation model	✓	✓	✓	✓
	Quality, Social Value & Price Evaluation model	✓	✓	✓	✓
Suitability assessment	Due Diligence Form - Capacity & Capability - part of tender	✓	X	✓	✓
	SSQ/ CAS- Conditions of Participation/ Capacity & Capability - discrete stage	X	X	X	X
	SSQ/CAS- Conditions of Participation/ Exclusion as part of Tender submission	X	X	X	X
Review/ negotiation opportunity	Acceptability Review	✓	X	X	X
	Opportunity for a Presentation to Suppliers round	X	X	✓	X
	Opportunity for a Presentation from Suppliers round	X	X	✓	X
	Opportunity for Negotiation rounds	X	X	✓	X
	Opportunity for product testing, site visits etc.	X	X	✓	X
	Opportunity to Limit Suppliers	X	X	✓	X
process considerations	Min Number of evaluators	2	3	3	3
	Estimated timescales	4-12 weeks	4-12 weeks	over 20 weeks	over 20 weeks
Outcome notifications	Selection stage Outcome Letters	N/A			
	Award Outcome Letters to all suppliers	✓	✓	✓	✓
	Standstill Period (notice) – Find a Tender Services	Optional			
	Award Notice- Find a Tender Service	✓	✓	✓	✓
	Modification Notice - Find a Tender Service	In accordance with Legislation			

2.14 Procurement Programme

2.14.1 In addition to the indicative timescales included in Tables 2a, 2b and 2c above, **Officers** will also need to plan for and include time allowances for complying with the **Council's** approvals and reporting requirements. This being particularly significant where a procurement is classified as a **Key Decision** and/ or is to be monitored through the **Gateway Process**.

2.14.2 **Officers** should work with the **Procurement Team** to agree this programme.

3 Procurement Documentation

3.1 Overview

- 3.1.1 The **Procurement/ Associated Tender Documents** required will depend on the selected route to market, the stages, and the activities to be completed; **Table 1** above set out the minimum process and **Table 2** the minimum notifications required.
- 3.1.2 Where the procurement is a **Medium Value** or **High Value** procurement and is being advertised, it must be managed through the **Council's** e-procurement system.

3.2 Notices

- 3.2.1 The publication of the various notices is a legal requirement both to create effective competition and ensure transparency in the spending of public funds, the most commonly used notices and reasons for use are detailed below:
- 3.2.2 Notices must be published in line with the following.

Table 3 - notices

Type of Notice	Regulated Below Threshold Contract Advertised Competition	Above Threshold/ Covered Procurement Advertised Competition	Award under a Framework
Preliminary Market Engagement Notice	Optional, to be used where determining the appropriate route to market, approach to delivering the contract		
Tender Notice (in line with the procedure design)	If advertising anywhere, then must also advertise on the Central Digital Platform	must be advertised on the Central Digital Platform	Not required
Procurement Termination Notice	Not required	Required	Required

- 3.2.3 The **Council** may also be required to be published other notices in relation to their plans, events, and/ or other decisions depending on the **Relevant Procurement Legislation**, **Contracting Officers** should liaise with the **Procurement Team** for all **Medium** and **High Value** contracts.

3.3 Invitation to Tender

- 3.3.1 **Contracting Officers** must ensure that they effectively and transparently communicate with all **Suppliers** being invited to submit a quote/ tender.
- 3.3.2 This document must detail.
 - (a) The exclusion grounds to apply, the conditions or participation, the award criteria, and the assessment methodology.
 - (b) The design of the procurement,
 - (i) Where under a Framework – this document will set out the process in line with the framework requirements.

- (ii) Where tendered openly - whether there will be a discrete **Conditions of Participation** stage, the number of **Tender Rounds**, whether **Suppliers** will be limited between stages/ rounds and whether there will be any **Supplier** interactions such as negotiations/ Dialogue/ presentations (subject to such being permitted by the **Relevant Procurement Legislation**). It must also detail what is required from the supplier at each stage to enable them to progress/ have a chance to be awarded the contract.
 - (c) The procedural rules including providing detail as to how the **Council** will manage clarification, incomplete tenders or other issues, the breach of which could amount to their being excluded from the procurement process.
 - (d) The deadline/ time allowed for **Suppliers** to submit a **Quote/ Tender**, this to be proportionate with the complexity of the requirements and in line with the minimum timescales set out in the **Relevant Procurement Legislation**.
 - (e) The means in which the tender must be submitted.
 - (f) It must also make clear whether there is scope to refine the award criteria/ modify the procurement after the **Tender Notice** has been published (this also needing to have been stated in the Tender Notice).
 - (g) It must also detail how suppliers should communicate with the **Council** during the procurement process and the various rounds/ activities.
- 3.3.3 This document must be accompanied by a specification document, a set of terms and conditions and any other information as may be needed to allow interested **Supplier** to submit a compliant tender. Support and guidance is available from the **Procurement Team** and the **Corporate Manager (Legal Services)** where needed.

3.4 Specification

- 3.4.1 In collating details of the **Council's** requirements, **Contracting Officers** must detail their requirements by reference to "performance or functional requirements", and must not make reference to standards or product without accepting equivalence. Equally, in setting these requirements, the **Council** must not seek to artificially narrow competition or favour/ disadvantage a **Supplier**.

3.5 Due Diligence / Standard Selection Questionnaire/ Conditions of Participation

- 3.5.1 It is essential that the **Council** only appoint **Suitable Suppliers** to deliver public sector contracts; to that end, the following apply.
- (a) **Contracting Officers** must check that **Suppliers** have the technical, legal, and financial capability, capacity, and experience needed to deliver the specified requirements; how this is to be tested will depend on the value of the contract.
 - (i) **Regulated Below Threshold Contracts** - a basic "suitability" check as part of the single stage assessment
 - (ii) **Above threshold/ Covered Procurements** – in line with the government template [PPN 03/24: Standard Selection Questionnaire \(SQ\)](#)
 - (b) When procuring works, this technical, legal, and financial capability, capacity, and experience assessment should be based on the **Common Assessment Standard** either in full for above threshold or a modified version where below threshold.

3.6 Award Criteria

- 3.6.1 **Contracting Officers** are required to design the **Award Criteria** and **Assessment Methodology** to identify the **Most Advantageous Tender**; this to be in line with these Rules and the **Relevant Procurement Legislation**.

- 3.6.2 This must include detailing whether the Assessment Methodology will be based on lowest price, Price per Quality Point, or a price: quality ratio.
- 3.6.3 In all case, the following will apply.
 - (a) **For technical/ quality, social value and/ or Value for Money considerations** - the detailed questions (award criteria) should include specific response guidance, the importance/ weighting to be applied to each question and the assessment methodology/ scoring matrix.
 - (b) For **Price consideration** – details on how the value will be calculated and then how it will be evaluated (e.g., the weighting allocated to the price as a whole or parts therein or divided by the quality score).
- 3.6.4 For **Public Contracts**, once the **Tender Notice** has been published, this **Award Criteria** cannot be amended (refined); unless specifically allowed for in the **Tender Notice**, the amendment is not substantial, and the change is implemented before the last chance to submit tenders as per the **Relevant Procurement Legislation**.
- 3.6.5 Further guidance on designing the award criteria and **Assessment Methodology** is available from the **Procurement Team**.

3.7 Form of Tender

- 3.7.1 All Suppliers will be required to sign a disclaimer when submitting their tender; specifically relating to their conduct during the procurement, their adherence to the condition of tendering, the acceptance of the contract terms and their agreement to hold their price open for a specific amount of time.

3.8 Document Format

- 3.8.1 All documentation and communication will be issued and returned electronically, the documents may, therefore, be issued as attachment in Microsoft or Adobe formats (unless otherwise explicitly stated) or built into and answered in the e-tendering portal.

4 Procurement Process & Contract Management

4.1 Procurement Launch

- 4.1.1 The Council's is required to publish a full set of procurement/ Associated Tender Documents when they publish the Tender Notice. Table 2a & b above state when a notice is required and where it must be published.
- 4.1.2 Suppliers can access these opportunities from the following links:
 - 4.1.3 E-tendering portal – via the Council's web site
 - 4.1.4 Find a Tender Service (find-tender.service.gov.uk)

4.2 Process Management

- 4.2.1 All competitive procedures (level 2 and above) must be managed through the **Council's** e-tendering Portal, including all of the following activities.
 - (a) Communication with Suppliers
 - (i) All communication with suppliers should be, as far as practicable, be via electronic means, e.g., the e-tendering portal.
 - (b) Clarifications
 - (i) The Council reserves the right to clarify any omissions, ambiguities, or errors as part of its procurement procedure.

- (ii) All clarifications (by suppliers and the Council) must be raised and managed through the e-tendering portal.
- (iii) Where a supplier asks a question, the questions and responses must be shared with all suppliers; an exception being where the supplier specifies that the question is commercially sensitive, and the Council accepts this.
- (iv) Where, as part of the evaluation process, the Council identifies something that appears erroneous, needs to be clarified or was omitted, this must also be raised through the e-tendering portal.
- (v) A record of all clarifications must be maintained.

4.3 Evaluation Process

- 4.3.1 The **Council** will identify **Suitably Qualified and Experience Persons (SQEP)** to carry out the evaluations of the various requirements/ question(s) in accordance with the **Conditions of Participation/ Award Criteria** and **Assessment Methodology**. All evaluators will then be required to attend a moderation session (even where there is only one evaluator) with moderation being led by a member of the **Procurement Team**.
- 4.3.2 At some/ multiple points in the procurement, the **Council** will/ must check a Supplier (and their supply chain's) suitability to deliver the contract. Where a supplier is assessed as **Excluded or Excludable** (mandatory or discretionary exclusion grounds) the supplier will/ may not be permitted to continue within the process.
- 4.3.3 At **Conditions of Participation** stage, depending on the route to market, the **Council** may limit the number of suppliers to invite through to the next round, depending on how the Competitive Tendering Procedure has been designed.
- 4.3.4 Additionally, at intermitted tender stages, the **Council** may, through evaluation, limit the number of suppliers to invite through to the next round.
- 4.3.5 The evaluation of the quality and social value award criteria, and the price will be conducted separately to ensure independence and integrity.
- 4.3.6 Where, as part of the evaluation process, evaluators identify any information is incomplete, inaccurate, or misleading, the Council may seek clarifications from Suppliers, where it would not be unfair to do so; this to be conducted in line with the **Relevant Procurement Legislation**.
- 4.3.7 The outcome of this process to be recorded in the **Tender Report**.

4.4 Negotiations

- 4.4.1 Negotiations will only be permitted where this is expressly stated in the procurement documentation, and this will be carried out in compliance with the stated process.
- 4.4.2 If a supplier attempts to negotiate a contract post award, where this is not permitted, the **Council** may disregard the **Supplier** and award the contract to the next ranked compliant **Supplier**.

4.5 Receiving and Opening Tenders

- 4.5.1 **Suppliers** must submit tenders in line with the **Invitation to Tender**, and these will be open in line with said document. Where tenders are submitted in hard copy, these tenders will only be opened after the published deadline has passed and details of who opened them (a minimum of two people) and when will be recorded and witnessed; these to then be stored securely (before and after) and in line with the **Council's Retention Policy**. Where a **High Value** contract, the witnesses must include a member of the **Procurement Team**.
- 4.5.2 Any tenders received late may be recorded as such and excluded as non-compliant, except in exceptional circumstances which will be at the sole discretion of the **Council**. This to be noted in the Tender Record.

4.6 Preferred Supplier Identification & Assurance

- 4.6.1 Once a preferred supplier has been identified, the supplier suitability checks referenced above must be refreshed to ensure that they are still a **Suitable Supplier** (have not become an **Excluded Supplier**).

4.7 Award Decisions and Approvals

- 4.7.1 Tender Record (Audit Trail)
- (a) Throughout the life of the procurement, all decisions must be documented in a Tender Record, including the recommendation to award.
- (b) This record is also required where a Direct Award is made.

4.8 Award Governance

- 4.8.1 Before **Suppliers** can be notified of the recommendation, the decision to award must be approved in accordance with the **Council's Scheme of Delegation** (and depending on value/ risk, in accordance with a **Gateway process**)

4.9 Supplier Notifications

- 4.9.1 Once the recommendation is approved, and depending on the contract value, Suppliers must be notified of the outcome at the same time.
- 4.9.2 For **Public Contracts**, **Suppliers** must be issued with an **Assessment Summary BEFORE**, a **Contract Award Notice** is published.
- 4.9.3 For **Regulated Below Threshold Contract**, **Suppliers** should be provided with the same information (as best practice) but there is no requirement to publish a **Contract Award Notice**.
- 4.9.4 This summary must include the scores and the reason for those scores, for each of the award criteria, in consideration of the **Assessment Methodology** as set out in the procurement/ associated tender documents. Unsuccessful **Suppliers** must also be provided with the same information relating to the successful supplier.

4.10 Standstill Period & Contract Notices.

- 4.10.1 For all **Above Threshold/ Covered Procurements**, the **Council** must apply a **Standstill Period** before entering into the contract. (Excluding Utilities, Light Touch or contracts awarded under a framework, in which cases a standstill period is optional)
- 4.10.2 A Contract Award Notice must be published in accordance with **Relevant Procurement Legislation**.
- 4.10.3 Additionally, where required under the **Relevant Procurement Legislation**, the **Council** must publish a **Contract Details Notice** within 30 days on entering into the contract: (generally, for contract with a value in excess of £30k inc. VAT).
- 4.10.4 Further guidance on Notices is available from the **Procurement Team**.

4.11 Contract Execution (Thresholds/ Approval)

4.11.1 All contracts must be signed or executed in accordance with the following rules:

Table 4 – Contract approval

Corporate Manager (Legal Services)	Works – executed as a Deed, regardless of Value
	Goods & Services – signed underhand
Contracting Officers	In line with Financial Regulations Scheme of Delegation
Head of Service	In line with Financial Regulations Scheme of Delegation
Executive Head of Finance	In line with Financial Regulations Scheme of Delegation
Key Decisions	In line with Financial Regulations Scheme of Delegation

4.11.2 A contract must only be awarded and signed by a person authorised to do so in the Scheme of Delegation subject to receipt of confirmation from a Head of Service or Procurement Service (or finance officer) that the appropriate budget holder has the funds in place to sustain the contract prior to award.

4.11.3 For all contracts where the contract value exceeds £100,000 the contract must either:

- (i) Be made under the authority's seal in accordance with these rules; or
- (ii) Signed by at least two officers authorised by the Corporate Manager (Legal Services).

4.11.4 The decision as to whether to sign or to seal a contract shall rest with the Corporate Manager (Legal Services). For the avoidance of doubt, no contract shall be either be attested by or signed by any member.

4.11.5 For contracts where the contract value is up to £100,000, the contract may be signed by a single officer with delegated authority unless the Corporate Manager (Legal Services) requires it to be made under the authority's seal

4.11.6 A full and complete audit trail of all procurement activity resulting in the award of a contract must be retained in electronic or hard-copy format as appropriate.

4.11.7 A record of the contract and a copy of all executed contracts must be retained in electronic or hard-copy format as appropriate. Physical copies of contracts executed as a deed must be stored securely.

4.11.8 When acting under a general delegation in awarding a contract, Contract Officers must make an appropriate record of the decision and notify democratic services.

5 Contract Management

5.1 Overview

5.1.1 Contracts must be managed in accordance with the *Relevant Procurement Legislation* and the **Council's** own processes. To ensure this takes place, for every contract the Head of Service must designate an appropriate lead officer as primary contact and Contract Manager.

5.1.2 Contracts deemed as large/ strategically important must have a dedicated project manager to ensure compliance with these Rules.

5.2 Meetings & Performance Management

- 5.2.1 The **Contracting Officer/ Manager** will set up a series of meetings to kick off, administer and manage delivery of the contract. These meeting will as a minimum monitor and report on.
- (i) **Supplier & Supply Chain Suitability** – ensure the **Council** is not contracting directly or indirectly with unsuitable (Excluded/ Excludable) suppliers.
 - (ii) **Key Performance Indicators** – delivery against the agreed levels.
 - (iii) **Contract Performance** – e.g., satisfactory delivery of the contract.
 - (iv) **Council Payment Performance** –the **Council** is required to pay the Supplier within 30 days of receiving a valid/ undisputed invoice.
 - (v) **Supplier Payment Performance** - the Supplier is required to pay their supply chain within 30 days of receiving a valid/ undisputed invoice.
 - (vi) **Supplier Contracts** – the supplier is required to enter into a legally binding agreement with suppliers on whom they are relying on to meet the technical, legal, or financial **conditions of participation**.
 - (vii) **Modifications** – all modifications to a contract must be documented, along with their value and justification.

5.3 Contract Modifications

- 5.3.1 All modifications must be managed in accordance with the contract, the contract value, and the **Relevant Procurement Legislation**. Where required by said legislation, a **Contract Change Notice** must be published.
- 5.3.2 All contract modifications explicitly included for within the original contract may be approved in line with the value of the modification and the thresholds in Table 3.
- 5.3.3 Any modification not explicitly included for within the original contract must be approved in accordance with the cumulative value and Table 3; where such a modification means the contract becomes subject to the Key Decision process, approval must be in line with that process.

5.4 Termination

- 5.4.1 In the event that any performance requirements are not being met, or there is some other breach of the **Relevant Procurement Legislation**, the **Council** may terminate the contract in accordance with either the stated contract clauses and/ or the **Relevant Procurement Legislation**. Where a contract is terminated, any relevant notifications will be published in line with the said legislation.

5.5 Notices

- 5.5.1 Where required under the **Relevant Procurement Legislation**, the **Council** will publish the following notices. These notices include.
- (a) **Contract Performance Notice** – used to report on KPIs and whether the contract is being delivered to the required standards (on **Public Contracts** over £5m inc. VAT).
 - (b) **Payment Compliance Notice** – used to publish the **Contracting Authorities** payment performance against all Public Contracts as a minimum.
 - (c) **Contract Modification Notice** – used to publish detail of a proposed modification to a contract where there is an increase of decrease in the estimated contract value over a specific value/ percentage.
 - (d) **Contract Termination Notice** – used where the **Council** terminates a contract in full.
- 5.5.2 Further Guidance is available from the **Procurement Team**.

6 Other Procurement Considerations

6.1 Exemption Requests & Approvals

- 6.1.1 Where a **Contracting Officer** seeks to deviate from these Rules, an **Exemption Request** must be made in accordance with the following.
- 6.1.2 An **Exemption Request** must be submitted in writing to the **Procurement Team** and must include the following information as a minimum.
- (a) A description of the required goods, services, or works, along with details of the contract value and duration, plus and any other pertinent information that may impact the decision to approve the **Exemption Request**.
- (b) A reason/ justification for requesting the exemption, e.g.
- (i) **Single supplier** – competition is absent for technical reasons (for which evidence of testing the market/ market knowledge will be required).
 - (ii) **Urgency** – the need is immediate and does not allow for any form of competitive process (and there are no Frameworks or Corporate Contracts that can be used).
 - (iii) **Protection of life/ risk of harm to property** – potentially in response to adverse weather or other health and safety risks being identified and for which an advertised process is not possible.
 - (iv) **Legal Advice/ Counsel** – the nature of the requirement prevents a competitive process – either due to time or the technical nature of the requirements.
 - (v) **Contract extension/ variation** – where it is proposed to extend a contract where this was not included as an express provision in the contract and subject to such a modification demonstrating Best Value and not breaching the Relevant Procurement Legislation.
 - (vi) **New, additions requirements or partial replacement** – where a direct award is recommended to a Supplier who has delivered previous goods, services or works and there is a benefit to the **Council** to instruct the same **Supplier** to deliver the additional requirements.
 - (vii) **Social Value** – where it has been identified that it is not in the best interest of the **Council** to mandate a requirement for **Suppliers** to deliver **Social Value** as part of the contract.
 - (viii) **Legislative compliance** – where it is determined that statute or subordinate legislation requires an exemption of these Rules.
- 6.1.3 Properly completed forms will be sent to the appropriate persons for approval, in line with **Table 5** below. They will then complete the form with the following.
- (a) Details of whether the request is approved or declined.
- (b) The reason for the decision
- (c) The names and signature of those making the decision and the date on which the decision is made.
- 6.1.4 An **Exemption Request** will never be agreed where it seeks to.
- (a) Override a **Conflict-of-Interest**, the **Code of Conduct** relating to **Hospitality** or **Gifts**.
- (b) Breach the **Relevant Procurement Legislation**.
- 6.1.5 A retrospective **Exemption Request** is unlikely to be agreed other than where the emergency/ risk of harm to person or property occurs outside normal working hours and any delay could exacerbate the harm.

- 6.1.6 A contract may only be executed after the Exemption Request has been approved (signed and dated).

Table 5 – Exemption Approvals

Estimated Contract Value	Authorisation / Notes
MINOR VALUE Up to £10,000 (including VAT)	Corporate Manager (Legal Services) OR Executive Director AND Executive Head of Finance / S151 officer OR Deputy S151 Officer
LOW VALUE £10,001 to £30,000 (including VAT)	Corporate Manager (Legal Services) OR Executive Director AND Executive Head of Finance / S151 officer OR Deputy S151 Officer
MEDIUM VALUE £30,001 up to £99,999 (including VAT)	Corporate Manager (Legal Services) OR Executive Director AND Executive Head of Finance / S151 officer OR Deputy S151 Officer
HIGH VALUE Exceeding £100,000 (including VAT)	Advice must be sought from the Corporate Manager (Legal Services) to determine whether the decision to make the exemption would amount to a Key Decision . Key Decision procedures must be applied if a key decision. Exemptions shall be authorised by: Corporate Manager (Legal Services) OR Executive Director AND Executive Head of Finance / S151 officer OR Deputy S151 Officer N.B exemption approvals only relate to the exemption and is not an approval for a contract.

- 6.1.7 Where a contract is awarded under an **Exemption Request** and is over £30k Inc. VAT, a Notice must be published on in accordance with **Relevant Procurement Legislation**.

6.2 Collaborative Procurements

- 6.2.1 Where the **Council** is required under its own powers or at the request of a partner authority to procure on its behalf, those procurements must comply with **Relevant Procurement Legislation**, and other relevant legislation more generally,
- 6.2.2 Each **Council** must comply with their own rules with regards Financial, Procurement and delegated authority requirements; and then equally, their own scheme of delegation for contract signature.

6.3 Purchase Cards

- 6.3.1 The **Council** operates a procurement purchase card facility; these are only used for low value and one-off incidental spend (such as in the response to an emergency) for example where it is not possible to add a supplier to the finance system or carry out a competitive procurement process. They may not be used as a means to disaggregate or bypass these rules.

6.4 Community Right of Challenge

- 6.4.1 Section 81 of the Localism Act 2011 permits relevant bodies (charities, community bodies, town and parish Authority Services and Staff) to submit Expressions of Interest to provide Authority Services. Corporate Services shall maintain and publish a timetable for the submission of interest. Any such expressions shall be forwarded to the Transformation Team.

6.5 Disposal of Goods & Assets

- 6.5.1 Where the **Council** has goods or assets that are no-longer required these are to be disposed of through an objective process such as a closed-bid auction process.

6.6 Grants

6.6.1 Application Process

- (a) The **Council** is the recipient and administrator of substantial funding from central government and potentially, other funders.
- (b) Where this funding is to be granted to organisation to deliver specific aims and objectives for the **Council's** community, this will be administered through a formal process.
- (c) Further guidance and support can be found at [Grants for community organisations - Rushmoor Borough Council](#)

6.6.2 Grant Agreements

- (a) Where a grant is issued, it must be awarded in accordance with the **Council's** process for advertising, selecting, and awarding grants.
- (b) All grants must include:
- (i) Details of what the applicant has committed to provide for the funding.
 - (ii) Payment details including any payment conditions and frequency; and
 - (iii) Any flow-down requirements relating to obligations that apply to the **Council**, including where relevant, reporting and clawback options.
 - (iv) All grants which include clawback options **MUST** be executed as a Deed.

6.6.3 Monitoring & Reporting

- (i) A register of all grants issued must be maintained, this to include details of the recipient, the value, the funder, and the purpose.
- (ii) Where the funding including reporting or other delivery/ payment obligations, this information must also be included in the register, e.g., conditions, monies paid, and delivery against the funding.
- (iii) Where the grant includes reporting obligations, periodic meetings (as agreed as part of the grant agreement) must be held between the recipient and the **Council** to ensure the recipient is both delivering as per their application and providing the required information. Notes and data from these meetings must be stored against the Grant Register.

7 Glossary of Terms

For the purpose of these Rules the following terms have the meanings set out below:

Term	Meaning of Term
Approved Dynamic Market or DPS	A Dynamic Market approved for use by the Corporate Procurement Team
Approved Framework	A Framework (including Open Frameworks) approved for use by the Corporate Procurement Team
Assessment Summary	<p>A letter detailing the outcome of the assessment of any Tenders received. For the winning Supplier it will include their scores and reasons for those scores against each of the published Award Criteria.</p> <p>For all losing Suppliers, the letter will include their scores and the reason for those scores against each of the published Award Criteria and the same information for the winning Supplier</p>
Award Criteria/ Assessment Methodology	<p>criteria set in accordance with section 23 of PA23 against which Tenders may be assessed for the purpose of awarding a Public Contract; these criteria must.</p> <ul style="list-style-type: none"> • Relate to the subject-matter of the Contract, • Be sufficiently clear, measurable, and specific, • Not break the rules on technical specifications in section 56, and • Be a proportionate means of assessing Tenders, having regard to the nature, complexity, and cost of the Contract. <p>And where there are more than one, their weighting or relative importance must be stated.</p> <p>Officers are also required to describe how the Tenders will be assessed (a scoring matrix), and the document must state whether failing to meet a specific score could amount to a Supplier being excluded from the procurement</p>
(Regulated/ nominated) Below Threshold Procurement	A procurement which is below the Covered Procurement threshold and not exempt from the PA23. PPN-11_23-New-Thresholds.pdf (publishing.service.gov.uk) These values apply for 2024 and 2025.
Best Value	The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 (“the 1999 Act”) to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness ”
Breach of Contract	Failure to meet any of the conditions of the Contract
Capital Expenditure	Expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment, or vehicles.
Capital Programme	The programme of Capital expenditure agreed by Cabinet.

Categories	Where establishing a dynamic market, the Council may divide the DM into categories (Lots/ specialism) to facilitate access by SMEs and effective competition
Code of Conduct	The code of conduct binding on all Officers of the Council and being within Officer Code of Conduct - Part 5 Section 8 of the Council's Constitution and viewable on the Council's website.
Competitive Flexible Procedure	This is a multi-staged procurement which can include a discrete Conditions Of Participation stage, limiting Suppliers (following the SQ or other assessments), one or more Tender rounds (and intermediate assessments), refinement of the Award Criteria , modification of the Tender procedure, interaction with the Suppliers (e.g., negotiations, presentations, site visits) and then following a final submission, there is a potential to finesse the submission and subsequent staged awards – all this being subject to what was specified in the Invitation to Tender document.
Competitive Selection Process	A procurement process where all of the Suppliers on the Framework (or a specific Lot) are invited to submit a Tender in line with the Framework rules and in line with the Specification for the Contract to be let, and the Specification of the Framework .
Competitive Tendering Procedures	This includes the Open Procedure and the Competitive Flexible Procedure
Concession Contracts	a Contract for the supply, for pecuniary interest, of works or services to a Council where— a) at least part of the consideration for that supply is a right to exploit, and b) under the Contract the Supplier is exposed to a real operating risk. (it may also be paid for by service users rather than the Council).
Conditions Of Participation	this is a condition that a Supplier must satisfy if the Supplier is to be awarded the public Contract . These conditions must be a proportionate means of assuring that a Supplier has. <ul style="list-style-type: none"> the legal and financial capacity to perform the Contract, or the technical ability to perform the Contract.
Conditions of Tendering	The rules/ conditions by which a competitive procurement process will be conducted, and with which a Supplier must comply if they are not to be excluded from the procurement process.
Conflict Assessments	Means an assessment that has been carried out by the Council and in which, it identifies all and any potential or actual conflicts and the actions taken/ to be taken to mitigate them to ensure equal treatment.
Conflict of Interest	There is a Conflict of Interest in relation to a Covered Procurement if— A person acting for or on behalf of the Council in relation to the Procurement has a Conflict of Interest, or <ul style="list-style-type: none"> A Minister acting in relation to the Procurement has Conflict of Interest
Contract	an agreement to be made/ concluded in writing between the Council and a Supplier for a specific set of requirements. For a low value contract, this may be made by way of raising a Purchase Order (PO) and attaching the Council's standard PO terms and conditions.

Contract Award Notice	<p>A notice that is published on the Central Digital Platform and that informs the market of and intent to award and where a Mandatory Standstill Period (or Voluntary Standstill Period) is required, this notice initiates that Standstill Period.</p> <p>There is a different form of notice for below and above threshold procurements.</p>
Contract Change Notice	<p>For Contracts let under the Procurement Act 2023 (after 24th February 2025)</p> <p>A notice that must be published before a Contract modification is applied, where that modification increases or decreases the estimated value of the Contract by—</p> <ul style="list-style-type: none"> in the case of a Contract for goods or services, 10 per cent or less, in the case of a Contract for works, 15 per cent or less, or the modification increases or decreases the term of the Contract by 10 per cent or less of the <p>Issued in accordance with section 75.</p> <p>For Contracts let under the Public Contracts Regulations 2015</p> <p>A modification notice must be published where a modification is made under Regulation 72(b) or 72(c).</p>
Contract Details Notice	<p>A notice that confirms that the Contract has been entered into within the previous 30 days. There is a different form of notice for below and above threshold procurements.</p>
Contract Management	<p>Contract Management is the active management of the relationship between the Council and the Supplier over the term of the Contract for the provision of services, goods and works to a set of agreed standards.</p>
Contract Management Notices	<p>For Contracts let under the Procurement Act 2023 (PA23) (after 24th February 2025)</p> <p>The Council will be required to publish the following in line with the PA23.</p> <ul style="list-style-type: none"> Contract Performance Notice – required for all Public Contracts over £5m and used to report on KPIs and whether the Contract is being delivered to the Council's required standards e.g., satisfactory performance against the KPIs, and/ or a breach of Contract which resulted in, partial termination, and/ or damages. Payment Compliance Notice – used to publish the Contracting Authorities payment performance. Contract Termination Notice – used where the Council terminates a Contract in full.
Contract Managers/ Contracting Officer	<p>An Officer with responsibility for conducting the purchasing processes for the purchase of works, goods (goods) or services on behalf of the Council and that manages the resultant Contract and ensure day to day activities are conducted in accordance with its terms and conditions.</p>
Contract Modification	<p>For Contracts let under the Procurement Act 2023 (PA23) (after 24th February 2025)</p> <p>A modification permitted under section 74 and schedule eight of the PA2023 or is not a substantial modification or is a below-threshold modification.</p> <p>For Contracts let under the Public Contracts Regulations 2015 (PCR2015)</p> <p>A modification permitted under Regulation 72.</p>

Contracts Procedure Rules (Rules)	This document setting out the principles of procurement, roles and responsibilities, Contract Standing Orders and processes involved in purchasing services, goods, and works Contracts .
Contract Register	A register of Council Contracts that exceed £5k held by The Corporate Procurement Team and made publicly available via the Council website.
Contract Value	The estimated total monetary value of a Contract over its full duration and any extensions or potential variations. (N.B. not just the annual value.) Where the duration of a Contract is indeterminate, this will be taken to be the estimated value of the Contract over a period of four years.
Council	Rushmoor Borough Council.
Council Amendments	The amendments/ additional contract requirements identified by the Council as being needed to make an industry standard contract suitable for their and a specific project/ contract requirement.
Councillor/ Member	An elected Member of the Council .
Covered Procurement	Means an above threshold procurement that is intended to result in a Public Contract . PPN-11_23-New-Thresholds.pdf (publishing.service.gov.uk) These values apply for 2024 and 2025.
Data Protection Act 2018	Means the legislation that controls how personal information is used by organisations, businesses, and/ or the government.
Contract	A legally binding agreement between the Council and a Supplier for the provision of goods, services or works against specific terms and conditions.
Contract Managers	These are Officers within service areas across the Council that manage and oversee Contracts and would consult with The Corporate Procurement Team when re- Tendering or procuring new Contracts .
Dialogue	Means a discussion between the Council and Suppliers about any aspect of the procurement.
Direct Award	Means the award of a Contract without a competitive process.
Discretionary Exclusion Grounds	<p>Schedule 7</p> <p>Labour market misconduct</p> <ul style="list-style-type: none"> • Environmental misconduct • Insolvency, bankruptcy, etc • Potential competition infringements • Professional misconduct • Breach of Contract and poor performance • Acting improperly in procurement • Threat to national security

Dynamic Market	a list of Suppliers who have met the published Conditions of Membership and are eligible to submit a Tender against a competition let under the market. These markets can be set up to purchase any requirements that a Council may wish to purchase and require the use of the competitive flexible procedure to award a Contract .
Dynamic Purchasing System (DPS)	A completely electronic system used by a Council (buyer) to purchase commonly used goods, works or services. Unlike a traditional framework, Suppliers can apply to join at any time.
E-Procurement System	A system for the end-to-end Tendering process, both Suppliers and buyers submit and respond to Tenders electronically removing the need for paper submissions.
Equalities Act 2010	Protects individuals from various forms of discrimination and harassment relating to disability, age, gender, religion / belief, and sexuality.
Estimated Contract Value	Means the value being estimated by the Council for the entire possible scope (including any optional extras) and duration (including any possible extensions) of the potential Contract requirements including all other options, premiums, fees etc as may become due under the contract.
Excludable Supplier	<p>An Excludable Supplier is a Supplier.</p> <p>To whom a discretionary exclusion ground applies, and such exclusion ground circumstances are continuing/ likely to occur again; or</p> <ul style="list-style-type: none"> They are on the debarment list by virtue of a discretionary exclusion ground. <p>Tenders from excludable Suppliers may be disregarded in any Competitive Tendering Process (s.26(2)) and Contracting Authorities may exclude an Excludable Supplier from participating in a Competitive Flexible Procedure (s.27(1)(b)).</p> <p>The Council may also terminate a Contract with a Supplier who becomes an excluded Supplier after the award of the Contract or where one of their sub-Contractors is an excludable Supplier and they fail to replace them when instructed.</p>
Excluded Supplier	<p>An excluded Supplier is a Supplier.</p> <p>To whom a Mandatory Exclusion Ground applies to, and such exclusion ground is continuing/ likely to occur again; or</p> <ul style="list-style-type: none"> They are on the Debarment List by virtue of a Mandatory Exclusion Ground. <p>Tenders from excluded Suppliers must be disregarded in any competitive Tendering process and Contracting Authorities must exclude an Excluded Supplier from participating in a Competitive Flexible Procedure.</p> <p>Supplier must be removed from a Dynamic Market if it is on the Debarment List by virtue of a Mandatory Exclusion Ground and may be removed if otherwise an Excluded Supplier or an Excludable Supplier.</p> <p>The Council may also terminate a Contract with a Supplier who becomes an Excluded Supplier after the award of the Contract or where one of their Sub-Contractors is an Excluded Supplier and they fail to replace them when instructed.</p>
Exempt Contracts	The kind of Contract listed in Schedule 2 of the Procurement Act 2023 , and for which the rules of the PA23 do not apply.
Financial Procedure Rules	The Council's rules relating to financial procedures in Part 4 Section 9 of the council's constitution and available on the council's website.

Framework	An agreement with Suppliers which sets out terms and conditions under which specific purchases can be made throughout the term of the agreement and which has been Tendered in accordance with UK Directives.
Freedom of Information Act	Freedom of Information Act 2000 is an act defining the ways in which the public may obtain access to government-held information.
Grant	the payment of money to a supplier to deliver against a policy aim or objective and for which there is no consideration to the Council .
Head of Service	An officer of the Council employed above grade 7 and where an Executive Director has service responsibilities then they shall be deemed to be a Head of Service for the purposes of these CSOs.
Invitation to Tender (IIT)	The document that invites Suppliers to submit a Request to Participate or a Tender in response to a Tender Notice . It must include clear instructions of what is required, a description of the procurement process, the Conditions of Tendering , and the Award Criteria/ Assessment Methodology as a minimum.
Key Performance Indicator (KPIs)	a factor or measure against which a Supplier's performance of a Contract can be assessed during the life cycle of the Contract .
Key Decision	A decision as defined within Part 2 (3.12) of the Constitution. Includes transactions above £100,000 in value.
Light Touch Regime	These are Contracts /procurements which cover Health, Social Care, legal and Education related requirements.
Limit Suppliers	Means the reduction of the number of Suppliers to progress from one stage to the next in a procurement process, based on the evaluation of the submission of a response to Conditions of Participation and/ or Tender Rounds
Local Supplier	A supplier with a Rushmoor postcode.
Lots.	Means splitting the goods, services or works to be supplied into more than one Contract to make them accessible to SME and facilitate effective competition. This is not to be done to circumvent the PA23 .
Mandatory Exclusion Grounds	<p>Schedule 6 - Part 1</p> <p>Corporate manslaughter or corporate homicide</p> <ul style="list-style-type: none"> • Terrorism • Theft, fraud, bribery, etc • Labour market, slavery, and trafficking offences • Organised crime • Tax offences. • Cartel offences • Ancillary offences

	<p>Schedule 6 - Part 2</p> <ul style="list-style-type: none"> • National Security, • Tax Misconduct, • Competition Law Infringements, Or the Equivalent for Conduct Outside The UK, • Failure To Cooperate with An Investigation
MAT	<p>Most Advantageous Tender –</p> <p>Is the Tender that the Council considers—</p> <ol style="list-style-type: none"> a) Satisfies the Council's requirements, and b) Best satisfies the Award Criteria when assessed against them
Notifiable Below Threshold Contract	A contract with a value in excess of £30k inc. VAT but less than the threshold for Covered Procurements .
Negotiation	Means a discussion between the Council and a Supplier with a view to improving the content of Tenders
Open Framework	A scheme of Frameworks where the initial Framework is open for 3 years or less, and the subsequent Frameworks cannot last for more than 5 years before it must be re-opened. The maximum overall term being 8 years and how Suppliers are appointed onto the Framework will depend on how the Open Framework is established.
Open Procedure	This is a single stage procedure where any interested Supplier can submit a Tender ; and a Supplier's suitability, capacity and capability and their Tender response are all evaluated together.
Performance Bond	A performance bond is issued to by a Supplier to the Council as a guarantee against the failure of the other party to meet the obligations of the Contract . A performance bond is usually issued by a bank or an insurance company.
Pipeline Notice	Means the annual notice to be published by the Council to inform the market of the Contracts to be procured/ awarded in the coming reporting period. This to include all Contracts with a value of £2m or above.
Preliminary Market Engagement	Analysis of the market prior to formal Tender .
Preliminary Market Engagement	<p>This can be used for the purpose of—</p> <p>developing the authority's requirements and approach to the procurement.</p> <ul style="list-style-type: none"> • designing a procedure, Conditions of Participation or Award Criteria. • preparing the Tender notice and Associated Tender Documents. • identifying Suppliers that may be able to supply the goods, services or works required. • identifying likely Contractual terms. • building capacity among Suppliers in relation to the Contract being awarded.

Presentation, Demonstration	Mean a meeting with a Supplier where they present their proposed delivery methodology or demonstrate a specific element/ product within their proposal to aid the Council in understanding the proposed solution and how it meets the Specification . These may be scored and may also lead to the Council limiting the number of Suppliers to participate in the next Tender Round .
Procurement Card	Corporate credit card used for low value procurements
Procurement Legislation Guidance	Means the guidance issued by the Cabinet Office that is to be considered in the development and delivery of the procurement process. Procurement Act 2023 - Guidance documents - GOV.UK (www.gov.uk) Procurement policy notes - GOV.UK (www.gov.uk)
Procurement Objectives	Value for Money (a) Sharing information <ul style="list-style-type: none"> • Public Benefit • Acting with integrity • Removing barriers to SMEs • Equal treatment
Procurement Thresholds	the values that determine which route to market to use
Public Contract	All Contract Values which are Covered Procurement (above threshold) under the Relevant Procurement Legislation (this value to be inclusive of VAT)
Public Services (Social Value) Act 2012	Act places a requirement on procurers to consider the economic, environmental, and social benefits. Please refer to the Corporate Social Value Policy and toolkit
Purchase Order	An instruction issued by the Council to a Supplier to provide specific goods, services or works.
Quotation	The provision of a price to deliver the Council's requirements (may include a method statement too), without the conduct of a formal (advertised) procurement process.
Regulated Below Threshold Contract	Means a contract that is below the threshold of a Covered Procurement , and which is not an Exempt , a Concession Contract , or a Utilities Contract .
Relevant Public Sector Legislation	Including but not limited to <ul style="list-style-type: none"> • Local Government Act 1988 Part II, • Local government Act 1999, • Local Government Act 2000, • Local Government (Contracts) Act 1997 • Equalities Act 2010

	<ul style="list-style-type: none"> • TUPE 2006 • Localism Act 2011 • Small Business, Enterprise, and Employment Act 2015 • Modern Slavery Act 2015 • The Public Services (Social Value) Act 2012 • Local Government Transparency Code 2015 • The Health and Safety at Work etc. Act 1974
Relevant Procurement Legislation	<p>Public Contracts Regulations 2015 or Concession Contracts Regulations 2016 – the legislation that applies to Contracts let under one of these regimes where the Contract continues to be used/ delivers post 24th February 2025</p> <p>Procurement Act 2023, Procurement Regulations 2024 – for Contract that are to be or were procured post 24th February 2025</p> <p>Provider Services Regime 2023 where the procurement relates to health care services.</p>
Relevant Procurement Policy Notes	<p>Procurement policy notes - GOV.UK</p> <p>Insert list.</p>
Request to Participate	The submission of a response to the Conditions of Participation published with a Tender Notice where this Conditions of Participation are a discrete stage in a Competitive Flexible Procedure .
Sensitive Commercial Information	<p>Means information which.</p> <p>Constitutes a trade secret, or</p> <p>(a) Would be likely to prejudice the commercial interests of any person if it were published or otherwise disclosed.</p>
Site Visit	Means a visit to an office, or project location to aid a Supplier in understanding the Contract requirements/ Specification and to aid in putting in an effective and compliant Tender .
Specification	Means the document that sets out the Councils specific requirements for a specific contract/ project.
SME	Small to Medium Enterprise – fewer than 250 employees; and annual turnover not exceeding approximately £50 million
Scheme of Delegation	The rules as to who has the authority to make which decisions, as Part 3 Section 3 for Executive Matters, Part 3 Section 4 for Non-Executive Matters of the council's constitution and being available on the council's website.
Standstill Period	<p>Means period of eight working days commencing on the day that the Contract Award Notice was published on the Central Digital Platform.</p> <p>Mandatory for all Covered Procurement other than for the following exception, for which a Voluntary Standstill Period of eight working days may still be applied.</p> <ul style="list-style-type: none"> ▪ Direct Award under sections 41 or 43 ▪ Award under a Framework.

	<ul style="list-style-type: none"> ▪ Award by reference to a Dynamic Market ▪ A light touch Contract
Suppliers	Means all or any of economic operators, tenderers, bidders, contractors (or subcontractors), third party organisations supplying goods, services or works to the Council
Tender Notices	Regulated Below Threshold Tender Notice - A call for competition (advert) where a Below Threshold Contract which is published on the Central Digital Platform/ FTS . Tender Notice (separate forms for Open Procedure, Competitive Flexible Procedure, Frameworks and Dynamic Markets) - A call for competition (advert) for a Public Contract which is published on the Central Digital Platform/ FTS .
Tender Record	Means a record of all decisions made during the life of a Covered Procurement
Tender Rounds	Means an initial, intermediate, and/ or final Tender stage, in a Competitive Flexible Procedure .
Treaty State Supplier	Means a Supplier that is entitled to the benefits of an international agreement (part of the WTO or other formal arrangement)
Utilities Contracts	a Contract for the supply of goods, services or works wholly or mainly for the purpose of a utility activity. (Gas, electric, Water, transport e.g., buses on a fixed network).
Value for Money	Means the balance of quality and price deemed representative of the Most Advantageous Tender

ANNEX 6

COUNCIL MEETING – 27TH FEBRUARY 2025

AGENDA ITEM NO. 6 (6)

PAY POLICY STATEMENT, GENDER PAY GAP AND ETHNICITY PAY GAP

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 29th January, 2025.

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 period covering 2025/26.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the council are also required to publish gender pay gap calculations annually based on a data as at 31 March 2024. In addition, the Council is reporting on its ethnicity pay gap for the first time. This information is for noting.

RECOMMENDATIONS:

- (1) The Council is recommended to agree the Pay Policy Statement for 2025/26 as set out in Appendix A.
- (2) The Gender Pay Gap and Ethnicity Pay Gap calculations 2024 are for noting.

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 2025/26 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**.
- 1.5 Currently there is no legal requirement for organisations to calculate and publish an annual ethnicity pay gap report. However, the Council has decided to voluntarily publish an annual Ethnicity Pay Gap Report and develop an action plan to address any unjustifiable disparities between different ethnic groups which is set out in **Appendix C**.

2. 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 2025/26 is 1:5.74.
- 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 2025/26 is 1:3.3.
- 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. 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 12.75 % with the female average salary being lower than the male average salary. The gap has increased from 12.69% in the previous year.
- 3.3 The median gender pay gap equates to 9.84% with the female median rate being lower than the male median rate. The gap has increased slightly from 9.52% 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.
- 3.6 As the calculations are percentages and the number of senior employees at the Council relatively small, a change in gender of any senior role can have a significant impact on the gender pay gap calculation. A range of activities have been undertaken to encourage female employees to consider senior roles. Female members of ELT hosted a 'Women in Leadership session' which was well attended and provided insightful information for female colleagues in particular. In line with the People Strategy and Service Plan the Council will continue to promote secondments, cross council project working, encourage the personal development of employees, and those with the potential to progress into senior roles and continue to encourage flexible working, to facilitate positive shifts in the Council's gender pay gap.

4. THE ETHNICITY PAY GAP

- 4.1 Whilst it is currently not mandatory to provide a yearly ethnicity pay gap report we have decided this year to voluntarily provide a report to demonstrate our commitment to equality, diversity and inclusion in the Council and, as we have a gap, set a baseline for improvement.
- 4.2 The ethnicity pay gap is calculated by comparing the average pay of our White employees with that of our employees from the Black and Minority Ethnic groups (BAME).
- 4.3 The mean ethnicity pay gap equates to 12.7% with the non-white average salary being lower than the white average salary.
- 4.4 The median ethnicity pay gap equates to 5.3% with the non-white median rate being lower than the white median rate.
- 4.5 The Ethnicity Pay gap will be reported retrospectively as at the 31 March in any year.
- 4.6 Given the ethnicity pay gap the Council will now consider how we can address this as part of our commitment to be a more inclusive organisation. This could include looking at our culture, reviewing our recruitment and development

policies and considering the way we work to encourage a more diverse and inclusive workforce from the local community and beyond. In particular we will focus on how we advertise and promote roles at the Council, consider how we promote an in-house work experience programme as part of the Council's Young Peoples' Plan and review our secondment/development opportunities

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/5956/2091042.pdf

Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act Supplementary Guidance
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf

Rushmoor Borough Council
Pay Policy Statement for the Financial Year 2025-2026

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 2025 - 26, 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 2024/25 was £1,290 for grades up to and including NJC SCP 43. For grades above, including Chief Officers and Chief Executive an increase of 2.5% was awarded.

2.10 The analysis used for this report draws upon the pay rates as expected at 1st April 2025.

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 2024/25 the pay award for all Chief Officers was agreed at an increase of 2.5% 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 2025 are as follows:

Lowest: £23,656

Median £41,511

Highest £135,792

- 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 **1:5.74** emerges. This is a slight reduction on the previous year's ratio which was 1:5.9
- 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 **1:3.3** which is a slight reduction on the previous years ratio which was 1:3.5.

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.

APPENDIX B

Rushmoor Borough Council Gender Pay Gap Report 2024

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 2025.
- 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 years calculations are based on data as at 31st March 2024.
- 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 2024, there were 258 permanent employees and 30 casual employees included in the data. Therefore, the total number of 288 employees has been used for the data source for this years calculation.

- 2.2 The gender breakdown of Rushmoor’s workforce is 186 female employees (65%) and 102 male employees (35%).

Average Pay Calculations:

- 2.3 The average female hourly rate is £19.51 per hour. The average male hourly rate is £22.36 per hour. This means that on average male employees within Rushmoor Borough Council earn £2.85 per hour more than female employees. The calculation method that is used to calculate Gender Pay Gap is as follows:

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

For Rushmoor Borough Council the following applies:

$$\frac{\text{£22.36 (male average)} - \text{£19.51 (female average)}}{\text{£22.36}} = \text{£2.85}$$
$$\text{£2.85} \times 100 = 12.75 \% \text{ difference between male salaries and female salaries}$$

This equates to a 12.75 % difference (or ‘gap’) in pay rates, with the female average salary being lower than the male average salary.

Comparison with 2023 data:

- 2.4 In 2023, the average female hourly rate was £18.43 per hour and the average male hourly rate was £21.11 per hour.

This equated to a percentage difference of 12.69%, with the average female salary being lower than the male average salary.

The difference / gap has increased from the previous year.

Median Pay Calculations:

- The female median hourly rate is £19.34 per hour.
- The male median hourly rate is also £21.45 per hour.
- Using the above method, the difference in median wages is:

$$\frac{\text{£21.45} - \text{£19.34}}{\text{£21.45}} = \text{£2.11}$$
$$\text{£2.11} \times 100 = 9.84 \%$$

Comparison with 2023 data:

- 2.5 In 2023, the median female hourly rate was £18.34 per hour and the median male hourly rate was £20.27. This year we see an increase in both of these figures. The gap has increased from 9.52% to 9.84%

- 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	72	51	21	71% <i>(69%)</i>	29% <i>(31%)</i>
Quartile 2 - Mid Lower	72	50	22	69% <i>(69%)</i>	31% <i>(31%)</i>
Quartile 3 - Mid Upper	72	49	23	68% <i>(61%)</i>	32% <i>(39%)</i>
Quartile – Upper	72	36	36	50% <i>(47%)</i>	50% <i>(53%)</i>
Total Workforce	288	186	102	65% <i>(62%)</i>	35% <i>(38%)</i>

*(*figures shown in italics are the % figures for 2023 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 increased from 12.69% to 12.75%. As last year both the median female hourly rate and the median male hourly rate has increased and the median gap has increased from 9.52% to 9.84%

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.

Rushmoor Borough Council Ethnicity Pay Gap Report 2024

1. BACKGROUND

1.1 Whilst there is currently no legal requirement for ethnicity pay gap reporting we have decided this year to voluntarily provide a report to demonstrate our commitment to equality, diversity and inclusion in the Council and provide measures to close the gap as appropriately.

1.2 The Ethnicity Pay Gap data includes the following:

- Ethnicity pay gap (mean and median values)
- Proportion of men and women in each quartile of the organisation’s pay structure

2. RUSHMOOR DATA

2.1 Based on the data snapshot date of 31st March 2024, a total number of 231 employees have been included in the data source (which includes permanent and casual employees) for this year’s calculation. ***Please note that there were 20 employees not included in this report as they chose not to share their ethnicity.***

Mean Ethnicity Pay Gap

2.2 To calculate the mean pay gap, we add together all the hourly pay rates that people from Black, Asian, mixed race or other ethnic (BAME) groups received. We divide the total by the number of people from these groups in our workforce. We then repeat this calculation for white people. The difference between these figures is the mean ethnicity pay gap.

	White	Black, Asian, mixed race, other	Pay Gap
Mean hourly rate	£22.31	£19.48	12.7%

Median Ethnicity Pay Gap

2.3 To calculate the median pay gap, we first rank all our people by their hourly pay. We identify what the person in the middle of the pay range for employees from Black, Asian, mixed race or other ethnic groups received. Then we compare it with what the person in the middle of our white population pay range received. The difference between these figures is the median ethnicity pay gap.

	White	Black, Asian, mixed race, other (BAME)	Pay Gap
Median hourly rate	£20.43	£19.34	5.3%

Pay Quartiles

Each pay quartile represents a quarter or 25% of our total workforce ranked by pay:

	Number		%	
	White	Black, Asian, mixed race, other (BAME)	White	Black, Asian, mixed race, other
Upper quartile	55	2	96.5%	3.5%
Upper – middle quartile	52	6	89.7%	10.3%
Lower – middle quartile	55	3	94.8%	5.2%
Lower quartile	51	7	87.9%	12.1%

3 CONCLUSION

- 3.1 At Rushmoor Borough Council the average difference (or 'gap') in pay rates between White and BAME groups is **12.7%** and the median gap between White and BAME groups is **5.3%**.
- 3.2 Given the pay gap we now need to consider how we can address this as part of our commitment to be a more inclusive organisation, including looking at our culture, recruitment and development policies and the way we work to encourage a more diverse and inclusive workforce from the local community and beyond. In particular we will focus on how we advertise and promote roles at the Council, consider how we promote an in-house work experience programme as part of the Council's Young Peoples' Plan and review our secondment/development opportunities.

COUNCIL MEETING – 27TH FEBRUARY 2025**AGENDA ITEM NO. 7****COUNCIL TAX SETTING 2025/26****SUMMARY**

This report sets out the necessary resolutions in relation to the setting of Council Tax for 2025/2026. As billing authority for the purposes of Council Tax is required to set its Council Tax before 11th March in the financial year preceding that for which the Council Tax is set. This report summarises all the appropriate budgetary decisions that will have been taken to enable the level of Council Tax for 2025/2026 to be determined and specifies all of the individual levels of Council Tax for approval by the Council.

RECOMMENDATIONS

The Council is recommended to approve the following Council Tax Resolution as detailed in Section 2 below.

1 INTRODUCTION AND BACKGROUND

- 1.1 This report sets out the necessary resolutions in relation to the setting of Council Tax for 2025/2026.
- 1.2 The Council, in approving the earlier budget reports, will have approved its Revenue Estimates for 2025/2026.
- 1.3 Rushmoor, as a billing authority for the purposes of Council Tax, is required approve the billing amounts which includes amounts due for all preceptors. Preceptors are the other types of public sector bodies that deliver services in the area. Rushmoor then collects the council tax on behalf of all preceptors and distributes this as per this Council Tax Resolution.
- 1.2 The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2025/26 will be as follows:

Preceptor	2024/25	2025/26	Increase	Increase
	£	£	£	%
Rushmoor Borough Council	232.74	239.70	6.96	3.0
Hampshire County Council	1,533.24	1,609.83	76.59	5.0
Police & Crime Commissioner for Hampshire	261.46	275.46	14.00	5.4
Hampshire & Isle of Wight Fire & Rescue Authority	82.84	87.84	5.00	6.0
Total Band D	2,110.28	2,212.83	92.16	4.9

2 Council Tax Resolution

- 2.1 The overall council tax base is 33,410.57.
- 2.2 The Council Tax requirement for the Council's own purposes for 2025/26 is £8,008,153.63
- 2.3 Base for the year 2025/26 in accordance with Section 31B(3) of the Local government Finance Act 1992 as amended by the Localism Act 2011 (the 'Act').
- 2.4 That the following amounts calculated by the Council for the year 2025/26 in accordance with Sections 31 & Sections 34 to 36 of the Act.
- £44,565,907.00 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
 - £36,587,393.37 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - £8,008,513.63 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.
 - £239.70 being the amount at 2(c) above, all divided by the amount in 2.1 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	159.80
B	186.43
C	213.07
D	239.70
E	292.97

F	346.23
G	399.50
H	479.40

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 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.

- 2.5 That it be noted that for the year 2025/26 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)	53,785,337.90
Police & Crime Commissioner for Hampshire (PCCH)	9,203,275.61
Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA)	2,934,784.47

Valuation Band	Hampshire County Council £	Police & Crime Commissioner for Hampshire £	Hampshire & Isle of Wight Fire & Rescue Authority £
A	1,073.22	183.64	58.56
B	1,252.09	214.25	68.32
C	1,430.96	244.85	78.08
D	1,609.83	275.46	87.84
E	1,967.57	336.67	107.36
F	2,325.31	397.89	126.88
G	2,683.05	459.10	146.40
H	3,219.66	550.92	175.68

- 2.6 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 2025/26 for each of the categories of dwellings shown below:

Valuation Band	Total
A	1,475.22
B	1,721.09
C	1,966.96
D	2,212.83
E	2,704.57
F	3,196.31
G	3,688.05
H	4,425.66

- 2.7 That the council determines that the Council's basic amount of Council Tax for 2025/26 is not excessive in accordance with principles approved under Section 52(ZB) of the Local Government Finance Act 1992. Therefore, the increase in Council Tax is not such to trigger a referendum.

3 IMPLICATIONS

Financial

- 3.1 The Council's portion of Council Tax for 2025/2026 is a funding stream for the provision of services.

Legal Implications

- 3.2 The amounts of Council Tax have been set in accordance with Sections 31 to 36 of the Local Government Finance Act 1992.

Equalities Impact Implications

- 3.3 There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

4 CONCLUSIONS

The Cabinet recommended Council approve the Council's General Fund Budget for 2025/2026 on 11 February 2025 of which Council Tax is a funding stream. This report meets the statutory requirements to ensure billing of Council Tax to residents.

BACKGROUND DOCUMENTS:

There are no background papers as defined by Section 100D(5) of the Local Government Act 1972.

CABINET

Report of the meeting held on Tuesday, 26th November, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder
Cllr Sophie Porter, Deputy Leader and Community & Residents Portfolio Holder

Cllr Abe Allen, Enabling Services Portfolio Holder
Cllr Jules Crossley, Policy, Climate & Sustainability Portfolio Holder
Cllr Keith Dibble, Development & Economic Growth Portfolio Holder
Cllr Christine Guinness, Regeneration & Property Portfolio Holder
Cllr Becky Williams, Neighbourhood Services 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 **9th December, 2024**.

35. DECLARATIONS OF INTEREST –

Having regard to the Council's Code of Conduct for Councillors, the following declarations of interest were made:

Item No.	Member	Interest	Reason
44	Cllr Jules Crossley	Personal and non-pecuniary	Trustee of Rushmoor Voluntary Services
44	Cllr Sophie Porter	Personal and non-pecuniary	Council appointed representative on Rushmoor Voluntary Services

36. MINUTES –

The Minutes of the meeting of the Cabinet held on 15th October, 2024 were confirmed and signed by the Chairman.

37. STRATEGIC PRIORITIES –

(Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder)

The Cabinet considered Report No. ACE2416, which set out the strategic priorities of the administration that had taken control of the Council in May, 2024.

Members were reminded that the Council's Vision had been approved in July, 2019. Since then, the Borough had faced significant challenges, including the Covid-19 pandemic, the cost-of-living crisis and significant pressures on the Council's budget. The new administration was now in a position to set out its strategic priorities, along with a proposed Council Delivery Plan to cover the following civic year from April, 2025. The Report also set out a programme of work to develop a new Council Vision and Council Plan by December, 2025.

The Cabinet welcomed the opportunity to present its strategic priorities document and considered that this would enable the Council to continue to improve in many areas of service delivery.

The Cabinet RESOLVED that the strategic priorities, as set out in Annex 1 of Report No. ACE2416, and the process for developing a delivery plan for the coming year, alongside a new Council Plan by December, 2025, be approved.

38. BUDGET MANAGEMENT AND MTFS STRATEGIC REVIEW –
(Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder)

The Cabinet considered Report No. FIN2416, which set out an update on the Council's latest budget position and details of a strategic review of the Council's Medium Term Financial Strategy.

Members were reminded that the Council's Medium Term Financial Strategy (MTFS), which had been approved on 22nd February, 2024, had presented a cumulative £16.651 million budget deficit over the four years to 2027/28, before mitigation through a savings programme. The budget estimates had included several significant assumptions and risks and a set of savings targets to mitigate the deficit to bring the Council back to financial sustainability by 2027/28. The Cabinet had previously committed to updating the Council on these assumptions and on progress against the savings targets. It was reported that there was now a significant variation in the potential outcomes on the various matters that were set out in the Report. It was explained that this would give rise to the delivery of a detailed MTFS update at the Council meeting in February, 2025. Additionally, in relation to the Water Lane playground project, the Cabinet was being asked to accept a grant of £55,000 from the Prospect Estate Big Local and to authorise the equivalent uplift to the budget for the expenditure on this project, which would be delivered from January, 2025.

The Cabinet was supportive of the suggested approach and expressed gratitude to the finance team for its work in this respect.

The Cabinet RESOLVED that

- (i) the position to date and the Medium Term Financial Strategy assumptions, as set out in Report No. FIN2416, be noted; and
- (ii) the acceptance of the Prospect Estate Big Local contribution of £55,000, to be spent on the Water Lane playground project, along with an equivalent uplift in the expenditure budget, be approved.

39. FINANCE SERVICE DEVELOPMENT –
(Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder)

The Cabinet considered Report No. FIN2415, which set out matters relating to the Council's Finance Team's management structure and the provision of internal audit services.

Members were informed that the 2024/24 budget report had identified a need to rebuild financial capability, capacity and resilience within the Council and specifically

within the finance team. The Report set out a series of proposals that would help to focus on improving financial management, governance and decision making. Included in this was a proposal for internal audit services to be provided by the Southern Internal Audit Partnership through a five-year Service Level Agreement. Members were informed that, additionally, changes were proposed to the senior management structure and capacity of the Council's finance team. It was confirmed that the Corporate Governance, Audit and Standards Committee had been consulted on the proposals and had recommended approval.

The Cabinet RESOLVED that

- (i) the repurposing of the internal audit and financial services budgets, in accordance with the Council's Financial Procedure Rules – Part 4, C10 virements: above £50,000 reserved for Cabinet, be approved, to achieve the finance service development plan, as set out in Report No. FIN2415; and
- (ii) the Council entering into an inter authority agreement for the provision of the internal audit service by the Southern Internal Audit Partnership through a five-year Service Level Agreement, including the provision of the Chief Internal Audit function, as set out in the Report and in line with the Scheme of Delegation Part 3, Section 3, paragraph 3.5.26: agreeing agency agreements with other local authorities for the delivery of services, be approved, subject to the agreement of the Corporate Governance, Audit and Standards Committee.

40. **COUNCIL PLAN, PERFORMANCE & RISK REGISTER QUARTERLY UPDATE JULY TO SEPTEMBER 2024/25 –**

(Cllr Jules Crossley, Policy, Climate & Sustainability Portfolio Holder)

The Cabinet received Report No. ACE2412, which set out the performance monitoring information for the Council Plan and key service measures for the second quarter of 2024/25. Members were informed that key projects and activities from the Council Plan and key service indicators and measures used by the Council to monitor how the Council runs were included in the Report. Members were informed that the monitoring document had been updated and refreshed for quarter two, to give a better picture of performance across the Council. The Cabinet heard that the Council's Corporate Risk Register tried to identify factors that could impact on the future delivery of the Council Plan and the Council business performance. It was confirmed that, at the request of the Cabinet, the new performance monitoring information was now laid out under Cabinet portfolios.

In discussing the Report, Members were satisfied that the changes to the document would help Portfolio Holders to better track performance within their areas of responsibility.

The Cabinet NOTED the progress made towards delivering the Council Plan and Council services and the changes highlighted in the Council's Corporate Risk Register, as set out in Report No. ACE2412.

41. **NEW PREVENTION OF SEXUAL HARASSMENT POLICY –**
(Cllr Abe Allen, Enabling Services Portfolio Holder)

The Cabinet considered Report No. PEO2402, which set out a new Prevention of Sexual Harassment Policy.

Members were informed that the new policy reflected a recent legislative change known as the Worker Protection Act that had come into force in October 2024. The new law had introduced enhanced responsibilities for employers to proactively prevent workplace harassment, specifically in relation to sexual harassment and strengthened protections for all employees.

In discussing this, Members expressed their strong support for the introduction of this new policy as a vital step in the improvement of the workplace for all employees.

The Cabinet RESOLVED that the adoption of the Prevention of Sexual Harassment Policy, as set out in Appendix 1 of Report No. PEO2402, be approved.

42. **PROCUREMENT STRATEGY 2025-2028 –**
(Cllr Abe Allen, Enabling Services Portfolio Holder)

The Cabinet considered Report No. ACE2413, which set out an update to the Council's Procurement Strategy.

Members were informed that the current Procurement Strategy covered the period 2020 to 2024 and that the new Strategy would set out the Council's strategic vision and priorities for procurement for the period from 2025 to 2028. It was confirmed that the Strategy would support and promote the use, wherever possible, of local businesses and SMEs and would place more emphasis on wider social value and sustainability. Upon agreement of the new Procurement Strategy, the Council would next develop its revised Contract Standing Orders.

The Cabinet expressed support of the revised Strategy and welcomed the increased emphasis on social value and sustainability.

The Cabinet RESOLVED that the adoption of the Procurement Strategy 2025-2028, as set out in Annex A of Report No. ACE2413, be approved, including the introduction of new performance measures from 1st April, 2025.

43. **REVIEW OF CHARGES FOR PRE-APPLICATION ADVICE –**
(Cllr Keith Dibble, Development & Economic Growth Portfolio Holder)

The Cabinet considered Report No. PG2431, which set out proposed changes to the Council's level of charges for pre-application planning advice.

Members were reminded that the charges were to potential planning applicants and developers for discussion and advice before the submission of planning applications and had been introduced for the first time in February, 2017. Recently, an exercise had been carried out to benchmark the levels of charges levied by neighbouring local authorities. It was confirmed that the proposed level of charges reflected the cost of staff time involved in giving the advice and that the Council was not permitted to make a profit from this area of work. The Report set out the full results of the

benchmarking exercise and the rationale for the proposed changes to the levels of charges.

The Cabinet RESOLVED that

- (i) the continuation of the practice of charging for pre-application planning discussions be approved;
- (ii) the setting of the level of charges as set out in Section 7 of Report No. PG2431, to take effect from 1st December, 2024, be approved; and
- (iii) the continuation of the application of the minimum householder/minor development charge for requests for pre-application advice, irrespective of the proposal type, made by community/charity groups be approved, subject to the organisation meeting the following criteria:
 - a registered charity
 - headquarters in Rushmoor
 - involved in activity which serves the people of Rushmoor
 - not part of a national charity with multiple UK or international offices.

44. **REPORT OF THE OVERVIEW AND SCRUTINY COMMITTEE REGARDING RUSHMOOR VOLUNTARY SERVICES (RVS) SERVICE LEVEL AGREEMENT –**
(Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee)

The Cabinet considered Report No. ACE2415, which set out the work carried out by the Council's Overview and Scrutiny Committee in respect of support for Rushmoor Voluntary Services. The Chairman welcomed Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee, who was attending to report on the Committee's considerations and recommendations.

Members were informed that the Overview and Scrutiny Committee had held a meeting on 24th October, 2024 where Rushmoor Voluntary Services (RVS) had attended and had given a presentation on its performance during quarters one and two of 2024/25 and on the 2023/24 Annual Report, in line with the Service Level Agreement with the Council. The Committee had considered the representations made by RVS in respect of the challenges and risks it faced as an organisation. The following were the recommendations of the Committee to the Cabinet:

- To consider a multi-year settlement agreement from 2025/26
- To consider bridging the gap in funding as a result of any withdrawal of the Hampshire County Council grants to RVS from 2025/26
- To consider waiving the rent of £20,000 due to Rushmoor Borough Council through 100% rent relief

The Cabinet expressed gratitude both to Rushmoor Voluntary Services for the excellent work carried out by them in the local area and to the members of the Overview and Scrutiny Committee for their diligence in producing these recommendations. It was confirmed that these would be considered fully during the budget setting process in the following months.

The Cabinet RESOLVED to consider the recommendations of the Overview and
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Scrutiny Committee, as set out in Report No. ACE2415, as part of the 2025/26 budget setting process.

45. **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
46	3	Information relating to financial or business affairs

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

46. **LONG LEASEHOLD EXTENSIONS - FARNBOROUGH INDUSTRIAL ESTATE –**
(Cllr Christine Guinness, Regeneration & Property Portfolio Holder)

The Cabinet considered Exempt Report No. PG2432, which sought approval to enter into long leasehold extensions in relation to two premises on the Farnborough Industrial Estate.

Members were informed that the Council's Financial Resilience Plan had identified the need for the Council to realise capital receipts whilst minimising income loss. Long leasehold extensions were a means of achieving a capital receipt without sacrificing income. In the case of each of these two properties, there had been a period of negotiation which had now concluded, and the Exempt Report set out the resulting proposed terms of the transactions.

The Cabinet RESOLVED that

- (i) the granting of new 150-year leases in respect of the two properties, on the terms set out within Section 3 of Exempt Report No. PG2432, be approved; and
- (ii) the Executive Head of Property and Growth, in consultation with the Corporate Manager – Legal, be authorised to agree the final terms of the respective leasehold extensions, including modernisation of the leases.

The Meeting closed at 8.16 pm.

CABINET

Report of the meeting held on Tuesday, 14th January, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder
Cllr Sophie Porter, Deputy Leader and Community & Residents Portfolio Holder

Cllr Abe Allen, Enabling Services Portfolio Holder
Cllr Jules Crossley, Policy, Climate & Sustainability Portfolio Holder
Cllr Keith Dibble, Development & Economic Growth Portfolio Holder
Cllr Christine Guinness, Regeneration & Property Portfolio Holder

An apology for absence was submitted on behalf of Councillor Becky Williams.

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 **27th January, 2025**.

47. **DECLARATIONS OF INTEREST –**

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

48. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 26th November, 2024 were confirmed and signed by the Chairman.

49. **YOUNG PEOPLE PLAN –**

(Cllr Sophie Porter, Deputy Leader and Community & Residents Portfolio Holder)

The Cabinet considered Report No. ACE2501, which set out a Council led plan to deliver structured support and opportunities for young people in the Borough.

Members were advised that the plan outlined a proposed approach to supporting young people, up to the age of 24, to help improve opportunities and support them to live happy, healthy and rewarding lives. The plan would focus on four key priorities for 2025/26:

1. Raising young voices
2. Providing safe spaces and trusted relationships
3. Raising aspirations and opportunities
4. Supporting better physical and mental health

During discussion, Members commented on the level of consultation, as set out in Section 3.7 of the Report, and the presence of representatives of Rushmoor Youth Voice (RYV) at the meeting. RYV had requested to ask questions of the Cabinet

around young peoples' engagement with Council initiatives, policy and decisions making and the preferred model for a youth hub in the Borough. In response, it was advised that the Council were looking to consult wider across the Borough, in particular with young people. The Cabinet welcomed ideas from RYV on how to better engage through platforms such as social media and targeted surveys and would provide a space to allow young people to come and be heard. In respect of a youth hub provision, again the Cabinet would welcome input from young people, to ensure any space provided met the needs of the users.

The Cabinet RESOLVED that

- i. the plan and associated approach to supporting and engaging with all young people, with a concerted effort to reach young people who experience disadvantage, be endorsed,
- ii. the longer term approach to developing further iterations of the plan (post 2026) which seeks to increase young peoples' role in influencing the work of the Council, be endorsed, and;
- iii. the exploration of longer term delivery models, specifically the concept of a hub for young people, be supported.

50. RECOMMENDATIONS FROM OVERVIEW AND SCRUTINY - CITIZENS ADVICE RUSHMOOR - SERVICE LEVEL AGREEMENT –
(Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee)

The Cabinet considered Report No. ACE2503, which set out recommendations for the Council's Overview and Scrutiny Committee in relation to Citizens' Advice Rushmoor (CAR) and its Service Level Agreement with the Council. The Chairman welcomed Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee, who was attending to report on the Committee's considerations and recommendations.

Members were informed that the Overview and Scrutiny Committee had held a meeting on 12th December, 2024 where Citizens Advice Rushmoor (CAR) had attended and had given a presentation on its 2023/24 Annual Report, in line with the Service Level Agreement with the Council. The Committee had considered the representations made by CAR in respect of the challenges and risks it faced as an organisation. The following were the recommendations of the Committee to the Cabinet:

- To consider a multi-year funding agreement, taking account of any inflationary increase measure from 2025/26 alongside a clear set of KPI's to measure performance, and;
- review the rental and service charges associated with the places occupied by Citizens Advice Rushmoor in both Aldershot and Farnborough.

The Cabinet expressed gratitude both to Citizens Advice Rushmoor for the excellent work carried out by them in the local area and to the members of the Overview and

Scrutiny Committee for their diligence in producing these recommendations. It was confirmed that these would be considered fully during the budget setting process in the following months, taking account of the recent Local Government re-organisation proposals. The Cabinet also committed to engaging with both Rushmoor Voluntary Services and Citizens Advice Rushmoor to consider future working arrangements.

The Cabinet RESOLVED to consider the recommendations of the Overview and Scrutiny Committee, as set out in Report No. ACE2503, as part of the 2025/26 budget setting process.

51. **COUNCIL TAX SUPPORT SCHEME - RECOMMENDATIONS FROM THE COUNCIL TAX SUPPORT GROUP –**

(Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee)

The Cabinet considered Report No. FIN2501, which set out considerations and recommendations in respect of the work undertaken by the Council Tax Support Task and Finish Group to review the Council Tax Support Scheme. The Chairman welcomed Cllr Halleh Koohestani, Chairman of the Overview and Scrutiny Committee and member of the Council Tax Support Task and Finish Group, who was attending to report on the Group's considerations and recommendations.

The Cabinet were advised that the Group had met on 16th October and 4th December, 2024, where they had considered data regarding Council Tax support and the ongoing impacts of the change to 100% maximum support for those on the lowest incomes, introduced in April 2024. The Group had taken account of several factors, including collection rates, caseload data, scheme costs, comparable data from other local authorities in Hampshire, economic indicators and exceptional hardship support. It was reported that since the schemes introduction, current collection rates were at 72%, for those in receipt of Council Tax Support, compared to 62% at the same time in the previous year. It was also noted that the funds allocated to the Exceptional Hardship Fund, which had been reduced by £20k the previous year, had had very little claim against it during 2024/25. The Group felt that the scheme had worked well and committed to keeping a watching brief on its performance.

It was suggested that during 2025/26 consultation could be done with organisations, such as Step by Step and Citizens Advice Rushmoor, to assess the impacts of the scheme on their services.

The Cabinet **RECOMMEND TO THE COUNCIL** that

- i. the current Council Tax Scheme for working age customers continue for 2025/26, with the annual uplift to rates within the calculation mirroring that applied to national benefit rates,
- ii. the budget for Exceptional Hardship relief be maintained at £12,000, and;
- iii. minor changes, in accordance with the annual uprating amounts applied by the Department of Work and Pension, be made.

52. **RISK MANAGEMENT POLICY –**
(Cllr Jules Crossley, Policy, Climate & Sustainability Portfolio Holder)

The Cabinet considered Report No. ACE2502, which set out the revised and updated Risk Management Policy.

It was advised that the current risk management policy and procedures had been agreed in 2021, and had, since then, been reported on, on a quarterly basis alongside performance management information. Since 2022, the policy and procedures had been reviewed and changes to processes and approaches had been made, to five out of six recommendations from an internal audit. The purpose of the Report was to seek approval for these revisions which incorporated the final recommendation for the Council, to develop an overall strategic risk appetite.

The Council was required to have effective arrangements in place to assess risk. The revised policy and procedures required training for risk owners and managers to provide clarity on reporting. Portfolio Holders would also be required to discuss risk regularly with Service Managers to ensure any issues were identified quickly and mitigated against appropriately.

The Cabinet RESOLVED that the Risk Management Policy, as set out in Annex A of Report No. ACE2502, be approved.

53. **BUDGET MANAGEMENT - MONTH 8 REPORT –**
(Cllr Gareth Williams, Leader of the Council and Finance Portfolio Holder)

The Cabinet considered Report No. FIN2421, which set out the forecasted financial position for 2024/25 as at the end of November 2024.

The Cabinet were reminded that this was the first monthly report received, which provided an update on the forecasted outturn position against approved budget for the current financial year, 2024/25. The Council had set a balanced budget with planned reserve drawdown of £4.639m and a saving target of £740k of net budget reduction in 2025/26, supported by £12.229m of available reserve. The latest forecast, as set out in the Report, showed this had been achieved, however, it was acknowledged that there were still challenges ahead to provide a balanced budget going forward.

The Cabinet RESOLVED that

- i. the revenue budget forecast as set out in Section 3.1 of Report No. FIN2421, be noted, and;
- ii. the virement listed in Section 3.12 of Report No. FIN2421, be approved.

54. **RENEWAL OF BUILDING CONTROL PARTNERSHIP WITH HART DC –**
(Cllr Keith Dibble, Development & Economic Growth Portfolio Holder)

To consider Report No. PG2501, which set out a proposal to renew the Hart and Rushmoor Building Control Partnership.

The Cabinet were advised that Hart District Council had approved the renewal of the Partnership at its meeting in December 2024, following a meeting of the Steering Group who oversaw the working arrangements of the Partnership. The renewal of the Partnership would ensure that the service continued to run well and meet regulatory requirements.

The Cabinet RESOLVED that the renewal of the Hart and Rushmoor Building Control Partnership to provide a shared building control service for a further five years until 31st March, 2031, unless terminated earlier in accordance with the provisions of the agreed Deed, be approved.

55. **MICROSOFT ENTERPRISE LICENSING AGREEMENT –**
(Cllr Abe Allen, Enabling Services Portfolio Holder)

The Cabinet considered Report No. IT2501, which set out an urgent key decision taken by the Corporate Manager – IT Service Delivery, relating to a three-year Microsoft Enterprise Licensing Agreement, for noting.

It was advised that the current licensing agreement for the use of Microsoft products ended on 30th November, 2024. The new agreement needed to be placed by the same date to enable continued use of Microsoft products and services to continue to deliver critical Council services.

The Cabinet RESOLVED that the urgent decision taken by the Corporate Manager – IT Service Delivery be noted.

56. **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 items to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against the items:

Minute Nos.	Schedule 12A Para. No.	Category
57	3	Information relating to financial or business affairs

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

57. **LONG LEASEHOLD EXTENSIONS (EXEMPT ITEM) –**
(Cllr Christine Guinness, Regeneration & Property Portfolio Holder)

The Cabinet considered Exempt Report No. PG2502, which sought authority to grant long lease extensions in respect of the Arrow Industrial Estate, Farnborough.

Members were informed that the Council’s Financial Resilience Plan had identified the need for the Council to realise capital receipts whilst minimising income loss. Long leasehold extensions were a means of achieving a capital receipt without

sacrificing income. In the case of this property, there had been a period of negotiation which had now concluded and the Exempt Report set out the resulting proposed terms of the transactions.

The Cabinet RESOLVED that

- i. a new 150-year lease for the Arrow Industrial Estate, on the basis of the terms set out within Section 3 of Exempt Report No. PG2502, be approved, and;
- ii. authority be delegated to the Executive Head of Property and Growth, in consultation with the Legal Corporate Manager, to agree the final terms of the respective leasehold extensions, including modernisation of the leases.

The Meeting closed at 8.23 pm.

CABINET

Report of the meeting held on Tuesday, 11th February, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Gareth Williams, Leader of the Council

Cllr Keith Dibble, Housing & Planning Portfolio Holder

Cllr Christine Guinness, Pride in Place / Neighbourhood Services Portfolio Holder

Cllr Julie Hall, Economy, Skills & Regeneration Portfolio Holder

Apologies for absence were submitted on behalf of Cllrs Jules Crossley, Sophie Porter and Becky Williams.

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 **24th February, 2025**.

58. **DECLARATIONS OF INTEREST –**

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

59. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 14th January, 2024 were confirmed and signed by the Chairman.

60. **GENERAL FUND BUDGET 2025-26 AND MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29 –**

(Cllr Gareth Williams, Leader of the Council)

The Cabinet considered Report No. FIN2505, which set out the draft General Fund Budget for 2025/26 and Medium Term Financial Strategy (MTFS) up to 2028/29.

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. These aimed, collectively, 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 2025/26 with the use of reserves. It was reported that there was a £16.152 million deficit of the MTFS terms and that a Financial Recovery Plan was in place to address the challenge achieving this. The budget would continue to require the implementation of cost reductions, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves. The Cabinet discussed the additional funding requests in respect of Citizens Advice and Rushmoor Voluntary Services that had been presented through the Overview and Scrutiny Committee. It was decided that the funding for these organisations would be

discussed and reviewed through the planned service review process later in the year.

The Capital Programme for the period 2024/25 to 2027/28 was set out at Appendix 6 of the report. It was explained that the purpose of the Capital Programme was to provide the framework for the Council's capital expenditure and financing plans to ensure that they were affordable, prudent and sustainable over the longer term. The main areas where the Council would be facing increased levels of risk and uncertainty over the medium term were set out in Section 4 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. FIN2505;
 - (b) the General Fund Revenue Budget Estimates Summary 2025/26, as set out in Appendix 1 of the Report;
 - (c) the Council Tax requirement of £8,008,377 for this Council;
 - (d) the Council Tax level for Rushmoor Borough Council's purposes of £239.70 for a Band D property in 2025/26;
 - (e) the Capital Programme, as set out in Appendix 6 of the Report;
 - (f) the Strategy for the Flexible Use of Capital Receipts, as set out in paragraph 3.29 of the Report;
 - (g) the UK Shared Prosperity Fund (UKSPF) funding allocations, as set out in Appendix 7 of the Report; and
- (ii) **RESOLVED** that:
 - (a) the requested earmarked reserves and delegations, as set out in paragraph 3.12 onwards of Report No. FIN2505; and
 - (b) the Leader of the Council, in consultation with the relevant portfolio holder, be authorised to make final decisions on specific UKSPF project allocations.

61. **COUNCIL PLAN, PERFORMANCE AND RISK REGISTER QUARTERLY UPDATE OCTOBER TO DECEMBER 2024 –**
(Cllr Jules Crossley, Policy, Performance and Sustainability Portfolio Holder)

The Cabinet received Report No. ACE2503, which set out the performance monitoring information for the Council Plan and key service measures for the third

quarter of 2024/25. Members were informed that key projects and activities from the Council Plan and key service indicators and measures used by the Council to monitor how the Council runs were included in the Report. Members were informed that the monitoring document had been updated and refreshed prior to quarter two, to give a better picture of performance across the Council. The Cabinet heard that the Council's Corporate Risk Register tried to identify factors that could impact on the future delivery of the Council's key priorities. A summary of those risks that had become issues, new risks and those risks that had seen a significant change in the risk gap was provided in the report for discussion.

In discussing the Report, Members were satisfied that the amended format of the document had helped Portfolio Holders to better track performance within their areas of responsibility.

The Cabinet NOTED the progress made towards delivering the Council Plan and Council services and the changes highlighted in the Council's Corporate Risk Register, as set out in Report No. ACE2503.

62. ANNUAL PEOPLE REPORT AND OTHER HUMAN RESOURCE MATTERS –
(Cllr Becky Williams, Finance and Resources Portfolio Holder)

The Cabinet considered Report No. PEO2502, 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 2024. The report also provided the latest Pay Policy Statement and Gender Pay Gap and Ethnicity Pay Gap calculations, which would be considered by the Corporate Governance, Audit and Standards Committee and then the Council.

The Cabinet RESOLVED that

- (i) the Annual People Report, as set out in Report No. PEO2502, be noted; and
- (ii) the Pay Policy Statement, Gender Pay Gap and Ethnicity Pay Gap report to the Corporate Governance, Audit and Standards Committee, as set out in Appendix B of the Report, be noted.

63. TREE RISK MANAGEMENT POLICY AND TREE MAINTENANCE POLICY –
(Cllr Christine Guinness, Pride in Place / Neighbourhood Services Portfolio Holder)

The Cabinet considered Report No. OS2502, which set out a new Tree Risk Management Policy and a new Tree Management Policy for the Council.

Members were informed that the new policies would form the overall management approach in relation to Council owned trees. The policies also set out how trees would be surveyed and how work would be prioritised in relation to the safety of persons and property.

In discussing this, Members expressed their support for the introduction of this policy as vital in helping to maintain the green and leafy character of the Borough.

The Cabinet RESOLVED that the adoption of the Tree Risk Management Policy and the Tree Management Policy, as set out in Appendices 1 and 2 of Report No. OS2502, be approved.

64. **RUSHMOOR LOCAL PLAN - LOCAL DEVELOPMENT SCHEME FEBRUARY 2025 –**
(Cllr Keith Dibble, Housing and Planning Portfolio Holder)

The Cabinet considered Report No. PG2507, which set out a Local Development Scheme in relation to the Council's Local Plan.

Members were informed that the Government had requested an up-to-date timetable for the preparation of a Local Plan. It was reported that this would take the form of an updated Local Development Scheme (LDS) which would provide an indicative timetable for the preparation of a new Local Plan for the Borough. In considering this, Members discussed matters around the expected level of housing provision and the importance of discussing these matters with our neighbouring authorities.

The Cabinet RESOLVED that the publication and submission to the Ministry of Housing, Communities and Local Government of an updated Local Development Scheme for the new Local Plan, as set out in Report No. PG2507, be approved.

65. **FARNBOROUGH LEISURE CENTRE - NEXT STEPS –**
(Cllr Sophie Porter, Healthy Communities and Active Lives Portfolio Holder / Christine Guinness, Pride in Place / Neighbourhood Services Portfolio Holder)

The Cabinet considered Report No. REG2501, which set out the next steps in relation to the provision of a new leisure centre for Farnborough.

The Cabinet was reminded that, in January 2023, the Council had been awarded £20 million of Levelling Up Funding to support the delivery of a Leisure and Cultural Hub in Farnborough. Since that time, a review of the project had shown that estimated costs had increased significantly and it had become clear that a project of that type was no longer affordable for the Council. The project team had engaged with a team of specialist consultants provided by the Government to look at how the project could be adjusted to achieve the most important outcomes for local people whilst being affordable for the Council. The Report set out a revised proposal that would deliver a leisure centre in Farnborough that was both within the time parameters of the Levelling Up funding and affordable for the Council, given its wider financial pressures.

The Cabinet was supportive of the proposed approach and felt that this would deliver an important facility for the Borough.

The Cabinet RESOLVED that

- (i) the revised approach to providing a leisure centre in Farnborough town centre, as set out in Report No. REG2501, be approved;

- (ii) the proposed facilities mix for the leisure centre, as set out in the Report, be approved;
- (iii) the development procurement approach, to enable the delivery of the project within the Levelling Up Fund timelines, be approved;
- (iv) the commissioning of design work to the end of RIBA Stage 3, planning submission and associated costs of up to £1.35 million be funded by the Levelling Up Fund;
- (v) the use of Levelling Up Fund Capacity Funding Grant (£40,000), towards legal and other project related costs that cannot be drawn down from the Levelling Up Fund, be approved;
- (vi) the overall operator procurement and appointment approach, as set out in the Report, be approved, along with the commencement of the process;
- (vii) the Executive Head of Operations, in consultation with the Healthy Communities & Active Lives Portfolio Holder, be authorised to amend the procurement documentation as required throughout the process, subject to consultation with the Executive Head of Finance on any financial implications;
- (viii) the further extension to the existing agreement with Places Leisure to operate the Aldershot Pools and Lido on the same terms until 31st March, 2027 be approved;
- (ix) it be noted that a detailed viable business case, based on the outcomes of RIBA 3 and the initial stages of the operator procurement, including an appropriate funding strategy supported by robust independent due diligence, would be produced before a decision to move to RIBA Stage 4 of the project was considered by the Cabinet;
- (x) it be noted that, if proceeding beyond RIBA Stage 4, the Council would be accepting the financial risks associated with the funding strategy, including the outcomes of the operator procurement and the risks fully identified, evaluated and scenario tested in the business case; and
- (xi) it be noted that, to progress beyond RIBA Stage 4, the Council would firstly need to resolve its current Medium Term Financial Strategy deficit and, to a high degree of certainty, achieve financial sustainability.

66. SERCO CONTRACT EXTENSION –

(Cllr Christine Guinness, Pride in Place / Neighbourhood Services Portfolio Holder)

The Cabinet considered Report No. OS2503, which set out options in relation to the ending of the primary period of the Council's contract with Serco.

The Cabinet was reminded that the current contract in respect of waste collections, street cleaning and grounds maintenance had commenced on 31st July, 2017 and was due to expire on 30th July, 2027. It was reported, however, that the contract

allowed for an extension period of up to a further ten years. In light of the contractor's consistent performance and the risks associated with alternative options, it was proposed that the Council should enter into negotiations with Serco regarding a possible extension. Members considered that this would be the best option for the Council and expressed satisfaction with the current performance of the contractor.

The Cabinet RESOLVED that

- (i) the proposed approach for the Council to enter into formal contract extension negotiations with Serco, as set out in Report No. OS2503, be approved; and
- (ii) the establishment of a working group to oversee the extension process be approved.

The Meeting closed at 7.57 pm.

DEVELOPMENT MANAGEMENT COMMITTEE

Report of the meeting held on Wednesday, 15th January, 2025 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Gaynor Austin (Chairman)
Cllr C.P. Grattan (Vice-Chairman)

Cllr Thomas Day
Cllr A.H. Gani
Cllr Dhan Sarki
Cllr Calum Stewart
Cllr Ivan Whitmee

Apologies for absence were submitted on behalf of Cllr Peace Essien Igodifo, Cllr Lisa Greenway, Cllr Julie Hall and Cllr S.J. Masterson.

Cllr Rhian Jones and Cllr P.G. Taylor attended the meeting as a Standing Deputy.

Non-Voting Member

Cllr Keith Dibble (Housing & Planning Portfolio Holder) (ex officio)

21. **DECLARATIONS OF INTEREST**

There were no declarations of interest for this meeting.

22. **MINUTES**

The Minutes of the Meeting held on 23rd October, 2024 were approved and signed as a correct record of proceedings.

23. **PLANNING APPLICATIONS**

RESOLVED: That

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

* 24/00635/FULPP Building 4.1, Frimley Business Park, 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. PG2503, be noted.

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

21/00271/FULPP	Block 3, Queensmead, Farnborough
23/00713/FUL	Manor Park Cottage, St. Georges Road East, Aldershot
23/00794/REVPP	Farnborough Airport, Farnborough
24/00237/FULP	Nos. 235-237 High Street, Aldershot
24/00140/REVPP	Land at Former Lafarge Site, Hollybush Lane, Aldershot
24/00465/FULPP 24/00517/REMPP & 24/00504/LBCPP	Land at Former Lafarge Site, Hollybush Lane, Aldershot Headquarters Fourth Division Buildings, Steeles Road, Wellesley, Aldershot
24/00661/REMPP	Blandford House and Malta Barracks Development Site, Shoe Lane, Aldershot
24/00748/FUL & 24/00746/LBCPP	Land at Orchard Rise, No. 127 and La Fosse House, No. 129, Ship Lane, Farnborough
* 24/00662/FULPP	Nos. 31 – 37 Victoria House, Farnborough
* 24/00702/OUT	Land at Former Jubilee Social Club, No. 101, Hawley Lane, Farnborough

* Executive Head of Property and Growth's Report No. PG2503 in respect of these applications was amended at the meeting.

24. ENFORCEMENT AND POSSIBLE UNAUTHORISED DEVELOPMENT

Enforcement Reference No.	Description of Breach
23/00065/CARREP	Use of land and units as an MOT and vehicle repair garage at Units 1-3, No.14 Camp Road, Farnborough. In October 2024, a final warning letter to all parties was sent stating that an Enforcement Notice would be served if the identified breaches were not resolved. To date, the breaches have not been resolved and an Enforcement Notice would be served.
23/00033/UNTIDY	Since operation had ceased at Bridge House, No. 3 Fleet Road, Farnborough, the site had been left untidy and open

to public view. A Section 215 Notice was due to be served.

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2504 be noted.

25. **APPEALS PROGRESS REPORT**

The Committee received the Executive Head of Property and Growth's Report No. PG2505 concerning the following appeal decisions:

Application / Enforcement Case No.	Description	Decision
No. 6 East Station Road, Aldershot 23/00296/FULPP	Appeal against the refusal of planning permission for the demolition of an existing garage and erection of a new detached three-storey, 3-bedrooms, 6-person dwelling house.	Dismissed

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2505 be noted.

26. **PLANNING (DEVELOPMENT MANAGEMENT) SUMMARY REPORT FOR THE QUARTER OCTOBER 2024 - DECEMBER 2024**

The Committee received the Executive Head of Property and Growth's Report No. PG2505 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 2024.

The Committee discussed Section 106 contributions and requested that more detailed information be presented in the next quarterly report.

RESOLVED: That the Executive Head of Property and Growth's Report No. PG2505 be noted.

The meeting closed at 7.27 pm.

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the meeting held on Wednesday, 29th January, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr A.H. Crawford (Chairman)
Cllr Bill O'Donovan (Vice-Chairman)

Cllr Gaynor Austin
Cllr C.W. Card
*Cllr Lisa Greenway
Cllr M.J. Roberts
Cllr M.D. Smith
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr A. Adeola and Cllr Rhian Jones.

*Cllr Lisa Greenway attended the meeting as a Standing Deputy.

Non-Voting Member

Mr Tom Davies (ex officio) watched proceedings virtually.

28. MINUTES

The minutes of the meeting held on 21st November 2024 were agreed and signed as a correct record of the proceedings.

29. PAY POLICY STATEMENT, GENDER PAY GAP AND ETHNICITY PAY GAP REPORT

The Committee considered the Executive Director's Report No. PEO2501, which sought approval for a Pay Policy Statement for 2025/26. 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) and the Ethnicity Pay Gap, which was reported on for the first time.

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 2025/26 was 1.5:74.

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 2025/26 was 1.3:3.

The Committee noted that the mean gender pay gap equated to 12.75%, with the female average salary being lower than the male average salary. The gap had increased from 12.69% in the previous year. The median gender pay gap equated to 9.84%, with the female median rate being lower than the male median rate. The gap had increased slightly from 9.52% in the previous year.

The Committee noted it was not mandatory for the Council to provide an Ethnicity Pay Gap report and it was being voluntarily reported on for the first time to demonstrate the Council's commitment to equality, diversity and inclusion. The Ethnicity Pay Gap was calculated by comparing the average pay of white employees, with that of employees from black and minority ethnic groups (BAME). The mean ethnicity pay gap equated to 12.7%, with the non-white average salary being lower than the average white salary. The median ethnicity pay gap equated to 5.3% with the non-white median rate being lower than the white median rate. The ethnicity pay gap would be reported retrospectively, as of the 31st of March, in any year. The Council would consider how to address the ethnicity pay gap as part of its commitment to being a more inclusive organisation.

During discussion, Members raised questions regarding comparisons with other councils and, for a future report, a deeper data analysis of the gender pay gap at Rushmoor Borough Council.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that approval be given to the Pay Policy Statement 2025/26, as set out in Appendix A of the Report;
- (ii) **RESOLVED** that the Gender Pay Gap calculations for 2023/24, as set out in the Report, be noted; and
- (iii) **RESOLVED** that the Ethnicity Pay Gap calculations for 2023/24, as set out in the Report, be noted.

30. **CONTRACT STANDING ORDERS - UPDATES**

The Committee considered the Assistant Chief Executive's Report No. ACE2504, which set out the Council's updated Procurement Contract Standing Orders (CSOs) for 2025. It was advised that the Procurement Act 2023 would commence on 24th February 2025, requiring the Council to review and update its CSOs within its Constitution. The revision of the Council's CSOs would allow the opportunity to closely align them with the Procurement Strategy 2025 – 2028, which had been approved by Cabinet on 26th November 2025. The revision of the Council's CSOs included a more pragmatic view on the procurement methodology used for contracts valued under £100,000, where the burden on the Council and businesses tendering for contracts would be more appropriate to the risk and the value, rather than being prescribed based on value alone.

During discussion, the Committee noted that Officers usually tried to obtain three quotes for goods, works and services. This was not always possible but best value was always sought.

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

- (a) the updated CSOs, as set out in Appendix 1 of the Report, be adopted as part of the Council's Constitution; and
- (b) any additional, minor amendments, needed to finalise the CSOs, be agreed by the Assistant Chief Executive and Corporate Manager – Legal Services in consultation with the Chairman of the Corporate Governance, Audit and Standards Committee.

31. **ANNUAL CAPITAL STRATEGY 2025/26**

The Committee considered the Executive Head of Finance's Report No. FIN2506 which set out the proposed Capital Strategy for the year 2025/26 to 2027/28, including the Prudential Indicators for capital finance for 2025/26. 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.

The Committee noted that the estimated Capital Expenditure for 2025/26 was £10.1m, for the main capital projects, which included, the completion of the Aldershot Crematorium upgrade and the regeneration activity at Union Yard, Aldershot.

The Committee **RECOMMENDED TO THE COUNCIL** that the Capital Strategy for 2025/26 to 2027/28 and Prudential Indicators for 2025/2026, as set out in the Executive Head of Finance Report No. FIN2506, be approved.

32. **QUARTERLY REPORT OF TREASURY PRUDENTIAL INDICATORS (Q3)**

The Committee received the Executive Head of Finance's Report No. FIN2423, which set out the activities of the Treasury Management and Non-Treasury Investment Operations for Quarter 3 in the financial year 2024/25 and reported on compliance with Prudential Indicators, as required by the CIPFA Code for Local Authorities.

The Committee noted that all treasury activity was conducted within the approved Treasury Management Practices (TMPs). It was advised that the majority of borrowing during 2024/25 had been short-term Local Authority (LA). However, the Public Works Loan Board (PWLB) interest rate for the current quarter was lower than LA rates and therefore some borrowing was secured with PWLB for 18 months. This was seen to diversify the borrowing held by the Council.

RESOLVED: That the Executive Head of Finance Report No. FIN2312 be noted.

33. **ANNUAL TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT STRATEGY 2025/26**

The Committee considered the Executive Head of Finance's Report No. FIN2504 which set out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2025-26, including the borrowing and investment strategies and treasury management indicators for capital finance for 2025-26 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. FIN2504 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 2025. 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.

The Committee

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

- (a) the Treasury Management Strategy 2025-26 and the Annual Borrowing Strategy 2025-26 (as set out in Appendix 1 of the Executive Head of Finance Report No. FIN2504) be approved;
- (b) the Annual Non-Treasury Investment Strategy 2025-26 (set out in Appendix 2) be approved; and

- (c) the Minimum Revenue Provision (MRP) Statement (set out in Appendix 3) be approved.

34. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE**

The Chairman welcomed Simon Mathers, Director and Kalthiemah Abrahams, Audit Manager, from the Council's external auditors, Ernst and Young (EY), who joined the meeting remotely via Microsoft Teams.

The Committee received the Executive Head of Finance's Report No. FIN2422 which set out the 2023/24 accounts which required approval in line with the statutory Local Government Audit backstop position and included an update on final audit reports for 2020/21, 2021/22 and 2022/23.

The Committee heard, from Mr. Mathers, that the accounts for 2020/21, 2021/22, and 2022/23 had been published with a disclaimed audit opinion. Due to prior years having been a disclaimed opinion, and therefore not having reasonable assurance for prior years balances brought forward, the external auditors could only give limited assurance for 2024/25 rather than a clear audit opinion. Therefore, the financial statements in 2023/24 would again have a disclaimed audit opinion.

During discussion, the Committee were advised that other councils had also been affected by the backlog in local audit. The earliest point that EY could give an unmodified opinion, was the 2026/27 financial year, which was also the case for any council that had been subject to the reset arrangement. Members raised questions regarding 'going concerns', as well as uncorrected mis-statements. EY expected all uncorrected mis-statements to be corrected in the final version of the statements.

RESOLVED: That:

- (i) approval of the Statement of Accounts for 2023/24 be delegated to the Chair of the Corporate Governance, Standards and Audit Committee and the S151 Officer;
- (ii) the signing of the Letter of Representation for 2023/24 be delegated to the Chair of the Corporate Governance, Standards and Audit Committee and the S151 Officer;
- (iii) the 2023/24 accounts be confirmed as having been prepared on a going concern basis;
- (iv) the Auditors Results Report be noted; and
- (v) the completion of Audits for 2020/21, 2021/22 and 2022/23 be noted.

35. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2501 which provided an overview of the work finalised for the 2023/24 Audit Plan, a progress update on the 2024/25 Audit Plan and a schedule of work to be delivered in Q4.

During discussion, the Committee noted that Procurement Card Guidance had been issued to Council staff and that the new system was a substantially improvement. It was requested that the Procurement Card Guidance for staff be shared with Members.

RESOLVED: That:

- (i) the completed audit work be noted, and;
- (ii) the progress to date towards the 2024/25 Audit Plan be noted.

The meeting closed at 9.07 pm.

DEVELOPMENT MANAGEMENT COMMITTEE

Report of the meeting held on Wednesday, 12th February, 2025 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Gaynor Austin (Chairman)
Cllr C.P. Grattan (Vice-Chairman)

Cllr Thomas Day
Cllr Peace Essien Igodifo
Cllr Lisa Greenway
Cllr Dhan Sarki
Cllr Calum Stewart
Cllr Ivan Whitmee

Apologies for absence were submitted on behalf of Cllr A.H. Gani and Cllr S.J. Masterson.

Cllr Mara Makunura attended the meeting as a Standing Deputy.

Non-Voting Member

Cllr Keith Dibble (Housing & Planning Portfolio Holder) (ex officio)

27. MINUTES

The Minutes of the Meeting held on 15th January, 2025 were approved and signed as a correct record of proceedings.

28. DECLARATIONS OF INTEREST

There were no declarations of interest for this meeting.

29. REPRESENTATIONS BY THE PUBLIC

In accordance with the guidelines for public participation at meetings, the following representations were made to the Committee and were duly considered before a decision was reached:

Application No.	Address	Representation	In support of or against the application
24/00140/REVPP	Hollybush Lakes, Hollybush Lane, Aldershot	Mr Geoff Megarity, Principal Planner, Bell Cornwell Chartered Town Planners	In support (Online)
24/00661/REMPP	Blandford House And Malta Barracks, Development Site, Shoe Lane, Aldershot	Ms Bryony Stala, Savills, Director, Savills	In support
24/00661/REMPP	Blandford House And Malta Barracks, Development Site, Shoe Lane, Aldershot	Mr Paul Reneaux, Vine Close, Aldershot	Against
24/00662/FULPP	Lawrie House, Nos. 31 - 37 Victoria Road, Farnborough	Ms Jenna Stalker, Woolf Bond Planning Ltd.	In support

30. **PLANNING APPLICATIONS**

RESOLVED: That

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

* 24/00661/REMPP Land at Blandford House and Malta Barracks Development Site, Shoe Lane, Aldershot

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

* 24/00140/REVPP Land at Former Lafarge Site, Hollybush Lane, Aldershot

* 24/00662/FULPP Lawrie House, Nos. 31 – 37 Victoria Road, Farnborough

* 24/00725/FUL Manor Park, Aldershot

- (iii) 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. PG2508, be noted
- (iv) the current position with regard to the following applications be noted pending consideration at a future meeting:

21/00271/FULPP	Block 3, Queensmead, Farnborough
23/00713/FUL	Manor Park Cottage, St. Georges Road East, Aldershot
23/00794/REVPP	Farnborough Airport, Farnborough
24/00237/FUL	235-237 High Street, Aldershot
** 24/00465/FULPP	Land at Former Lafarge Site, Hollybush Lane, Aldershot
24/00517/REMPP 24/00504/LBCPP	& Headquarters Fourth Division Buildings, Steeles Road, Wellesley, Aldershot
24/00748/FUL 24/00746/LBCPP	& Land at Orchard Rise No.127 & La Fosse House No.129 Ship Lane, Farnborough
24/00702/OUT	Land At Former Jubilee Social Club, 101 Hawley Lane, Farnborough

* The Executive Head of Property and Growth's Report No. PG2508 in respect of these applications was amended at the meeting.

** It was agreed that a site visit would be arranged to this site

31. PLANNING APPLICATION NO. 24/0062/FULPP - LAWRIE HOUSE, NOS. 31 - 37 VICTORIA ROAD, FARNBOROUGH

The Committee considered the Executive Head of Property and Growth's Report No. PG2508 (as amended at the meeting) regarding the erection of an additional (5th-storey) extension above the existing building, the erection of a 5-storey rear extension with glazed link and elevational alterations to facilitate conversion into 42 flats.

RESOLVED: That

an additional condition relating to noise attenuation be included as agreed by the Committee and the Executive Head of Property and Growth, in consultation with the Chairman, be authorised to GRANT planning permission.

The meeting closed at 8.32 pm.

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OVERVIEW AND SCRUTINY COMMITTEE

Report of the meeting held on Thursday, 28th November, 2024 at the Council Chamber, Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Halleh Koohestani (Chairman)
Cllr Nadia Martin (Vice-Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr Leola Card
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Thomas Day
Cllr C.P. Grattan
Cllr G.B. Lyon
Cllr Bill O'Donovan

Apologies for absence were submitted on behalf of Cllr M.J. Tennant

Cllr Jacqui Vosper attended the meeting virtually as Standing Deputy.

19. MINUTES OF THE PREVIOUS MEETING

The minutes of the meetings held on 24th October, 2024 were agreed as a correct record.

20. LEADERS PRIORITIES

The Committee welcomed Cllr Gareth Williams, Leader of the Council who was in attendance to present the proposals for a Council Delivery Plan and a programme of work to develop a new Council Vision and Plan.

The Leader set out the Council Delivery Plan Priorities, which had been approved by the Cabinet on 26 November, 2024. It was noted that the new administration were keen to put their stamp on the Council's activities and would be approaching this via a two-step process. This process allowed for the Delivery Plan to be developed between December 2024 and February 2025, this process would be followed but the development of the Council's Vision and Plan between February 2025 and December 2025.

The priorities, approved by the Cabinet, were as set out below;

- **Skills, Economy and Business** – the priority would aim to help promote access to skills development and training, enable working with businesses to attract and retain jobs and promote the development of our towns to meet the needs of businesses and residents.

- **Homes for All: Quality Living, Affordable Housing** – the priority was aimed at improving social housing performance, would allow for intervention to improve the quality of private sector rented accommodation, provide quality temporary accommodation, raise awareness of the allocation of social housing, help to progress a new Local Plan and enable the regeneration of Council owned brownfield land.
- **Community and Wellbeing: Active Lives, Healthier and Stronger Communities** – the priority was aimed at ensuring all residents had access to opportunities for physical exercise through a new leisure centre in Farnborough, enabled a programme of community and cultural activities, addressed health inequalities and allowed for partner working to improve access to mental health support.
- **Pride in Place: Clean, Safe and Vibrant Neighbourhoods** – the priority was aimed at providing cleaner streets through fly tipping initiatives, the work of the Cabinet Pride of Place Champion and initiatives with partners to address long term issues of anti-social behaviour (ASB).
- **Vision for the Future and Financial Sustainability** – the priority aimed to agree a collective vision for the Borough, create an outcome led plan to deliver the vision, implement processes and monitoring to ensure accountability, achieve financial sustainability and embed a culture of continuous improvement.

The Committee made a number of queries relating to the Plan, these included:

- **Homes for All** – it was noted that some guidance had now been received from central Government, which would help with the development of the new Local Plan. It was proposed that evidence gathering would commence in 2025.

In response to a question on population density, it was noted that homes were needed for residents already living in the Borough in overcrowded accommodation, the needs of the residents needed to be considered when developing the Local Plan.

In response to a query regarding the improvement of private sector rented housing, it was noted that a Private Registration Scheme was being assessed for its viability and work was underway to determine the best way forward.

Registered Providers – in response to a query regarding how the work of Registered Providers was monitored, it was noted that consideration was being given to a channel that would allow for more active engagement on a regular basis which would run alongside the current Registered Providers Task and Finish Group (RPT&F). However, it was important to ensure that the work of the new channel and the RPT&F did not crossover.

During a discussion regarding the use of brownfield sites for development to achieve the Local Plan requirement of 600 new homes per year, a list on brownfield sites for resident development was requested.

ACTION

What	Whom	By When
Follow up on the recommendations from the Committee following the annual review report of the Registered Providers Task and Finish Group in June 2024.	The Leader	January 2025
To provide a list of brownfield sites for residential development across the borough.	Planning Team – Katie Herrington	December 2024

- **Pride in Place** – it was expressed that, as drafted, the priority for Pride of Place seemed negative and more emphasis could be put on the positive activities which took place in the Borough and activities around community cohesion.

When questioned on the safety element of the priority, the Leader advised that work was underway to understand the issues around ASB, in particular in the town centres, and measures were being taken to tackle the causes.

In regard to the “walk your waste” initiative (formally Mega Skips), it was noted that the trial would be evaluated, once completed, to assess its performance.

It was asked if a budget had been allocated to support the role of the Pride of Place Champion. In response, it was advised that the role had been established to encourage community engagement and fundraising initiatives so would therefore cost very little financially.

In response to a query regarding concern over the look and feel of the Borough’s streets, it was noted that the SERCO contract was currently being considered and this process would include the longer term service requirements of the Council, part of which would incorporate the level of street cleansing.

- **Vision for the Future and Financial Sustainability -**

The Committee considered the residents survey and how it could be made simpler to enable translation to encourage wider engagement. It was noted that engagement had been made with schools and community groups to encourage response rates and officers had utilised the numbers of attendees at events, such as Victoria day, to gather responses from the wider community. In response to a query regarding how residents feedback was used to inform the Plan, the Committee were referred to para 3.3 of Report No. ACE2416, which set out the important issues identified by residents.

The Leader advised on the differences between the new Plan and the existing Plan. The new Plan included a wider scope on the Skills, Economy and Business priority, a stronger line and crackdown on private landlords as part of the Homes for All priority and an increase in CCTV and a crackdown on ASB as part of the Pride in Place priority.

In response to a query regarding the cost of the new plan and whether it was coming in at cost neutral, it was advised that the plan was not yet fully costed, but outline costs had been identified and it was advised that there would be a small uplift in cost. The aim was to work with partners to facilitate some of the activity to reduce costs, to allow the Council to provide a low cost co-ordination role.

In response to a query regarding the reputation of the Council and how it would be protected, the Leader advised that the reputation would be protected by presenting a grounded plan that offered sustainability and acknowledged the current financial position.

With regard to the Environmental Impact Assessments that were agreed at the Council meeting on 7 November, 2024 it was asked if the cost of these would become a financial burden, it was noted that they would be appropriate to the level of investments being made.

In relation to the Climate Change Action Plan refresh, it was noted that the refresh of the Plan could incorporate viability assessments and potentially look at influencing the wider areas carbon footprint, not just the Council's. The Policy and Project Advisory Board had considered proposals for the refresh at its meeting on 19 November 2024.

- **Skills, Economy and Business** – in response to a query regarding the breadth of skills training to be encouraged, it was noted that a variety of skills would be encouraged from technical skills to creative arts.

It was noted that any further questions for the Leader of the Council on this matter should be shared with the administrator to be collated for response.

The Chairman thanked the Leader for his contribution.

21. **RISK REGISTER**

The Committee welcomed Roger Sanders, Risk, Performance and Procurement Service Manager and Rachel Barker, Assistant Chief Executive who were in attendance, with the Leader of the Council, to provide a presentation on the Risk Management Policy and Risk Register.

The Committee noted a summary timeline, since 2018/19, on how the management of risk had developed. In 2024 the Council underwent a Corporate Peer Challenge, the outcomes of which included recommendations relating to governance and clarity of Members' roles and responsibilities. In the Autumn of 2024, officers undertook a review and update of the risk management policy, which took account of emerging

Delivery Plan priorities, feedback from the Corporate Peer Challenge and recommendations from an internal audit. Following engagement on the revised policy with the Committee and other Members, it was proposed that the Cabinet would consider it at its meeting in January 2025.

The two levels of risk registered were noted, these include a Corporate Risk Register and individual Service Risk Registers. Within the Corporate Risk Register sat the Strategic Risks, Standing Corporate Risks and escalated Service Risks. The Committee were apprised of the key risks, these included:

- Strategic Risks - including economic conditions, poor health outcomes and the financial sustainability of public sector bodies
- Standing Corporate Risks – including data breaches, insufficient funding to proceed with projects and financial sustainability
- Escalated Service Risks – including failure to provide temporary accommodation and the Local Enterprise Partnership (LEP absorption into Hampshire County Council (HCC)

The upcoming changes to the reviewed Policy were set out, these included, processes to map opportunities and threats, formalisation of the process for quarterly reporting, development of trend monitoring, development arrangements to identify risks that were an issue and development of a strategic level risk appetite in line with the Council Plan.

During discussions the Committee queried who was responsible for risk in the organisation, it was noted that the revised Policy would make this clearer. However, the Cabinet played a central role in the monitoring of risk and Portfolio Holders were tasked with discussing risk and mitigation regularly within their areas of responsibility.

In response to a query relating to identifying gaps in the Council's Risk Registers, it was noted that services had a responsibility to incorporate any new legislation within their Service Risk Registers as appropriate. More generally cross references were carried out against global reporting and horizon scanning.

With regard to the level of risk that was considered acceptable, it was advised that currently risk appetite was determined line by line within each service area, these are then considered by the Executive Leadership Team (ELT) and reported to Cabinet to agree the level of appetite. The development of a Strategic Risk Appetite would provide an overall view on risk going forward assisting the process.

A request was made for Member training on cyber security, this would be pulled together and provided on an ongoing basis. It was also noted that the Cabinet Office provide some useful information to elected Members.

In response to a query on how often risk was looked at by senior officers and Portfolio Holders, it was reported that the full Corporate Risk Register was reviewed by the ELT once a quarter and Portfolio Holders would meet with Executive Heads of Service and Service Managers to discuss risk on a monthly basis. Officers

considered risk routinely as part of business as usual. Any emerging risks would be identified and brought to the attention of the ELT as appropriate.

In the case of a risk presenting that could have a larger impact than would be considered possible, the Council would ensure that a reasonable worst case scenario was applied. In the case of the Coronavirus pandemic, the Council had flu pandemic plans in place that were adapted to meet the needs of the local authority.

The Committee ENDORSED the approach to the Risk Management Policy and the Risk Register.

The Chairman thanked Ms Barker and Mr Sanders for the presentation.

22. **WORK PLAN**

The Committee noted the current Work Plan and the items for the meeting on 12 December, which included the Citizens' Advice Service Level Agreement Annual Report.

The meeting closed at 8.57 pm.

OVERVIEW AND SCRUTINY COMMITTEE

Report of the meeting held on Thursday, 12th December, 2024 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Halleh Koohestani (Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr Leola Card
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Thomas Day
Cllr G.B. Lyon
Cllr M.J. Tennant

Apologies for absence were submitted on behalf of Cllr C.P. Grattan and Cllr Bill O'Donovan.

Cllr Nadia Martin joined the meeting online and was therefore unable to vote on any recommendations taken.

Cllr Sarah Spall attended the meeting as a Standing Deputy.

23. MINUTES OF THE PREVIOUS MEETING

The minutes of the meetings held on 28th November, 2024 were agreed as a correct record, subject to two minor amendments on page 3.

24. CITIZENS ADVICE RUSHMOOR - SERVICE LEVEL AGREEMENT - ANNUAL REPORT

The Committee welcomed Calum Stewart, Chief Executive Officer, Sue Dowell, Head of Service and Quality and Andrew Levey, Board of Trustees Chair, at Citizens Advice Rushmoor (CAR), who were in attendance to report on their 2023/24 Annual Report, in line with the Service Level Agreement with the Council. In addition, Emma Lamb, Community and Partnership Service Manager was also in attendance to support the item on behalf of the Council.

It was advised that Citizens Advice Rushmoor (CAR) were a local charity who had been providing free, confidential, and impartial advice, in the Borough, since 1940. Part of the Citizens Advice network, CAR were one of over 200 independent charities operating across the country. The volunteer-led charity, with a Board of Trustees and over 50 volunteers, helped deliver services to Rushmoor's residents, ensuring clients were at the heart of what their work.

Mr Stewart, provided an overview of a case which had presented to the team. The case involved a vulnerable adult with learning difficulties who struggled to live independently. The client had received a letter threatening action from bailiffs, if an energy bill wasn't settled. The CAR adviser contacted the energy company and was able to ensure the debt was written off. During the period of contact with the client, the adviser established that the individual was eligible for benefits, which resulted in them being £1,000 better off per month. This was an example of work carried out by CAR, and showed how one issue could result in additional work being undertaken to enhance clients lives and wellbeing. It was noted that 8 out of 10 issues presented, were solved through the advice and intervention provided by CAR advisers. In 2023/24, 5,000 individuals had been supported on over 16,000 issues.

CAR aimed to provide the advice clients needed for the problems they faced, and worked to improve the policies and practices that affected people's lives. Advisers helped clients with a range of problems, through face to face contact, telephone, email and webchat or through outreach activities in the local community. Problems/issues dealt with, included, benefits, debt and money matters, housing, consumer issues, work, family and immigration.

It was noted that, more people were contacting CAR with multiple or complex issues. Most concerns could be dealt with by the team, but sometimes signposting to other services was required. The support provided ranged from brief one off intervention, to in-depth casework, with services tailored to meet individual needs. The high quality, complex and detailed service provided by CAR allowed for a unique insight into the challenges people face in today's society. CAR provided a service that made a difference to people's lives and in addition, generated savings for the government to a value of at least £1.67 for every £1 invested in CAR, alongside, economic and social benefits (£24.22 for every £1 invested in CAR), and value to clients (£7.10 for every £1 invested in CAR). Through partnership working with the Council on the Council Tax Support Scheme it was estimated that 4,800 households in Rushmoor would be better off by over £760,000 in total, in 2024/25. Other partners, which CAR has worked with, and been provided funding from, for specific projects to provide benefits to residents include, the Brain Tumour Charity, the Armed Forces Covenant Fund Trust, the Office for the Police and Crime Commissioner (OPCC) for Hampshire, the Community Grub Hub and Farnborough Food Bank.

It was noted that the Council's funding contributed, in part, to eight posts within CAR's organisational structure. In 2022/23, the Council reduced its funding to CAR by 10%, this was cut by a further 5% in 2023/24. Taking account of inflation, these reductions equated to a 30% loss in spending power since 2021, compared to a year on year increase of 44% in levels of crisis support being provided. It was advised that, CAR had undergone a restructure as a result of these reductions and other increased costs, which had included a number of redundancies, causing a further strain on the services provided. A team of volunteers supported the paid service, and it was noted that they had given an average of 270 hours per week, which equated to £363,877 worth of volunteering hours in 2023/24.

The Committee reviewed CAR's strategic priorities and were apprised of projects and activities for 2024/25, which included work with asylum seekers and refugees, mental health projects and meeting the needs of young people.

During discussions, the Committee requested that the information provided in the SLA report going forward, clearly stated where the need was coming from and key concerns identified on a ward basis. What the Council's grant funded, was also raised, and a request was made for more detail on this and engagement with the Council on how, and on which, projects the funds were used for.

In response to a query regarding the use of English, it was advised that the position had worsened and fewer people were using English as their first language. It was noted that, fortunately CAR had Nepali speakers and advisers but other organisations did not. Language Line was used as a resource to assist with enquiries when English wasn't the first language, but this extended the time of appointments further impacting resources.

In response to a query regarding alternative funding streams, it was noted that funding was sought from other sources, but often was for specific projects/support with limitations on what it could be used for.

Following a discussion on premises costs, it was noted that the lease on the spaces occupied by CAR, owned by the Council, had not been reviewed for four years. The Committee felt it appropriate that a recommendation be made to review the current arrangements with regard to rent and service charges.

With regard to average waiting times on the helpline, it was advised that a new arrangement had been entered into to pool resources across other Citizens Advice offices, to spread the load across volunteers over a wider geographical area. Current waiting times could be up to 30-45 minutes. In addition, it was noted that, in Rushmoor, 12-15% of contact was made via face to face meetings.

During a discussion on funding and how the Council could assist CAR moving forward, it was suggested that a multi-year funding agreement would assist with planning for the future and offer a greater level of certainty for the organisation. In addition, stronger partnership working with the Council would add additional value to the relationship beyond monetary contributions.

In relation to volunteers, it was advised that the process to become a volunteer for CAR was not simple. Volunteers needed to undergo an 11 week training programme, which required commitment from the individual and support from trained supervisors. Working with the local higher education establishments to reach potential volunteers at an early stage was suggested, and CAR would welcome any offers to work with the colleges.

In response to a query regarding Pension Credits, it was advised that should the resources and information be available, a targeted approach could be taken to assist those in need, however data sharing protocols made this difficult.

Whilst discussing the recommendation to the Cabinet, the Committee acknowledged the Council's current financial position and the fact that the funding provided was not a statutory requirement of the Council. The Committee also appreciated that if organisations such as CAR and Rushmoor Voluntary Services (RVS) did not exist,

the Council could feel the impacts of additional support to residents from lost services.

The Committee RECOMMENDED that the Cabinet:

- consider a multi-year funding agreement, taking account of inflationary increases, from 2025/26 alongside a clear set of KPIs to measure performance
- review the rental and service charges associated with the places occupied by Citizens Advice Rushmoor in both Aldershot and Farnborough.

The Chairman thanked, Mr Stewart and Mr Levey and Ms Dowell for their presentation.

25. **WORK PLAN**

The Committee noted the current Work Plan and the items for the meeting on 30th January, 2025 which included, updates on the Financial Recovery Plan progress and Cultural Compacts. Also, on 8th January a remote meeting would be held to discuss the issues that would be raised in a letter to Hampshire County Council.

The meeting closed at 9.19 pm.

OVERVIEW AND SCRUTINY COMMITTEE

Report of the meeting held on Thursday, 30th January, 2025 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr Halleh Koohestani (Chairman)
Cllr Nadia Martin (Vice-Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr Leola Card
Cllr P.J. Cullum
Cllr Thomas Day
Cllr C.P. Grattan
Cllr G.B. Lyon
Cllr Bill O'Donovan
Cllr M.J. Tennant

Cllr A.H. Crawford joined the meeting online and was therefore unable to vote on any recommendations taken.

26. MINUTES OF THE PREVIOUS MEETING

The minutes of the meetings held on 12th December, 2024 were agreed as a correct record.

27. FINANCIAL RECOVERY PLAN - UPDATE

The Committee welcomed, the Leader of the Council, Cllr Gareth Williams, who was in attendance with the Executive Head of Finance, Peter Vickers, to provide an update on the current position with the Financial Recovery Plan and the operational arrangements of the Financial Recovery Working Group.

The Committee received a presentation which set out the background to the Financial Recovery Plan with a summary of its aims and targets, and the makeup, working and reporting arrangements of the Financial Recovery Working Group (FRWG). The presentation also set out what had been achieved and the current position.

Members discussed the presentation and raised the following matters:

- **Terms of Reference** – Clarity was requested on what was meant by “To oversee the delivery of the Financial Recovery Plan...” and the definition of “oversee”, as set out in the Terms of Reference (ToR). The opposition questioned whether the operation of the FRWG reflected the ToR and stated that they believed there was an issue with the operation not meeting the ToR. It was noted that it was important to understand if Members attended the

FRWG as observers or to influence the work. In response, the Leader advised that opinions would differ on the level of oversight undertaken and whether the FRWG went into enough detail when overseeing, however, it was important to go with the majority opinion when carrying out the work.

- **Lines of enquiry** – The Committee were advised that around 40 lines of enquiry had been identified, eight had been closed down as would not contribute to savings at this time, 11 larger value items had been assessed and built into the budget, five had been held over to be considered as part of wider service reviews and 17 had been identified as being of smaller value and would be progressed to contribute to future savings. The FRWG had overseen this process, and it was noted that some savings had been achieved.
- **Progress to date** – The Committee reviewed the progress to date on increasing financial capacity. A number of actions had been completed or were underway, these included:
 - A definition of the Minimum Revenue Position, which had been included in the Medium-Term Financial Strategy (MTFS) and Treasury Management Strategy
 - Revision of a regular timetable for financial reporting and budget setting and review, including a monthly review process of the Council's balance sheet. Alongside these revisions, improvements had been made to the quality of working papers, documents, and reconciliations through the establishment of new standards for these materials
 - Reviews of treasury operations, capital planning methodology and the management of insurance
 - Spending controls – “No Purchase Order No Spend” and controls on procurement card expenditure
 - Development of financial skills within the Council and a design and consultation process on the structure of the Financial Service through a phased approach. It was noted that Phase 1 had covered the appointment of two senior accountants, and Phase 2 would look at aligning the work with what was required, allowing for some of the technical ownership to be taken away from the Executive Head of Finance. In turn, this would result in a wider knowledge base within the Team.

Mr Vickers had reviewed the progress to date and advised that issues raised around the Treasury Policy being “too loose”, as identified by the CIPFA Report, were being addressed. It was also noted that the financial reporting system had been upgraded to support the work of the Team and to provide improved reporting.

- **Current Position for 2025/26** – The Committee discussed the external audits on the Statements of Accounts between 2020/21 and 2022/23, which had been subject to a national delay and the provisions in place for 2023/24. Legislation had been passed to address the delays through the process of a disclaimer and all outstanding accounts, including 2023/24 had now been signed off. However, as a result, levels of certainty in the Council’s accounting would need to be built back up and the next Statement of Account to be fully signed off by the auditors would be the 2028/29 Statement.

In response to a query regarding the Council’s governance arrangements around financial matters, it was advised that an independent governance review had been undertaken towards the end of 2024 and a report of the findings and recommendations was expected imminently. It was advised that a workshop session would be held with members of the Corporate Governance, Audit and Standards Committee (CGAS) and others, as appropriate, before any recommendations to full Council were made for implementation.

Responding to a question regarding independent representation on the FRWG and CGAS, it was considered that the roles were too different, one to provide an independent opinion on audit, and the other on finance. Therefore, the Council had felt it appropriate to appoint a representative from CIPFA to sit on the FRWG.

The Committee discussed the differences between the previous Budget Strategy Work Group (BSWG) and the FRWG. It was noted that the FRWG had a much tighter schedule dealing with current issues, whereas the BSWG remit had been to oversee the development of the forthcoming budget. It was felt that the current model was more effective and relevant.

In relation to a query regarding risk and the processes in place for capturing risks before they became an issue, it was noted that the budget, once set, would be translated into the Risk Register. Risks remained the responsibility of the owner and were updated and reviewed monthly. The risks relating to financial matters in particular were also reported to the Cabinet Portfolio Holder and the Cabinet.

The Committee NOTED the update and the Chairman thanked the Leader and Mr Vickers for their presentation and valuable contributions.

28. **WORK PLAN**

The Committee noted the current Work Plan.

It was advised that an additional meeting had been arranged on 4th March, 2025 to undertake some pre decision scrutiny on disposals at Union Yard. Items for the meeting on 27th March would be agreed at the next Progress Group on 6th March.

The meeting closed at 8.49 pm.

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