Public Document Pack

RUSHMOOR BOROUGH COUNCIL

CABINET

at the Council Offices, Farnborough on
Tuesday, 16th October, 2018 at 7.00 pm

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democratic Services, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **MINUTES** – (Pages 1 - 6)

   To confirm the Minutes of the meeting held on 18th September, 2018 (copy attached).

2. **MEDIUM TERM FINANCIAL STRATEGY 2019-22** – (Pages 7 - 38)
   (Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

   To consider Report No. FIN1829 (copy attached), which sets out the Council's Medium Term Financial Strategy.

3. **REPAIR OF BOUNDARY WALL AT NO. 252 ASH ROAD, ALDERSHOT** – (Pages 39 - 42)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Report No. LEG1810 (copy attached), which seeks approval for funding for works at No. 252 Ash Road, Aldershot, which is owned by the Council.

CABINET

Meeting held on Tuesday, 18th September, 2018 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader

Cllr Barbara Hurst, Planning and Economy Portfolio Holder
Cllr G.B. Lyon, Corporate and Democratic Services Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Customer Experience and Improvement Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property 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 **1st October, 2018**.

35. **MINUTES** –

The Minutes of the meeting of the Cabinet held on 21st August, 2018 were confirmed and signed by the Chairman.

36. **75% BUSINESS RATES PILOT IN HAMPSHIRE BID 2019/20** –
(Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. COMM1830, which set out a proposal to submit a joint bid with other Hampshire local authorities and Hampshire County Council to pilot a 75% Business Rates Retention Pool.

Members were informed that some Solent-based authorities had made a separate bid but all other Hampshire district councils, Hampshire County Council and the Hampshire Fire Authority were all likely to agree submitting this joint bid. It was noted that the bid was not guaranteed to be successful. In response to a question, it was confirmed that participation in the pilot would carry no financial risk to the Council, as it was guaranteed that no authority taking part in the pilot would be worse off than would have been the case had they not joined the scheme.

The Cabinet RESOLVED that

(i) the principle of the Council's participation in a joint bid, with Hampshire County Council and other Hampshire local authorities, to pilot a 75% Business Rates Retention Pool, as set out in Report No. FIN1830, be approved; and

(ii) the Executive Director, in consultation with the Corporate and Democratic Services Portfolio Holder and the Executive Head of Financial Services, be authorised to agree the final submission.

37. **RELOCATION OF GULFSTREAM AEROSPACE LIMITED MAINTENANCE, REPAIR AND OVERHAUL FACILITY** –
(Cllr Barbara Hurst, Planning and Economy Portfolio Holder / Cllr Gareth Lyon, Corporate and Democratic Services Portfolio Holder)

The Cabinet considered Report No. CEX1805, which provided an update on the process to secure the relocation of the Gulfstream Aerospace Limited Maintenance Repair and Overhaul facility to TAG Farnborough Airport and set out a proposed support package from the Council to Gulfstream.

Members were informed that relocation of this facility to Farnborough would generate up to 400 new jobs and would provide many other benefits to the local economy. The Report set out the details of the support package to Gulfstream and the Cabinet expressed strong commitment to this approach.

The Cabinet RESOLVED that

(i) the provision of business rate relief, up to the state aid maximum of €200,000 (approximately £180,000) over three years once the new facility was developed, in line with the Council's policy for new businesses and an annual rate to be agreed with Gulfstream, be approved;

(ii) the provision of up to £100,000 of financial support to Gulfstream, matched by the Enterprise M3 Local Enterprise Partnership, Hampshire County Council and Gulfstream itself, for training, development and relocation services, with the details to be agreed as part of the budget setting process, be approved; and

(iii) the provision of a revised estimate to the budget for 2018/19, allowing the release of £10,000 of the £100,000 set out in (ii) above with immediate effect, be approved.

38. **ESTABLISHMENT OF REGENERATION INVESTMENT PARTNERSHIP** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. CEX1806, which sought the Cabinet's recommendation to the Council that an Investment Partnership should be established in the form of a Limited Liability Partnership (LLP) to be known as the Rushmoor Development Partnership. The Report also set out a number of other issues in relation to the setting up of the Partnership.

At its meeting on 24th July, 2018, the Cabinet had approved that Hill Investment Partnership Limited should be the Council's preferred investment partner to support the delivery of the Regenerating Rushmoor Programme and that a period of due diligence should commence. Members were informed that this period had now expired and that the Council was now keen to proceed with the establishment of the Partnership.

The Cabinet RECOMMENDED TO THE COUNCIL that approval be given to:

(i) the Council proceeding with the creation of the Rushmoor Development Partnership LLP and the authorisation of the Legal Services Manager / Corporate Legal Manager to enter into the following documents to enable and support the operation of the partnership:

- LLP Members Agreement
- Power of Attorney
- Loan Note deed(s)
- LLP security agreement (debenture)
- Loan Note Exchange Agreement;

(ii) the confirmation of the Council's nominations to the Rushmoor Development Partnership Board and Investment Team, as follows:

<u>Partnership Board</u>

Leader of the Council
Major Projects and Property Portfolio Holder
Executive Director

<u>Investment Team</u>

Executive Head of Property and Regeneration
Regeneration Delivery Manager
Project Accountant, Financial Services;

(iii) the authorisation of the Chief Executive to act as the Council's representative as Shareholder; and

(iv) the governance and reporting arrangements, as set out in paragraphs 5.1 and 5.2 of Report No. CEX1806.

39. **DEPLOYMENT OF RIGHT TO BUY RECEIPTS - NORTH TOWN PHASES 5 & 6** – (Cllr Barbara Hurst, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. PLN1820, which sought approval to utilise Right to Buy receipts to a total of £366,722.80 in support of the North Town regeneration scheme. Members were reminded that the regeneration of North Town was a strategic housing priority for the Council. The funding would enable the Council to meet identified specific housing needs over and above the agreed affordable housing allocation at North Town. It was confirmed that the proposed deployment had received the support of the three Ward Councillors.

The Cabinet RESOLVED that the deployment of Right to Buy Capital of £366,722.80 to Vivid for the delivery of affordable homes in the final two phases (5 and 6) at North Town, as set out in Report No. PLN1820, be approved.

40. **LEISURE MANAGEMENT CONTRACT - EXTENSION** –
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. COMM1810, which set out a proposal to extend the current leisure management contract in respect of the Farnborough Leisure Centre and Aldershot Pools

The Cabinet was reminded that the contract for the management of the Aldershot Indoor Pools, Lido and the Farnborough Leisure Centre was due for renewal on 1st February 2019. It was explained that the redevelopment of the Civic Quarter in Farnborough had provided the opportunity to consider a range of options in relation to leisure and this had delayed the commencement of the procurement process for a new contract. It was felt that an extension to the current contract was the best option to allow these opportunities to be fully considered.

The Cabinet RESOLVED that an extension to the leisure management contract in respect of the Farnborough Leisure Centre and Aldershot Pools, as set out in Report No. COMM1810, be approved.

41. **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**
42	3	Information relating to financial or business affairs

THE FOLLOWING ITEM WAS CONSIDERED IN THE ABSENCE OF THE PUBLIC

42. **PURCHASE OF LAND AT NORTH CLOSE, FARNBOROUGH** –
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. LEG1811, which set out a proposal for the Council to acquire land at North Close, Farnborough.

Members were informed that the land would improve vehicular access to Council-owned land on Hawley Lane. The terms of the proposed acquisition were set out in the Exempt Report.

The Cabinet RESOLVED that

(i) a variation to the Capital Programme for the acquisition of the land, on the terms set out in Exempt Report No. LEG1811, be approved; and

(ii) funding from the existing budget in the 2018/19 Capital Programme for remedial works to prepare the site for redevelopment, as set out in the Exempt Report, be approved.

The Meeting closed at 7.37 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

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CABINET | **COUNCILLOR GARETH LYON, CORPORATE AND DEMOCRATIC SERVICES PORTFOLIO HOLDER**

16 OCTOBER 2018 | **REPORT NO. FIN1829**

KEY DECISION: NO

MEDIUM TERM FINANCIAL STRATEGY 2019-22

SUMMARY:
The Medium Term Financial Strategy (MTFS) covering three years 2019-20 to 2021-22 brings together all of the elements that are considered as part of the robust planning process for a sustainable and prudent future for the services that the Council provides or commissions for its residents, and how these services will be financed.

The MTFS sets out the national and local factors which impact upon budget and service planning decisions. It details funding reductions and shows how the Council intends to manage the reductions, to make transformative changes and plan new initiatives, while meeting its statutory responsibilities. Later versions of this report will be updated as better information becomes available.

This paper is one of a suite of reports to Cabinet that support decisions for the budget recommendations to the Council.

RECOMMENDATIONS:
Cabinet is asked to agree the Medium Term Financial Strategy 2019-22, including the two policy objectives to be achieved:

i) Revenue: To identify further funding or savings to produce a balanced budget 2019-22, and

ii) Capital: To support the proposed long-term strategy to apply capital resources to fund schemes that produce a net revenue return and so minimise the impact of possible funding reductions to the borough noted in the Summary above.

1. INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) 2019-22 replaces the 2018-21 MTFS.

1.2 The Rushmoor Borough Council nevertheless continues to face some financial challenges and difficult decisions will continue to have be made, in order to set the budget in the following three years and beyond, so that the

Council continues to provide a high quality range of services and to deliver good value to local residents for their council tax.

1.3 During the Autumn, significant work will take place to further improve our financial situation, and review and challenge all budget estimates. The work includes, assembling new capital bids, and identifying further revenue savings. There will be funding announcements, within the Provisional Local Government Finance Settlement for 2019-20 (due in November/ December), that could present further challenges. Before any of this work is done, the starting point is a funding requirement over the three years 2019-22, which would have been larger but for the success in generating significant income from Commercial Property. The current starting point is as follows:

Revenue Forecasts 2018/19-2021/22	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Annual Funding Gap (surplus-/loss+)	**+41**	**+171**	**+27**	**+752**

1.4 The MTFS sets out the national and local factors which impact upon budget planning decisions. It will detail funding reductions and shows how the Council intends to manage the reductions, in central Government grants, to make transformative changes and plan new initiatives, while meeting its statutory responsibilities.

1.5 The later MTFS reports in December and February, will in particular, provide a better understanding of trend data, and the associated pressures that could give rise to additional costs, whilst the cost, complexity and time required to the modernisation programme has to be better understood.

2. CONTEXT

2.1. There are four drivers of change that affect the MTFS, which are

1. Population increase/decrease;
2. The economy;
3. Policy decisions, from Government, the County and the Council;
4. Rushmoor 2020 – encompassing the Council's approach to transformation, income generation and delivery of savings across the business;

3. POPULATION FACTORS

3.1 There is a net increase in Rushmoor's population over the planning period. This matters, in terms of ensuring services are scaled up, where appropriate.

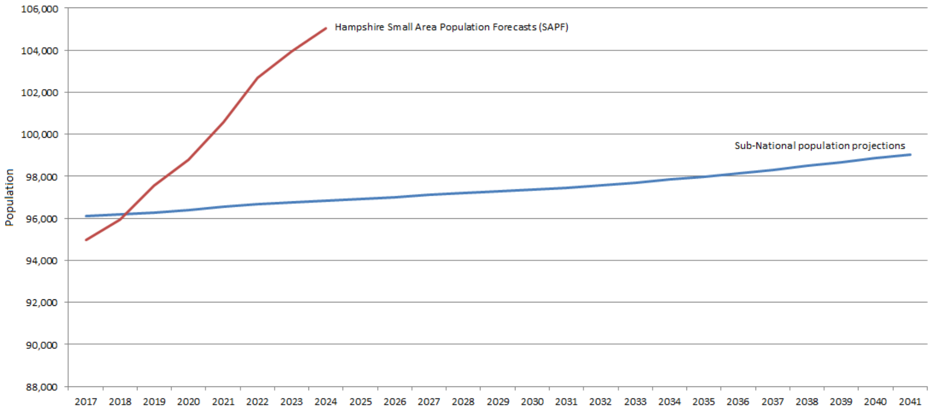
3.2 The change in population is measured in two ways, which are different:

1. Sub-National Population Projections. These are projections, based on past information and trends that show a modest increase; The Sub-

National Population figures project Rushmoor’s population to reach 99,045 by 2041.

2. The Hampshire small study area projections that are based on projected housing starts, and show a more rapid increase. This is the figure favoured by Rushmoor’s Planners. The Council has an active role in delivering this outcome.
3. The Hampshire Small Study area forecasts the population in Rushmoor to reach 105,039 by 2024. This figure is based on future dwellings supply.
4. As at August 2018, Rushmoor’s population is 95,800.
5. Both data sets are illustrated in the graph below:

Table 1: Population projection increases by census or housing starts



	2017	2018	2019	2020	2021	2022	2023	2024
Population	94975	95334	97577	98790	100071	102669	103953	105039
Increase from prev yr		359	2243	1213	1281	2598	1284	1086

3.2 Officers are working to produce a best estimate, and better understand the makeup of the increase, for example the age of new residents. There will be an impact on the MTFS of greater Council Tax income and possible increases in service delivery, generating extra costs.

4. THE ECONOMY

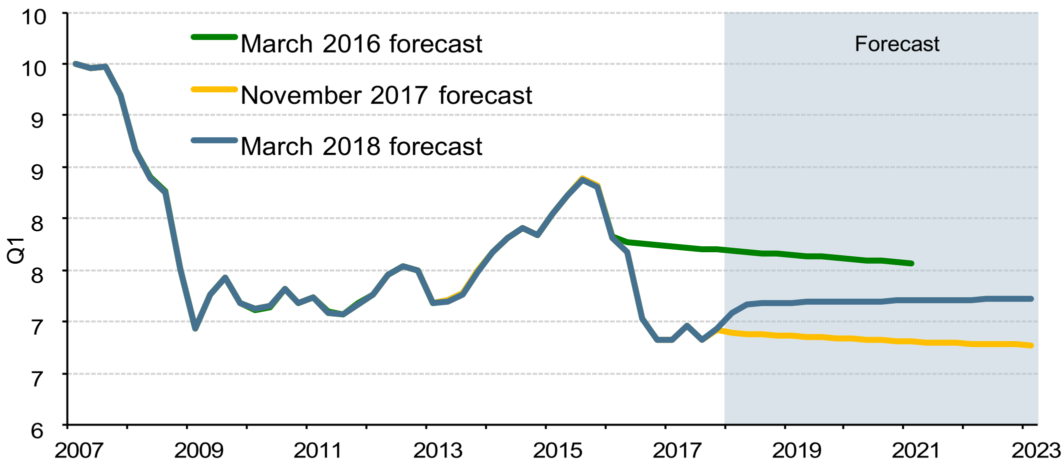
4.1 The March 2018 Office for Budget Responsibility report “Economic and fiscal outlook”, published twice yearly, outlines six specific risks:

1. The outlook for productivity growth remains hugely uncertain. Over the next few years, although we still expect some improvement on the current weak rates, that improvement may not arrive, or may take longer to materialise, so productivity could surprise on the downside.
2. Before and after the UK’s exit from the EU, policies and regimes will evolve to supersede those presently associated with EU membership. These changes, and the response of households and businesses to them, are subject to great uncertainty and there is little by way of precedent on which to base any forecast assumptions.

3. The current account deficit remains large by historical standards. Overseas investors are consequently acting as significant net lenders to the UK, which could pose risks. That could lead to a sharp fall in sterling.
4. Private consumption growth has outpaced income growth in recent years. This could pose a risk to the forecast, if it deviates from assumptions.
5. The IMF believes the medium-term risks to the global economy are skewed to the downside. There is also risk of a retreat from cross-border economic integration, highlighted by US President's decision to impose additional customs tariffs on some trading partners.
6. In the 61 years for which the ONS has published consistent quarterly real GDP data, there have been seven recessions – suggesting that the chance of a recession in any five-year period is around one in two. So the probability of a cyclical shock occurring sometime over our forecast horizon is fairly high.

4.2 In the 15 months between its peak in late 2015 and its trough in late 2016, sterling fell by 17 per cent, with the sharpest falls occurring in the wake of the June 2016 referendum. This is likely to reflect some market participants' belief that a real depreciation is necessary to compensate for the risk of what they believe may be reduced competitiveness associated with a potentially less open trading relationship between the UK and the EU. .

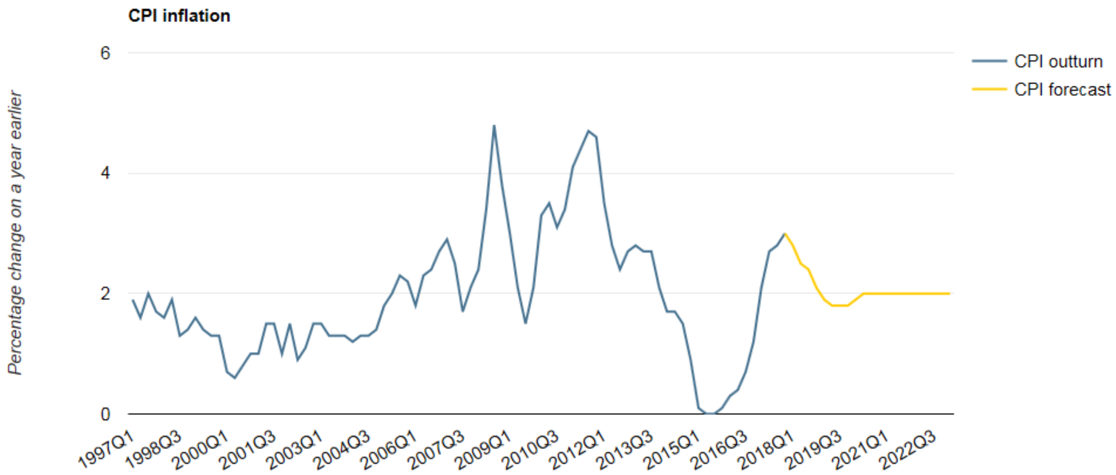
Table 2: Forecast value of Stirling - % fall



Source: Bank of England, Bloomberg.

4.2 On the upside there appears to be a reduced risk of inflation. The Office for Budget Responsibility (OBR) has produced a Consumer Price Index (CPI) forecast, as set out below, which shows inflation falling to 2% from 19/20 quarter 3.

Table 3: Forecast level of inflation



4.3 Local Economy - The Council has identified **sustaining a thriving economy and boosting local business** as one of its four priorities. The key initiatives under this priority include:

- Setting up a new partnership and company arrangements to enable regeneration and the development of private rented and affordable housing on Council owned land;
- Finalising and consulting on a development scheme for Union Street, East Aldershot and agree proposals for other sites to support regeneration of Aldershot
- Producing a town centre strategy for Aldershot;
- Finalising and consulting on the Masterplan for the Civic Quarter area of Farnborough town centre and agreeing the approach for moving forward each site in the Masterplan;
- Supporting Hampshire County Council to implement the Farnborough Transport Package;
- Progressing the Local Plan;
- Working with schools, local Further Education providers, the County Council and employers to improve skills, raise aspirations and increase educational attainment;
- With partners starting to develop a centre of excellence for aerospace built on the Farnborough brand;
- Exploiting the economic and social benefits of the Farnborough Air show and the new conference centre;
- Developing a more strategic and proactive approach to economic development, building on the Borough's assets and offer to investors.

5. POLICY DECISIONS, FROM GOVERNMENT, HAMPSHIRE COUNTY COUNCIL AND THE COUNCIL

Government

5.1 At a national level, the exit from the EU is having three effects. Firstly, investment decisions are delayed, and possibly cancelled or relocated. Secondly, there is an unrecoverable bill in contingency planning, expended on large amounts of thought, time and cash. Finally, the degree of Government time that is being dedicated to the process of leaving may be preventing it having as much of a focus on other public policy areas as may be desirable.

5.2 Through the Settlement consultation for 2019-20, the Government have signalled that negative Revenue Support Grant (RSG), a deduction of £153m in England, and £90k for Rushmoor, will not occur in 2019-20, it being the last year of the four-year settlement.

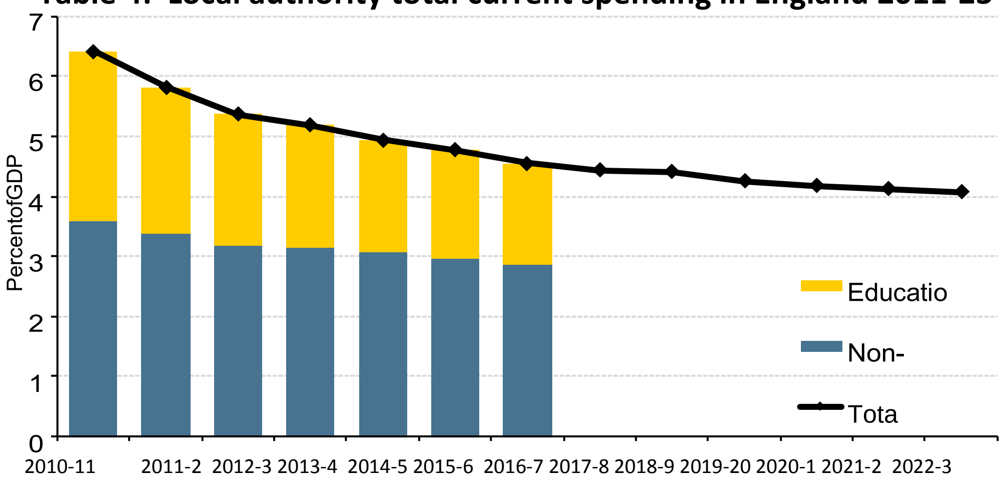
5.3 The second policy initiative is the extension of Retained Business Rates – from 50% to 75% - for 2019-20, for new round of applicants. Rushmoor is part of the Hampshire bid, though the Government have signalled that they expect to award fewer than the 10 last year.

5.4 The greatest uncertainty, is the next 4-year Settlement regime, from 2020-21, which will include a national 75% Business Rates Retention. This will reset all Councils baselines, and will produce winners and losers. Depending on its design, it could usher in years of phasing-in, which for the losers, would require continued budget adjustments.

5.5 The recent work by the IFS on Business Rates retention contend that the benefits of retention by authorities which have successfully grown a base of local businesses are unequally distributed, and may be a case for re-setting baselines. The average gain for the 38 rates pilots is 2.74% (Extra funding in 2018-19 as a % of core spending power) with a low of 0.6% (Liverpool) and a high of 8.3% (Berkshire).

5.6 In the light of this, as the following table illustrates, the only guide on the Council's externally affected resources beyond 2019-20, this early in the process, is the current OBR's projection of overall resources for England's local authorities, which shows a decline from 2018-19 to 2021-22 of around 0.4% of GDP. It should, however, be noted that this is against a backdrop of anticipated rising GDP by the OBR.

Table 4: Local authority total current spending in England 2011-23



Hampshire County Council

5.7 The County is the holder of two large demand-led services and limited room to manoeuvre to increase income. The OBR has drawn attention to this:

"As central government spending cuts started, local authorities built up their reserves cover. This metric then began to deteriorate from 2014-15. The more striking trend however is the shift on the budget pressures metric, where inflexible (or statutory) spending as a share of income at the median authority increased from 61 to 72 per cent between 2013-14 and 2016-17, while for the authority at the bottom fifth percentile it had increased from 74 to 87 per cent over those three years.

Also, in the same space, CIPFA are attempting to construct a 'traffic light' system to "be more effective in stabilising councils before they go over the cliff edge". The current proposals have been criticised as being what is easily to collect, rather than being what is right. For example, the issue of governance is ignored.

5.8 The upshot is the reduction in 'flexible' (or discretionary) spending, may have an impact on Rushmoor residents, with Counties pushing costs for which they are responsible onto Borough and District councils. There could be pressure for this Council to mitigate this, in some way.

Rushmoor Borough Council

5.9 The Council has four stated priorities for the area which are set out below:

- Sustaining a thriving economy and boosting local business
- Supporting and empowering our Communities and meeting local needs
- A cleaner, greener and more cultural Rushmoor
- Financially sound with services fit for the future

5.10 To support these priorities the following initiatives, taken from the Council's Plan, are relevant:

- Regenerate our Town Centres
- Develop private rented and affordable housing
- Improve skills and educational attainment
- Enhance the leisure and cultural offer in the Borough
- Invest further in commercial property and explore other opportunities to generate income / reduce costs
- Develop and implement Rushmoor 2020 - a modernisation and improvement plan based on the "Listen, Learn, Deliver - Better" ethos

5.11 The above mentioned identified priorities will help guide the Council as it approaches decisions about reshaping services and targeting reducing resources, as well as choosing where and when to invest in the future of the Borough.

5.12 The current saving proposals are set out at Appendix 2. Before seeking any new savings, the current programme is generating the following - if the higher risk areas are able to deliver to plan:

Table 5: Savings programme

2018/19	2019/20	2020/21	2021/22
£000	**£000**	**£000**	**£000**
641	2559	3055	3090

6. RUSHMOOR

6.1 The Council has recognised that its current model of operation is unlikely to be sustainable over the medium term. A modernisation and improvement programme, Rushmoor 2020 has been established to modernise and improve how the Council works to increase customer focus, deliver sustainable savings, provide excellent services, exploit the opportunities offered by technology and provide the capacity to drive forward the Council's ambitious regeneration programme

7. ENVIRONMENT

7.1 Additionally to the four major drivers of change, the environment is a concern for many residents.

7.2 Waste **-** the Council is, as a priority, working with its new contractor, Serco, to increase recycling rates. A significant area of activity continues to be the provision of the new depot and incentives from the County for collection authorities to provide kitchen waste collections and enhanced recycling services in particular. The Overview and Scrutiny Committee has expressed an interest in reviewing recycling performance as part of its work programme.

7.3. Quality of the urban environment – carbon initiatives, grass cutting, a drive to improve air quality for residents, together with infrastructure to enable citizens to minimise their impact will enhance the desirability of moving to Rushmoor, enabled by the Regeneration programme.

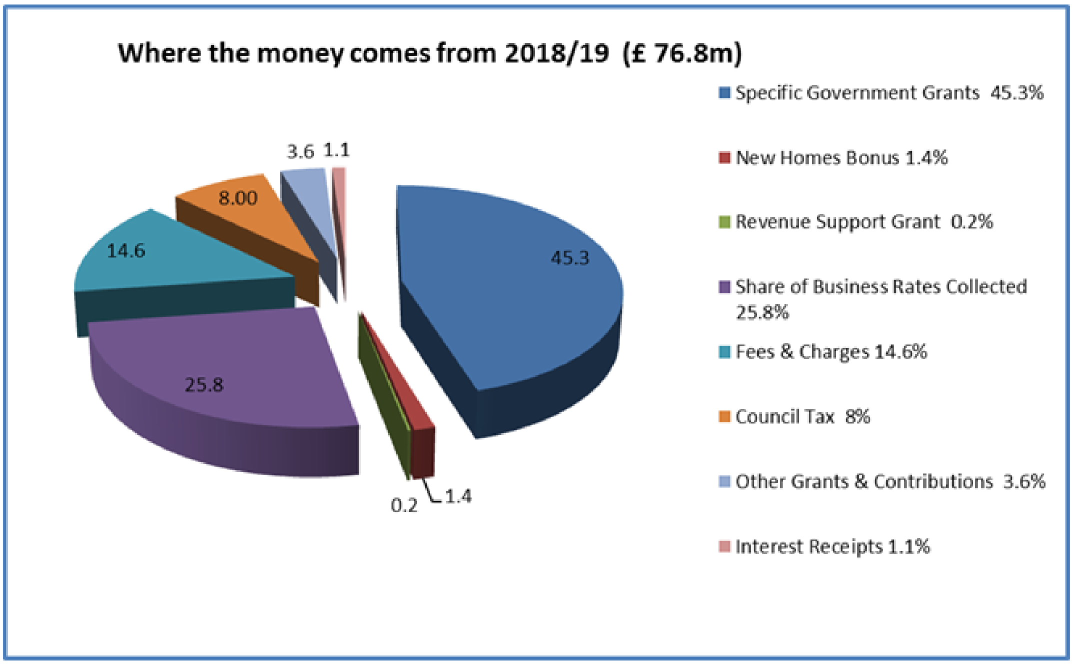
8. RESOURCES

8.1. **Local Government Funding**

Local Government funding has three major components; money received through Council Tax, money received through partial retention of locally generated Business

Rates and money redistributed by Government in the form of Revenue Support Grant (RSG) and specific grants. Councils also generate income through sales, fees and charges. The split of this funding in 2018-19 is shown in the pie chart below, with the figures and explanatory text at Appendix 3.

Table 6: Where the money comes from 2018-19



9. REVENUE STRATEGY AND BUDGET

9.1. The primary objective of the Medium Term Financial Strategy 2019-22 is to show a balanced three-year budget, in the context of increased risks. At present, this has not been achieved. Appendix 1 has an expanded version of Table 7.

Table 7: Budget 2018-22

Revenue Forecasts 2018/19-2021/22	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Total Net Budget	11,957	13,616	14,667	16,384
Total Funding	-11,275	-10,886	-11,585	-12,542
Funding Gap	682	2,730	3,082	3,842
Less Savings Proposals Appendix 2	-641	-2,559	-3,055	-3,090
Annual Funding Gap (surplus-/loss+)	**+41**	**+171**	**+27**	**+752**
Cumulative Funding Gap	+41	+212	+239	+992

9.2. The Medium Term Financial Forecast for revenue expenditure includes the day-to-day running costs of our services, any associated income, any corporate expenditure and income (such as interest receivable from investments or the costs of borrowing) and various funding streams such as grants, business rates and council tax.

9.3 The starting point for the forecast at Appendix 1 is the 1st quarter budget monitoring position for 2018/19 as reported to the 21st August 2018 Cabinet. After allowing for any significant one-off items of expenditure or income for the current year, the forecast takes into account major changes forecast for the period up to 2021/22.

9.4 The following summary of assumptions have been made in the forecast:

- Pay awards of 2% in 2019/20 and all periods following plus incremental progression within grades;
- An element of contractual inflation and growth in contract costs due to development in the Borough;
- Increased pension liability;
- An allowance for one-off and on-going variations in service;
- Interest costs at short-term rates of approximately 0.85% in 2018/19 and then increasing at 0.25% increments in-line with the estimated rate of Bank of England base rate increase and the associated Minimum Revenue Provision;
- General Fund balances held at a level commensurate with the risks the Council face;
- Assumed increase in business rates income of 3% per annum in 2018/19 and 3.5% thereafter;
- 2.99% increase in Council Tax year on year; and
- 1.5% growth in Council Tax base from 2019/20.

9.5. **General and Earmarked Reserves and provisions**

9.5.1 General reserves are an essential part of good financial management and are held to ensure that the Council can meet unforeseen expenditure and respond to risks and opportunities. The level of reserves held has been set at a limit consistent with the Council's risk profile and with the aim that Council Tax payer's contributions are not unnecessarily held in provisions or reserves. A separate report on the level of risk and possible level of General Fund Balance is planned for November.

Table 8: General Fund balances

Revenue Balances	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
General Fund Balance	2,000	1,929	1,901	1,901
Increase to GF Balance Q1 monitoring	99	28	0	0
Stability & Resilience Reserve	4,353	4,353	4,353	4,353
Estimated Balances at March 31st	6,452	6,310	6,254	6,254

Note: does not include any +/- arising from the Revenue Forecast T7

9.5.2 Earmarked Reserves support the Council's planning for future spending commitments. The Stability & Resilience Reserve is the major Earmarked Reserve. Further details of the anticipated use of Earmarked Reserves will be included in the Statement on the adequacy of Provisions and Reserves 2019-22, planned for November.

10. CAPITAL STRATEGY AND BUDGET

10.1 The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The key aims of the Capital Strategy are:

- How the Council identifies, programmes and prioritises capital requirements and proposals;
- Provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- Consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets;
- Identify the resources available for capital investment over the three-year planning period.

10.2 The capital programme for 2018-22 currently stands at £137.849m and is summarised at Appendix 4. It is important to highlight three strategic issues:

1. The programme consists of the existing schemes, and awaits the generation of new bids, for which a process is just starting;

2. The borrowing costs for commercial property initiatives are offset, in whole, by the income that appears in the savings proposals (Appendix 2). However, the capital spending of £17m currently shown in 2019-20, is a marker for showing the Council's intention, rather than a specific scheme. Consequently, no borrowing costs or income has been included in the MTFS, lacking a specific scheme. When a scheme or schemes is identified, the net income would help close the gap;
3. Regeneration projects budgets are similarly markers for showing the Council's intention. Consequently, no borrowing costs have been included in the MTFS, lacking a scheme details.

10.3 The bar charts below show the split of capital spend, by type of programme and years, (Table 9), and how it is funded (Table 10).

Table 9: Capital spend 2019-22 £000's

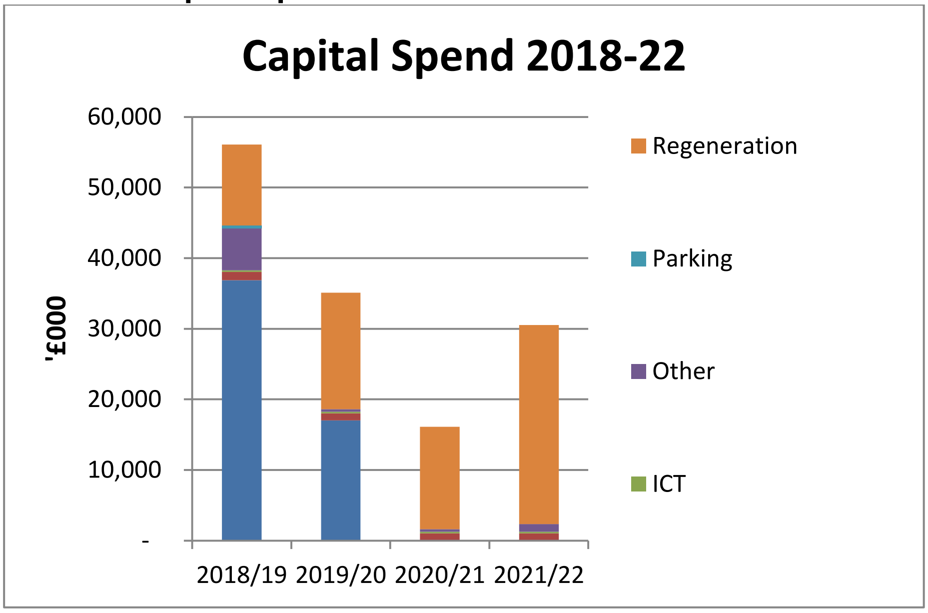
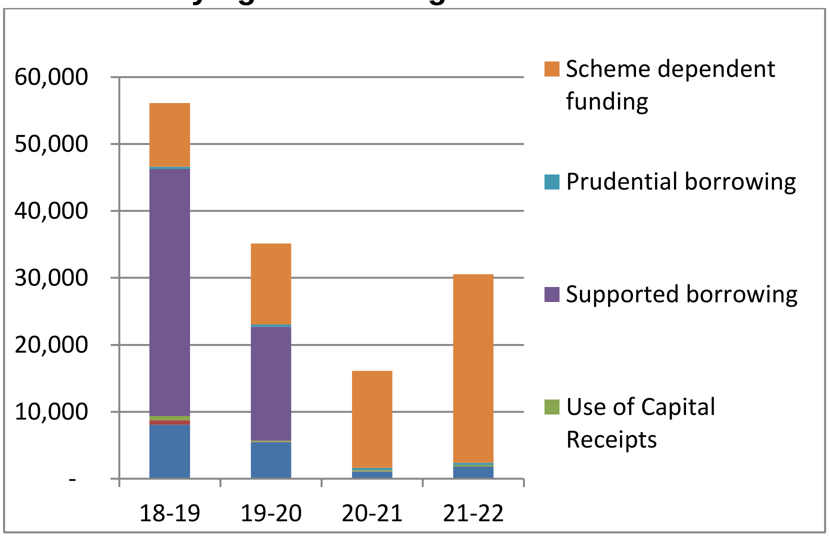


Table 10: Paying for the Programme 2019-22 £000's



10.3 The level of 'external borrowing', falls into three types. Two of them, are regarded as not producing a revenue cost to the Council – Scheme Dependant Funding and Supported Borrowing. The third, Prudential Borrowing amounts to some £1.4m over the four-year period. The costs of borrowing are reflected in the Medium Term Financial Forecast (MTFS) set out in this report and include both Minimum Revenue Provision and interest costs. Appendix 4 explores this issue.

10.5 The use of capital receipts is for ICT equipment/ hardware as these generally have the shortest estimated useful life to the Council of anything in the capital programme.

11. MEDIUM TERM FINANCIAL STRATEGY POST-BUDGET SETTING

11.1 After the budget is set at the Council's meeting in February, the information contained within the following planned reports will be amalgamated into the Medium Term Financial Strategy:

- Robustness of estimates 2019-22;
- Statement on the adequacy of provisions and reserves 2019-22;
- Revenue Budget 2019-22;
- Capital Programme 2019-22 (including Prudential Indicators); and
- Annual Investment and Treasury Strategy 2019-20

12. CONCLUSIONS

12.1. This budget round includes two major events, that increase the level of risk for the Council – they are set out in the comments of the Office of Budget Responsibility in paragraph 4.1.2, on the implications of leaving the European Union, and paragraphs 5.1-5.6 on the new Settlement regime from 2019-20. The progress on lessening the dependence on grants, by increasing income, is a major achievement in mitigating the risks the Council faces and needs to continue.

PETER TIMMINS
INTERIM EXECUTIVE HEAD OF FINANCE

APPENDIX No. 1

REVENUE FORECAST

Revenue Forecast 2018/19 - 2020/21	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net Revenue Budget	12,129	11,957	13,687	14,695
Revenue savings:	12129 incl			
Additional contract savings	MRP @ 807	-89	-48	-4
Cost Increases:				
Pay award/Increments		279	282	286
Inflation/contract growth		209	142	145
Pensions (increase in Super % + fixed sum)		175	155	162
Variations in Service & further supp ests in year		270	200	200
Interest cost		593	257	893
Repair and maintenance costs		250	0	0
Minimum Revenue Provision	-172	43	20	7
Total Cost Pressures	-172	1730	1008	1689
Transfers to/(from) Reserves:				
General Fund balance				
Stability & Resilience Reserve	0	0	0	0
Service Improvement Fund	0	-71	-28	0
Total Transfers to Usable Reserves	0	-71	-28	0
Adjusted Net Revenue Budget	11,957	13,616	14,667	16,384
<u>Funding:</u>				
Other grants	-161			
New Homes Bonus	-1,095	-1,009	-1,559	-2,137
Revenue Support Grant	-190	-	-	-
RBC share of rates collected	-19,797	-19,674	-20,047	-20,460
Tariff payable	15,709	16,058	17,593	17,945
Levy /(Safety net)	1,267	1,007	-	-
s31 Business Rates grants	-782	-798	-814	-830
Council Tax	-6,148	-6,370	-6,658	-6,960
Collection Fund (surplus)/deficit - CTax	-100	-100	-100	-100
- NNDR	22	-	-	-
Total Funding	-11,275	-10,886	-11,585	-12,542
Funding Gap	682	2,730	3,082	3,842
Saving Proposals	-641	-2,559	-3,055	-3,090
Annual Funding Gap	41	171	27	752
Cumulative Funding Gap (+cost)	+41	+212	+239	+992

APPENDIX No. 2

CATEGORISATION OF SAVINGS PROPOSALS

Meeting on-going savings requirement	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Budget figures	**£000**	**£000**	**£000**	**£000**
Efficiency Savings (Customer & Digital/ Service Transformation)	65	65	65	65
Organisational Redesign	49	389	689	689
Better Procurement & major contract renewal	-9	230	230	230
Service reviews	0	0	0	0
Income Generation				
Investment in Property - Commercial	368	1,605	1,766	1,766
Investment in Property - Residential		50	50	50
Investment - Other	144	161	161	161
Reviewing fees, charges and concessions	24	59	94	129
	641	**2,559**	**3,055**	**3,090**
Efficiency Savings (Customer & Digital/ Service Transformation)	**85**	**90**	**90**	**90**
Internet-based music system - Bereavement Services	35	35	35	35
Environmental Services Contract Hub	30	30	30	30
	65	**65**	**65**	**65**
Organisational Redesign	**17**	**389**	**689**	**689**
Benefits service (2 FTE released) & other minor adjustments	17	89	89	89
MARS (2nd round) & restructure	32	300	300	300
Rushmoor 2020			300	300
	49	**389**	**689**	**689**
Better Procurement & major contract renewal	**83**	**400**	**400**	**400**
Better Procurement	-9	30	30	30
Major contract renewal - Leisure		200	200	200
	-9	**230**	**230**	**230**
Service reviews				
	0	**0**	**0**	**0**
Income Generation				
Investment in Property - Commercial	**1456**	**2,038**	**2,619**	**2,619**
Investment in Commercial Property	368	1,605	1,766	1,766
	368	1,605	1,766	1,766
Investment in Property - Residential		**70**	**140**	**140**
Other Housing projects		50	50	50
	0	**50**	**50**	**50**
Other investments	**0**	**0**	**0**	**0**
FIL return	33	50	50	50
Planning fees	100	100	100	100
Planning Pre-application fees	11	11	11	11
	144	**161**	**161**	**161**
Reviewing fees, charges and concessions	24	59	94	129
Fees and Charges	24	59	94	129
	24	**59**	**94**	**129**
	641	2559	3055	3090

APPENDIX No. 3

SOURCES OF INCOME

The table below details the amount of income received in 2018-19. The dominant item is specific grants, the reimbursement of the cost of Housing Benefits.

Table: Sources of income

	%	£'000s	
SOURCES OF INCOME	1819		
Specific Government Grants 45.3%	45.3	-34,723	
New Homes Bonus 1.4%	1.4	-1,095	
Revenue Support Grant 0.2%	0.2	-190	
Share of Business Rates Collected 25.8%	25.8	-19,797	
Fees & Charges 14.6%	14.6	-11,216	
Council Tax 8%	8.00	-6,147	
Other Grants & Contributions 3.6%	3.6	-2,790	
Interest Receipts 1.1%	1.1	-846	
	100	-76,804	

In later iterations of this report, we will include estimates for 2019-20, for some grant allocations have not yet been confirmed.

The Government has not released information for 2020-22, and the figures for these years will be indicative only.

Specific grants (45%)
The dominant item in specific grants is the reimbursement of the cost of Housing Benefits.

Business Rates (26%)
The business rates retention scheme was introduced in April 2013. There is a direct link between local business rates growth and the amount of money councils have to spend on local people and local services.

Local authorities benefit from 50% (Rushmoor 40% and Hampshire County Council 9% and Hampshire Fire Authority 1%) of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The new scheme is designed to incentivise local authorities into stimulating growth.

The primary challenge is the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for these risks to be managed under the current arrangements. The general view of councils is that the risks outweigh the rewards available to councils through incentives to grow the local economy.

Rushmoor along with other local authorities in Hampshire and Hampshire County Council our proposing to make a bid to become a Business Rates Pilot in 2019/20.

Should the bid be successful, this will enable Rushmoor to keep a higher percentage of business rates income amounting to 60% and a higher percentage of growth within the pool.

Rushmoor along with other participating councils will also be exposed to a higher level of risk in 2019/20; as if the wider pool of business rates across Hampshire falls from its current position then the council could be liable to pick up a proportion of this cost.

It is recommended that the first use of any additional resources within the pilot is to fund the Minimum Funding Guarantee (i.e that no authority will be worse-off then they would be in the current retention scheme).

As part of the bid process, Rushmoor has calculated its likely losses in rates income during 2019/20, which amounts to £1.3m. This is around predicted rateable values for new premises being lower than expected and large office accommodation being demolished for housing.

Fees and Charges (14.6%)
Fees and charges total £11.2 million in 2018/19. Corporate fees and charges will be set in November 2018. Increases in fees are determined on two separate bases:

- Inflation
- Cost recovery

Inflation increases will be determined by RPIX published for September 20018. Cost recovery increases are determined by review the cost of the Council provided a service and are recalculate every year in-line with scheme requirements.

Council Tax (8.0%)
Council Tax is one source of locally raised income for many local authorities. This helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants and fees and charges.

Further details about Council Tax are included in Appendix 5.

Other Grants and Contributions (3.6%)
Other Grants and Contributions consist:

- Made up of S106 monies,
- Additional item income and
- Contributions from Earmarked Reserves.

New Homes Bonus (NHB) Funding (1.4%)
NHB is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid for each new home,

annually for 4 years. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

A large development in Aldershot, known as the Wellesley Development is to provide for a total of 3850 new domestic properties, of which 1347 will be affordable housing.

To date, 291 of these properties have been completed and it is estimated that the following number of new properties will be completed between the financial years 2019 – 2022 as illustrated below.

Table: New property completed in year

	2019/20	2020/21	2021/22
Private Housing	250	292	262
Affordable Housing	125	162	116
Total Housing	375	454	378

There are also a number of other developments on stream, which will see an increase in the number of new domestic properties. These are Thomson House, Farnborough Road, Farnborough, which will see 115 new properties, Ham and Blackbird Site, which will bring 62 new properties. All of which are to be expected to be completed within the new three years.

The table below shows actual allocations up to 2018/19 and forecast allocations from 2019/20 to 2021/22 based on estimated local housing growth but without change in growth baseline or reductions related to planning decisions.

Table: New Homes Bonus Forecast

New Homes Bonus Forecast	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Actual allocation 2015-16	295			
Actual allocation 2016-17	298	298		
Actual allocation 2017-18	162	162	162	
Forecast allocation 2018-19	339	339	339	339
Forecast allocation 2019-20		209	209	209
Forecast allocation 2020-21			848	848
Forecast allocation 2021-22				741
	1,094	**1,008**	**1,558**	**2,137**

Interest receipts (1.1%)

The Council holds a balanced £20m of investments in pool funds returning £835,000 in 2018/19. The forecast of interest receipts over the medium-term period is set out below:

Forecast Investment income 2018/19 - 2021/22	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
	835	781	781	781	3,180

Revenue Support Grant (RSG) (0.2%)
As the local share of business rates has been fixed until 2020, in order to manage reduction in the overall Local Government Departmental Expenditure Limits, any changes to the Settlement Funding Assessment are addressed through changes to the RSG amount.

The amount of funding we received is published as our Settlement Funding Assessment. As shown in the table below, we are no longer in receipt of RSG.

CHANGE IN LOCAL GOVERNMENT FINANCE SETTLEMENT					
	Revenue Support Grant	Business Rates Baseline	SFA Total	Change	Change
Year	£000	£000	£000	£000	%
2016/17	1,104	2,179	3,283		
2017/18	536	2,223	2,760	-523	-15.9%
2018/19	190	2,295	2,485	-275	-10.0%
2019/20	-198	2,343	2,145	-340	-13.7%
2019/21	0	2,317	2,317	173	8.0%
2019/22	0	2,364	2,364	46	2.0%

Commercial Activity
The Council has estimated £124.565 million over the medium-term for regeneration and commercial activity. However, the practice of investing in commercial property, particularly outside of a Council's own area, has received some negative publicity over recent months as more and more councils utilise their borrowing capabilities to secure long-term, reliable income streams. The 2017 edition of the Prudential Code tightens regulations in this area, and looks unfavourable at borrowing in advance on purely income generating activity. The estimated level of income generated from commercial activity is estimated to be £5.8 million over the medium-term as shown in the table below:

Table: Forecast Income Generation 2018/19-2021-22

Forecast Income Generation 2018-22	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000
Investment in Property - Commercial	368	1,605	1,766	1,766	5,504
Investment in Property - Residential	0	50	50	50	150
Investment - Other	33	50	50	50	183
Annual Total	**401**	**1,705**	**1,866**	**1,866**	**5,837**

Members are to note that commercial income streams are based on current estimated time table for completion of property and other investments. Income in 2018/19 contained in the MTFS has reduced due to slippage in the capital programme. Any additional slippage in the capital programme will have an adverse effect on income streams. To mitigate future slippage in the capital programme the Council is taking steps to build in increased accuracy of property completion timetables with the aid of clear markers. This is an ongoing process and updates on progress will be communicated to Members in future budget monitoring reports.

APPENDIX No. 4

CAPITAL PROGRAMME

Forecast Capital Programme 2018/19 – 2021/22	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Original capital programme published February 2018	28,718	35,123	16,093	30,543	110,477
					0
Slippage in capital budget	19,936				19,936
Supplementary capital expenditure approvals in 2018/19	7,436	-	-	-	7,436
					0
Potential future regeneration schemes	-				0
	56,090	35,123	16,093	30,543	137,849
Cut by areas					
Commercial Property Acquisitions/ Enhancements	36,883	17,000	0	0	53,883
Housing Grants/ Loans	1,185	1,033	1,033	1,033	4,284
ICT	223	208	208	208	847
Other	5,945	382	352	1,102	7,781
Parking	372	0	0	0	372
Regeneration	11,482	16,500	14,500	28,200	70,682
	56,090	35,123	16,093	30,543	137,849
Funded by:					
Grants and Contributions	8,088	5,448	1,048	1798	16,382
Revenue Contributions to Capital	648	30	30	30	738
Use of Capital Receipts	627	208	208	208	1,251
Supported borrowing	36,883	17,000			53,883
Scheme dependent funding	9,482	12,070	14,470	28,170	64,192
Prudential Borrowing	362	367	337	337	1,403
	56,090	35,123	16,093	30,543	137,849

The level of ‘external borrowing’, falls into three types. Two of them, are regarded as not producing a revenue cost to the Council:

- Scheme Dependant Funding – Regeneration projects budgets are markers for showing the Council’s intention, and partnership arrangements could result in no revenue costs to the Council. Consequently, no borrowing costs have been included in the MTFS, lacking a scheme details.

- Supported Borrowing. The borrowing costs for commercial property initiatives are offset, in whole, by the income that appears in the savings proposals (Appendix 2). However, the capital spending of £17m currently shown in 2019-20, is a marker for showing the Council’s intention, rather than a specific scheme. Consequently, no borrowing costs or income has been included in the MTFS, lacking a specific scheme. When a scheme or schemes is identified, the net income would help close the gap;

- The third, Prudential Borrowing, amounts to some £1.4m over the four-year period. The costs of borrowing are reflected in the Medium Term Financial Forecast (MTFS) set out in this report and include both Minimum Revenue Provision and interest costs.

The interest costs depicted are shown at short-term rates. At some point, the Council will needs to consider whether to lock in some of its borrowing to long-term, fixed rates. This will have considerable impact on the revenue budget in the short to medium term while avoiding the risk of higher rates in the future. The table below illustrates the difference in borrowing costs between current short-term and long-term borrowing rates.

Table: Forecast Borrowing Cost 2018/19-2021-22

Borrowing Costs	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Cost of borrowing at short term rates					
Minimum Revenue Provision	273	316	336	343	**1268**
Interest cost (short term)	262	929	1292	1592	**4075**
	535	1245	1628	1935	**5343**
Cost of borrowing at long term rates					
Minimum Revenue Provision	273	316	336	343	**1268**
Interest cost (short term)	837	1891	2427	2980	**8135**
	1110	2207	2763	3323	**9403**

Long-term decision-making is required as decisions made now may still be affecting the Council 50+ years into the future. For example, the capital forecast for the medium-term includes projects that will be completed in the final year of the forecast period. MRP does not commence until the year after a project is completed. So while the Council may borrow in the next few years to support Town Centre regeneration, Leisure provision and the development of various Housing projects, the effect of the MRP is post 2021/22 is not shown in the current forecast.

APPENDIX No. 5

COUNCIL TAX

Council Tax is the main source of locally raised income for many local authorities. This helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants and fees and charges.

Whilst this provides some certainty around the continuation of receipt of this level of funding, once specific grants are transferred into the LG DEL, there is no guarantee that we will receive the same amount, as the grants are no longer ring-fenced and we are no longer able to identify the funding as a separate amount.

Council Tax currently forms around 8% of our total income. If Councils increase their Council Tax by, or above, a certain pre-announced percentage then they have to arrange a referendum for taxpayers to approve the increase. This, alongside the availability of Council Tax Freeze Grants between 2011/12 and 2015/16 has contributed to keeping Council Tax levels relatively stable in recent years, with little growth, other than through growth of the tax base itself.

At Rushmoor, our share of the Band D Council Tax remained at £184.07 from 2010/11 to 2015/16. However, since the 2016/17 financial settlement included an assumption that all local authorities would raise their Council Tax within the restrictions of the referendum limits, thus building in this increase to the funding calculations. In addition, those authorities with social care responsibility were given the flexibility to raise their Council Tax by an additional 2% without triggering a referendum.

Rushmoor raised its Council Tax by 2.99% in 2018/19, the maximum permissible for Shire Districts without triggering a referendum. The forecast contained in the report includes future increases at the same rate with Council approval.

Over the medium-term period, raising Council Tax by 2.99 per annum generates £1,125,000 of additional income to spend on services when compared to holding Council Tax at its current level.

Table: Council Tax income forecast containing excluding base growth

	2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
COUNCIL TAX REQUIREMENT	6,148	6,331	6,521	6,716
Illustrative CT Levels (£)	198.49	204.42	210.54	216.83
CT Base	30,971.38	30,971.38	30,971.38	30,971.38
& CT Increase (%)		**2.99**	**2.99**	**2.99**
Additional income p/a		184	189	195
Additional income above base year 2018/19		184	373	568
Cumulative additional income		184	557	1,125
Annual Council Tax increase per Band D		5.93	6.11	6.30
Cumulative Council Tax increase per Band D from 2018/19 - 2021/22				**18.34**

Council Tax income will increase depending on the growth in the Council Tax Base (i.e. the number of properties paying Council Tax). This growth arises principally from new properties (or 'hereditaments') being built in the Borough. The Council Tax income each year has therefore been increased in line with estimates provided by the Council's Revenues team. Taking growth into account the total increase in Council Tax income over the medium-term period equates to £1,546,000, as shown below:

Table: Council Tax income forecast containing base growth

Figures including Tax base growth	2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
COUNCIL TAX REQUIREMENT	6,148	6,370	6,658	6,960
Illustrative CT Levels (£)	198.49	204.42	210.54	216.83
CT Base	30,971.38	31,158.77	31,626.15	32,100.54
& CT Increase (%)		**2.99**	**2.99**	**2.99**
Additional income p/a		222	289	302
Additional income above base year 2018/19		222	511	813
Cumulative additional income		222	733	1,546
Annual Council Tax increase per Band D		5.93	6.11	6.30
Cumulative Council Tax increase per Band D from 2018/19 - 2021/22				**18.34**

The number of properties, in each council tax band and in each district is converted into 'Band D' equivalent properties and this gives us our council tax base. The number of properties in each district is shown in the table below.

Valuation Band	Number of Properties
A	1,450
B	8,808
C	15,758
D	8,779
E	3,884
F	1,189
G	318
H	25
Total	40,211

The council tax base is then multiplied by the 'Band D' amount to calculate our council tax income (the precept). The precept generated in Rushmoor for each relevant band for the financial year 2018/19 is shown below.

2018/19 (Current Charge)	
Band	RBC Charge
A	132.33
B	154.38
C	176.44
D	**198.49**
E	242.60
F	286.71
G	330.82
H	396.98

If we were to assume a 2.99% increase for Council Tax a year, over the next three years, the Council Tax Precept for Rushmoor would be as follows:-

2019/20			2020/21			2021/22	
Band	RBC Charge		Band	RBC Charge		Band	RBC Charge
A	136.28		A	140.35		A	144.55
B	158.99		B	163.75		B	168.64
C	181.71		C	187.14		C	192.73
D	**204.42**		**D**	**210.53**		**D**	**216.82**
E	249.85		E	257.31		E	265.00
F	295.27		F	304.10		F	313.18
G	340.70		G	350.88		G	361.37
H	408.84		H	421.06		H	433.64

The council tax base is then multiplied by the 'Band D' amount to calculate our council tax income (the precept).

Council Tax summary	**2019/20**	**2020/21**	**2021/22**
Tax base	31,159	31,470	31,785
Increase in number of properties	375	454	378
Band D equivalent (2.99% rise)	204	211	217
Band D equivalent (0% rise)	198	198	198
CT base rate and Band D Rise (2.99%)	6,369,711	6,625,767	6,892,116
CT Base rise	6,184,704	6,246,551	6,309,017
Additional income from 2.99% rise	185,007	379,216	583,100

Council tax base has been provisionally calculated for 2019/20. Estimates CT base increase of 1% for 2020/21 and 2021/22 as an average of historic base rate increases since 08/09 (omitting 13/14 and 14/15 as outliers due to the introduction of CTSS)

Growth in 19/20 of 0.61% is the lowest growth rate since 12/13. The low level of growth in 2019/20 is due to a higher number of empty properties and lower than expected growth in property.

Increase in the number of new properties

At present, Rushmoor is undergoing significant economic development, which will see a high amount of new developments. In particular, the Wellesley Development will see 3850 new properties and 1347 being affordable housing.

Planning department keeps a trajectory for dwelling completions and have predicted the following number of new properties over the next three years:-

2019/20 = 976
2020/21 = 864
2021/22 = 777
Total = 2617

However, the projected completions figure for 2018/19 was 516 but the actual completions to date remain at 450.

The increase in new domestic developments will see a rise in our Council Tax Income and will also benefit under the new homes bonus scheme.

Premium Charges

Since 1 April 2013, Council Tax Legislation allows local authorities to charge a Premium Council Tax for long-term empty properties. The additional premium charge is 50%. In essence, we can charge 150% for long-term empty properties. For Council Tax Premium Charge purposes, a long-term property empty property is a property that has been unoccupied and unfurnished, and has been for a continuous period of 2 years or longer.

In the 2017 Budget, the Chancellor announced that local authorities could increase the premium charge from 50% to 100%, which will effectively double the amount of Council Tax a customer will be required to pay for a long-term empty property.

However, the legislation was not passed in time to charge 100% premium charge from 1 April 2018 and is currently expected to be available from 1 April 2019.

Table 1 shows the additional income raised since the Premium Charge as applied in 2013.

Year	Number of Accounts	Value of Premium Charge (£)	Amount Retained by RBC (£)	Number of Accounts in Arrears	Value of Arrears (£)
2013	131	50,637	6,482	2	2,105
2014	138	53,587	6,859	4	5,078
2015	80	35,980	4,605	4	4,589
2016	117	47,903	6,132	5	5,426
2017	165	63,389	8,114	5	6,212
Total	**631**	**251,497**	**32,192**	**20**	**23,409**
Average	**126**	**50,229.34**	**6,438.32**	**4**	**4,682**

Table 2 shows the additional income raised should we have charged 100% premium over this period

Year	Number of Accounts	Value of Premium Charge (£)	Amount Retained by RBC (£)	Number of Accounts in Arrears	Value of Arrears (£)
2013	**131**	**101,274.94**	**12,963.19**	**2**	**4,209**
2014	**138**	**107,174.22**	**13,718.30**	**4**	**10,156**
2015	**80**	**71,959.50**	**9,210.82**	**4**	**9,177**
2016	**117**	**95806.04**	**12,263.17**	**5**	**10,852**
2017	**165**	**126,778.68**	**16,227.67**	**5**	**12,424**
Total	**631**	**502,993.38**	**64,383.15**	**20**	**46,819**
Average	**126**	**100,598.68**	**12,876.63**	**4**	**9,363.75**

Impact on Residents

The number of properties affected by the change to the Premium Charge would be an average of 126 a year, since we introduced the empty charge. This is against 40,211 properties we currently have on our database.

However, all residents in the borough would benefit from these changes because:-

- Empty homes are looked as receiving many of the benefits of local facilities (police and fire) for less than the normal rate. Therefore, empty homes are not contributing as much to the local economy.
- Try to discourage empty homes to free up housing.
- Empty properties as well as serving no useful housing purpose often attract a disproportionate amount of public resources. Sometimes becoming an environmental nuisance or the target for anti-social behaviour and neighbour complaints.
- Additional income received can be used for services within Rushmoor.

Since we began looking to revise our premium charges, further information has been provided that suggests Government are going to make additional changes to the Premium charge which mean we can charge higher premium charges dependent on how long the property has been empty for. We are still awaiting further information and guidance on this.

What we know is that the Government is also publishing revised guidance for councils on the use of premiums to ensure the policy does not affect low-demand areas or hinder complex regeneration schemes.

The premium charges we believe we can apply our:-

Empty for:-

- >2 years = 100%
- > 5 years = 200%
- > 10 years = 300%

At present, we have 101 properties that are currently in receipt of a premium charge. This is broken down as follows:-

Number of years empty	Number of Properties
2 -5 Years	**59**
5 – 10 Years	**31**
Greater than 10 Years	**11**
Total	**101**

However, it is worth noting that Vivid Housing owns 63 properties that pay Premium charge. These properties are earmarked for demolition to make way for the next phase of the North Town development.

If we remove these 63 properties, the results look more like this.

Number of Years Empty	Number of Properties
2 – 5 Years	**19**
5 – 10 Years	**8**
Greater than 10 years	**11**
Total	**38**

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CABINET

COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY PORTFOLIO HOLDER

16th October 2018

KEY DECISION: NO

REPORT NO. LEG1810

REPAIR OF BOUNDARY WALL AT NO. 252 ASH ROAD, ALDERSHOT

SUMMARY AND RECOMMENDATIONS:

One of the Council's key investment properties is the Renault Garage in Ash Road, Aldershot. The investment provides a good return for the Council.

When the property was examined prior to purchase it was reported that the boundary wall would need repairing although not as quickly as is now considered necessary following a recent detailed survey. In order to preserve the Council's asset in the longer term, it is proposed to carry out full repair works immediately.

The Cabinet is recommended to approve a variation in the Capital Programme of up to £50,000 to enable the necessary repairs to be carried out to the boundary wall at No. 252 Ash Road, Aldershot.

1. INTRODUCTION

1.1 No. 252 Ash Road, Aldershot was acquired in 2018 for £1.7 million, and is currently tenanted to Style Motors, a Renault dealership. The property was acquired for investment purposes with a rate of return of 5.27%, which means that it will provide a significant return to the Council over time.

1.2 The purpose of this report is to advise Members of the proposed maintenance arrangements for the property and to make the necessary financial provision in the short term.

2. BACKGROUND

2.1 The property is on the edge of the Blackwater Way Industrial Estate and borders the Blackwater River on the eastern boundary.

2.2 Along the eastern boundary is a tall wall, which is the original wall from when the wider site was a gasworks.

2.3 When the Council were considering the purchase, the state of the wall was identified as being poor, and it was anticipated that a repair would take place over 4-5 years, with the sum of £10,000 a year that had been allowed in the calculations undertaken by the Council prior to the purchase, to keep the property in repair and maintenance, and for any other issues that arise.

2.4 Since the purchase, further survey work has been undertaken and there has been more movement in the wall than was expected, and as a result, the works need to be undertaken promptly as a matter of urgency.

2.5 It should also be noted that the tenant has recently refurbished the interior showroom to a very high standard, and will be refurbishing the exterior in November. This is showing a strong commitment to a site that is of strategic importance to Renault, due to it covering the wider area of both Aldershot and Guildford.

2.6 The Council has also been able to agree a re-gear of the existing lease. The tenant currently has 6 years until expiry, and has agreed to a new 20-year lease to supersede the existing one. As a result, the Council will have a significantly longer lease, securing the rental income and increasing the value. This can only occur once the boundary wall has been repaired.

3. DETAILS OF THE PROPOSAL

General

3.1 A range of options have been considered as to how best effect a repair to the wall that will last, while trying to be as economic as possible.

3.2 The proposal is to repair the wall in one go, at a cost of £50,000, which will involve demolishing the top half and rebuilding to the same height (the bottom half being in good repair), and strengthening the whole of the wall to lengthen the life by rendering it. This amount is based on a quotation from one of the Councils framework contractors. The final costs will be subject to a formal tender exercise.

3.3 This also includes reworking the drainage adjacent to the wall to reduce flooding (the property is situated in an area which is a flood risk), and a contingency for any unforeseen issues.

Alternative Options

3.4. Unfortunately, the condition of the wall and the risk implications are now such that there is no alternative solution. Of course, the property team is working with structural engineers to establish the most efficient and cost effective specifications and will be tendering the work in accordance with the Council's policies to provide value for money.

4. IMPLICATIONS

Risks

4.1 If the repair to the wall does not take place, there is a health and safety risk, as there is the possibility of the wall collapsing.

4.2 There are risks associated with effecting the repair, however, this can be mitigated by ensuring the selected contractor has all the appropriate risk assessments, method statements, and insurance in place, and that the tenant is properly consulted.

Legal Implications

4.3 Under the lease between the Council and the tenant, the Council is responsible for repairs to the wall.

Financial and Resource Implications

4.4 The boundary wall will cost up to £50,000 and completion is expected in October 2018. Life duration is expected to be 40 years. The Council will initially borrow the funds short-term to erect the wall during 2018/19 involving a revenue borrowing cost of £100 in that year. Utilising a long-term interest rate of 2.5% in 2019/20 and onwards produces the following revenue costs each financial year:

Minimum Revenue Provision	£1,250
Interest cost	£1,250
Total cost to revenue each financial year (from 2019/20 inclusive)	£2,500

5. CONCLUSIONS

5.1 This site at No. 252 Ash Road, Aldershot is an important investment property for the Council and the new lease with the Renault Garage shows a considerable commitment on their part. Whilst the repair work is necessary sooner than expected, it will protect the Council's interest, as the property owner, in the longer term.

BACKGROUND PAPERS

Exempt report to Cabinet on 30th May 2017, LEG1708

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