

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

CABINET

*to be held remotely on
Tuesday, 16th February, 2021 at 6.00 pm*

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader and Customer Experience and Improvement
Portfolio Holder

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr A.R. Newell, Democracy, Strategy and Partnerships Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democracy and
Community, 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 19th January, 2021 (copy attached).

2. **REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL** –
(Pages 7 - 50)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2106 (copy attached), which makes recommendations on
the budget, Council Tax Requirement and proposals for budget savings for 2021/22,
for submission to the Council on 25th February, 2021.

UPDATE AS AT 12TH FEBRUARY, 2021:

Tables 3, 4 and 5 in Report No. FIN2106 have been updated due to an incorrect brought forward balance being stated on:

- Stability and Resilience reserve
- Other earmarked reserves/Prior year grants

The updated opening balance does not impact on the proposed revenue budget or MTFs projections and it does not change the year in which the Stability and Resilience reserve is forecast to be depleted.

3. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2021/22** – (Pages 51 - 86)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2104 (copy attached), which seeks approval of the Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for the year 2021/22, for submission to the Council on 25th February, 2021.

4. **ANNUAL CAPITAL STRATEGY 2021/22** – (Pages 87 - 100)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2105 (copy attached), which seeks approval of the Council's Capital Strategy for the year 2021/22, for submission to the Council on 25th February, 2021.

5. **COUNCIL BUSINESS PLAN PROJECT PROGRESS REPORT OCTOBER - DECEMBER 2020/21** – (Pages 101 - 128)
(Cllr Adrian Newell, Democracy, Strategy and Partnerships Portfolio Holder)

To consider Report No. ACE2101 (copy attached), which provides details of progress made in delivering the priorities set out in the Council's Business Plan for the third quarter of 2020/21.

6. **ALDERSHOT MILITARY CONSERVATION AREA - ADOPTION** – (Pages 129 - 174)
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

To consider Report No. EPSH2104 (copy attached), which seeks agreement for an Aldershot Military Conservation Area.

CABINET

Meeting held remotely on Tuesday, 19th January, 2021 at 7.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader and Customer Experience and Improvement
Portfolio Holder

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr A.R. Newell, Democracy, Strategy and Partnerships Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

The Leader of the Council (Cllr D.E. Clifford) invited the Leader of the Labour Group (Cllr K. Dibble) to attend and contribute to the meeting.

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 February, 2021**.

43. MINUTES –

The Minutes of the meeting of the Cabinet held on 8th December, 2020 were confirmed.

44. RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP – (Cllr Paul Taylor, Chairman of the Budget Strategy Working Group)

The Cabinet considered Report No. FIN2101, which set out recommendations from the Council's Budget Strategy Working Group in respect of the strategic financial issues that the Group had worked on throughout the year.

Members were reminded that the Corporate Services Portfolio Holder (Cllr P.G. Taylor) was the Chairman of the Group, which had met four times during the current financial year and had one further meeting for the year, scheduled for March, 2021. The Group had considered many matters during the year, including the strategic options around the Council's revenue and capital budget setting for the forthcoming financial year and ongoing impact of Covid-19 on the Council's financial position. The Group had also been introduced to the Council's Service Manager – Commercial Services and had expressed strong support for the work to be carried out under that new role. The Group had formulated a number of recommendations to the Cabinet and details of these were set out in the Report.

The Cabinet expressed gratitude to the Budget Strategy Working Group for its work in producing these recommendations and also to the Rushmoor staff that had supported the local community in recent months.

The Cabinet NOTED the following recommendations from the Budget Strategy Working Group, that

- (i) a new robust, balanced and proportionate savings and income programme for 2022/23 and the medium term strategy period be developed, with the Budget Strategy Working Group acting as a consultee on its development, as set out in the Group's Terms of Reference at Appendix A of Report No. FIN2101;
- (ii) an emphasis be placed on the Council acting more commercially and increasing the level of net income from services;
- (iii) the option be taken to spread any Collection Fund deficit over a three-year period, as set out by the Government in revised regulations; and
- (iv) whilst being mindful of the impact on Rushmoor residents, Council Tax be increased by the maximum permissible level of £5, given the financial pressures facing the Council.

45. **SUPPORTING COMMUNITIES STRATEGY AND ACTION PLAN 2021/23 –**
(Cllr Adrian Newell, Democracy, Strategy and Partnerships Portfolio Holder)

The Cabinet considered Report No. DCS2101, which set out the Council's Supporting Communities Strategy and Action Plan 2021/23.

Members were informed that, whilst Rushmoor was, generally, a prosperous, safe and well-connected place, there were pockets of deprivation that the Council was seeking to address. In this respect, the Council had been working with partner organisations to develop a new, collaborative approach to addressing the challenges facing local communities. The Strategy and Action Plan had been developed to build stronger and more resilient communities over the three years to follow by maximising opportunities and reducing inequalities faced by residents in the Borough, especially in the most deprived areas. It was confirmed that the approach had received cross-party support and it was the Council's intention to work together to agree priorities to deliver the Strategy and Action Plan.

The Cabinet RESOLVED that

- (i) the Supporting Communities Strategy and Action Plan 2021/23, as set out in Report No. DCS2101, be approved; and
- (ii) the proposed expenditure, as set out in paragraph 4 of the Report, for utilising the earmarked reserve fund and the process for the allocation of the funding be approved.

46. **PEOPLE STRATEGY 2020-23 –**
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. HROD2101, which set out the Council's People Strategy 2020-23.

Members were informed that the People Strategy had been developed to support the Council in developing a workforce that was agile, flexible and able to meet the significant and changing expectations of customers in relation to public service. The 2019 Peer Challenge Report had recognised that this was important to the Council in delivering its business plan and the ongoing Covid-19 pandemic had demonstrated further the need for the Council's services to be flexible, with many staff being redeployed to priority areas as part of the Council's local response. The Report set out details of the work carried out to devise the Strategy and Year 1 Action Plan. The Strategy would allow the Council to further adapt and change to face the challenges of the years to follow.

The Cabinet was supportive of the Strategy and felt it would assist the Council in continuing to deliver high quality services to local residents.

The Cabinet RESOLVED that the People Strategy 2020-23, as set out in Report No. HROD2101, be approved.

47. **REVIEW OF CHARGING FOR PRE-APPLICATION ADVICE –**
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH2101, which set out proposed changes to the Council's level of charges for pre-application planning advice and proposed further amendments to the scheme.

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 in February, 2017. Recently, an exercise had been carried out to benchmark the levels of charges levied by local authorities across Hampshire. This had shown that Rushmoor's charges were in need of review to place them in line with those of other 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. In response to a question, it was confirmed that charities would qualify for minimum charges for any advice given.

The Cabinet RESOLVED that

- (i) the continuation of the practice of charging for pre-application planning discussions be approved;
- (ii) with effect from 1st April, 2021, the level of charges be approved as follows:
 - £70 for small householder developments, domestic outbuildings and advertisements
 - £120 for two storey/complex and large householder extensions
 - £240 for changes of use
 - £405 for single house schemes and simple minor developments
 - £860 for small major schemes and medium sized housing developments

- £1,340 plus £195 per additional meeting for major developments;
- (iii) exemptions from pre-application charging in respect of Wellesley/Grainger PLC schemes in relation to the Aldershot Urban Extension, the Council's own developments and Hampshire County Council's schemes relating to the provision of public services in the Borough be approved; and
- (iv) the application of the minimum householder/minor development charge of £70 for requests for pre-application advice, irrespective of the proposal type, from community/charity groups be approved, subject to 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.

48. **ALDERSHOT REGENERATION UPDATE - UNION STREET, ALDERSHOT –**
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. RP2101, which set out an update in relation to the redevelopment of the Union Street, Aldershot regeneration site.

Members were reminded that the planning application for this site had been approved by the Council's Development Management Committee on 24th June, 2020. Details of the agreed scheme were set out in the Report. It was reported that Hill Partnerships Limited has been identified as the preferred partner to oversee the demolition works at the site. It was anticipated that demolition work would commence by the end of January, 2021. The Cabinet heard that the Council had engaged Grant Thornton UK LLP and, more recently, Lambert Smith Hampton to support the due diligence process. It was now proposed that a Cabinet Working Group should be established on a task and finish basis to evaluate the due diligence outputs and prepare a Cabinet report and recommendation, to be agreed by the Council in due course.

The Cabinet RESOLVED that

- i) the update on the demolition works being undertaken and the next steps with the development be noted;
- ii) the update on the due diligence process being undertaken in respect of the delivery of the consented scheme be noted; and
- iii) the establishment of a Cabinet Working Group, consisting of the Major Projects and Property Portfolio Holder (Cllr M.J. Tennant), the Corporate Services Portfolio Holder (Cllr P.G. Taylor) and the Leader of the Labour Group (Cllr K. Dibble), to work alongside officers on the due diligence being undertaken associated with the delivery of the consented scheme, be approved.

The Meeting closed at 7.48 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

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CABINET

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES
PORTFOLIO HOLDER
REPORT NO. FIN2106

16 FEBRUARY 2021

KEY DECISION: ~~YES~~/NO**REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL****SUMMARY AND RECOMMENDATIONS:**

This report contains recommendations for the budget, Council Tax Requirement and proposals for budget savings for 2021/22. The report includes:

- Appendix 1: Medium Term Financial Strategy
- Appendix 2: List of additional items for inclusion in the budget
- Appendix 3: Capital Programme
- Appendix 4: Strategy for the Flexible Use of Capital Receipts

Cabinet are requested to consider and approve for recommendation to Council:

- i) the Medium-Term Financial Strategy set out in Appendix 1
- ii) the additional items for inclusion in the budget, set out in Appendix 2
- iii) the Council Tax Requirement of £6,927,715 for this Council
- iv) the Council Tax level for Rushmoor Borough Council's purposes of £214.42 for a Band D property in 2021/22 (an increase of £5)
- v) the Capital Programme, set out in Appendix 3
- vi) the Strategy for the Flexible use of Capital Receipts set out in Appendix 4
- vii) the balances and reserves position including proposed reserve transfers for 2021/22 as set out in Section 5 of the report

Cabinet are recommended to approve delegation to the Council's Section 151 officer, in consultation with the Leader of the Council and the Portfolio Holder for Corporate Services:

- i) for any changes to the General Fund Summary stemming from the Local Government Finance Settlement and the Business Rates Retention Scheme estimates

1. INTRODUCTION

- 1.1 This report sets out the key factors taken into account in preparing the budget plans for Rushmoor Borough Council for 2021/22.

2. BACKGROUND

- 2.1 Cabinet approved the budget framework set out in the Budget Strategy 2021/22 report on 13 October 2020 (FIN2029). Cabinet considered the prospects for the Medium-Term Financial Strategy at their meeting on 08 December 2020 (FIN2023).

- 2.2 The budget and MTFs have been prepared in the context of ongoing pressure on the Council's finances. The impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.

Local Government Finance Settlement 2021/22

- 2.3 The provisional settlement for 2021/22 was announced on 17 December 2020 and given the impact from Covid-19 is in effect a 'roll-over' settlement from 2020/21. It is worth stressing that the settlement only covers the forthcoming financial year. Significant changes to local government finance have been delayed for a further year but are expected to take effect from April 2022.

- 2.4 The government's consultation on the settlement closed on 16 January 2021 with the final settlement confirmed on 04 February 2021 (subject to Parliamentary debate on 10 February 2021). This report has been prepared based on figures contained within the provisional local government finance settlement and are not expected to change.

- 2.5 The provisional settlement largely confirmed the funding expectations for local government outlined in the Spending Review 2020

- Confirmation of the Council Tax referendum principle of 2% or £5 (whichever is higher) for shire districts and boroughs
- Tax Loss Scheme for Council Tax and Business Rates losses and confirmation of the ability to spread collection fund deficits over a 3-year period
- New Homes Bonus scheme continues for a further year
- Rural Services Delivery Grant maintained
- Social Care Funding
- Lower Tier Services Grant
- Details on the allocation of Covid-19 funding for 2021/22
- Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)

- 2.6 The MTFs continues to provide a risk-based General Fund balance of £2m being the minimum expected level for total working balances.

3. 2020/21 BUDGET

- 3.1 The original net revenue budget for 2020/21 was £11.290m. Cabinet have considered the forecast outturn position during the year with the last forecast outturn position of £14.492m reported in the Revenue Budget Monitoring Q2 2020/21 report (FIN2031) – an adverse variation of £2.841m
- 3.2 The main variations across service budgets (£2.605m) are due to a shortfall in income from Sales, Fees & Charges. Covid-19 has had a significant impact with material variations on both on-street and off-street car parking income, planning fees, and income from events and performances at Princes Hall.
- 3.3 Non-Service variations (£0.236m) include a net variation on Treasury Management activities (£0.198m), C19 Risk allowance (£0.5m), and an estimated shortfall in the level of savings that will be achieved in year (£0.578m). These variations are in part offset by changes to earmarked reserve transfers to mitigate the impact on the revenue budget (£1.040m).
- 3.4 The Council has received £1.478m of Covid funding to support expenditure pressures and £0.426m in respect of the MHCLG Sales, Fees and Charges scheme (income loss). A second claim has been submitted for the period August to November 2020 with a claim for the final period (December 2020 to March 2021) due to be made in April 2021. The level of additional funding received from the Government in respect of Covid-19 has helped to mitigate the adverse impact on the Council's revenue budget.
- 3.5 The estimates for the current year have been revised and include changes arising from the impact of Covid-19 on service income and expenditure as set out in summary below. The revised net budget for 2020/21 is £13.260m.
- **Corporate Services** – Salary savings in the Revenues and Benefits service due to the planned reduction in staff (impact of Universal Credit on workloads), increased broker fees associated with treasury management activity, budget changes in Legal Services and Land Charges as reported through the Q1 and Q2 budget monitoring reports, reduced budget requirement due to delayed local elections (£87k budget underspend transferred to earmarked reserve as required in 2021/22)
 - **Customer Experience & Improvement** – Additional expenditure budget arising from Covid-19 related IT spend, as reported in Q1 & Q2 budget monitoring reports.
 - **Major Projects & Property** – a number of property-related budgets have been updated to reflect reduced expenditure on business rates and reduced rental income expectations. As reported in the Q1 and Q2 budget monitoring reports, rental income shortfall is to be funded from the Commercial Property reserve.
 - **Operational Services** – Virement of salary budgets between Operational Services in relation to the impact of Covid-19 on service costs, reduced Car Park income expectations (On-Street and Off-Street), revised estimates concerning Waste & Recycling income and expenditure (no material impact on the 2020/21 budget).

- **Planning & Economy** – Budget changes broadly in-line with the variations reported in the Q1 and Q2 budget monitoring report (Princes Hall net income shortfall, Development Management (Planning) fees, Building Control Fees).
- 3.6 The summary above excludes the impact of changes in Support Service charges, Capital Charges and Pension Accounting charges. A detailed analysis of the budget changes will be shown in the Council's 2021/22 Budget Book which will be available towards the end of February.
- 3.7 Whilst the revised budget indicates a reduced requirement to utilise the Stability and Resilience reserve a degree of caution should be exercised. Members may recall that the Q2 budget monitoring position highlighted the risk and uncertainty inherent in the outturn forecast and included a £0.500m risk allowance. These risks and uncertainties remain and will continue to impact on the Council's financial position.
- 3.8 As reported in the Q2 Budget Monitoring report, it is worth noting that a number of other reserves are utilised to support the General Fund Revenue budget. Total reserve deployment to support the General Fund Revenue Budget is forecast to be £0.521m (£0.608m in Q2) and will need to be kept under review over the remainder of the financial year.

4. MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2024/25

- 4.1 As stated earlier in the report, budget and MTFs have been prepared in the context of ongoing pressure on the Council's finances. The impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.
- 4.2 Portfolio budgets have been updated for 2021/22, along with forecasts of Corporate Items. Inflationary provision has been included as a separate item and assumes:
- Pay inflation of 2% and an assumption of the impact of pay increments
 - Price inflation on major contracts, utilities and IT costs (in-line with the approach set out in the Budget Strategy)
- 4.3 Whilst the Chancellor announced a pay freeze for public sector workers, the impact on Local Government Pay is unclear. Inflationary provision of 2% has been applied to the MTFs in-line with the CPI inflation target. Should the position on Local Government Pay follow the Government's expectation, salary budgets and pay inflation provision would be reduced.
- 4.4 Income expectations have been reviewed with significant reduced income budgets for the Council's Car Parks and Princes Hall. A summary of the key budget changes is set out below.
- 4.5 The estimates for 2021/22 include changes arising from the impact of Covid-19 on service income and expenditure as set out in summary below. The proposed net expenditure budget across the portfolios for 2021/22 is £9.612m, a net increase of £0.859m over the Original Budget for 2020/21 (£8.753m).

- **Corporate Services** – Additional budget for delayed local elections due to take place in May 2021 (£87k funded from earmarked reserve), reduction in the budget support grants to voluntary organisations following cessation of Farnborough & Cove War Memorial Hospital Trust (£82k saving), additional cost of brokers fees associated with treasury management activity (£46k), Salary savings in the Revenues and Benefits service due to the planned reduction in staff from impact of Universal Credit on workloads (£36k)
- **Customer Experience & Improvement** – No material changes to service budgets other than pay inflation applied to salary budgets.
- **Major Projects & Property** – Rental income from commercial property (Voyager House, M&S) previously held as a savings plan item now reflected in service budgets (£925k income now shown against service budgets).
- **Operational Services** – Revised income forecasts for Car Parks (£498k reduced income from car park charges, fees and penalty charges), inflationary uplift on the Grounds Maintenance/Waste & Recycling contract, changes to recycling credit income (£95k reduced income)
- **Planning & Economy** – Princes Hall net budget change required to reflect gradual reopening of the venue (£279k reduced income, £116k reduced expenditure), net reduction in Development Management (Planning) fees expectation (£62k reduced income)

4.6 As with the Revised Estimates for 2020/21, the summary above excludes the impact of changes in Support Service charges, Capital Charges and Pension Accounting charges. A detailed analysis of the budget changes will be shown in the Council's 2021/22 Budget Book which will be available towards the end of February.

Additional items/Budget Pressures

- 4.7 In view of the on-going financial constraints in which the Council is operating, a degree of restraint has been exercised by services to stay within existing budget limits. However, a number of additional items are recommended for inclusion in the budget. These were scrutinised carefully by both the Executive Leadership Team (ELT) and Portfolio holders as part of the budget setting process in light of the financial constraints facing the Council.
- 4.8 These requests for both one-off items of expenditure in 2021/22 and on-going expenditure are detailed in Appendix 2, with a summary below of the key priority areas.

Table 1 – Additional Items Summary

Additional Item	Type	Summary	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
IT Pressures	VIS + NR	Replacement of Council telephone system with a cloud-based system to improve business continuity, software licence costs for CRM and Property systems, Cyber-security enhancements, essential application upgrades and support costs.	300	237	232	232
Property & Major Works Programme - Feasibility and Project Management	VIS	<u>Indicative</u> costs of feasibility studies and project management office costs associated with emerging Property & Major Works Programme. Further work needed to firm up costs and sequencing (funded from earmarked reserve)	100	100	100	0
Waste & Recycling	NR	Cost increase in waste and recycling collection/disposal as advised by the County Council in September 2020	100			
Waste & Recycling (Food Waste changes)	VIS	Estimated revenue costs of implementing food waste collection in advance of wider waste & recycling service changes. Indication costs would be eligible for New Burdens funding when measures in the Environment Bill take effect	200	50		
Service Expenditure (Contingency)	VIS	Contingency budget to be allocated for service expenditure pressures arising from Covid-19 response and recovery	300	200	200	
Other	NR	Radio Equipment for duty officers on-call	5			
TOTAL Additional Items			1,005	587	532	232
	VIS	Variations in Service	900	587	532	232
	NR	Non-Recurring	105	0	0	0

VIS = Variation in Service (multi-year pressure)

NR = Non-recurring (single year pressure)

- 4.9 £0.250m has been included within the additional items to facilitate the introduction of Food Waste collection during 2021/22 and 2022/23. This funding will allow for Food Waste containers to be purchased and for other costs associated with the introduction of the service (e.g., marketing and communications).
- 4.10 The Council will need to consider the wider Waste and Recycling service and how the introduction of Food Waste collection impacts on the other waste streams. The broad budgetary assumption made in the MTFS is that changes to Waste and Recycling will be cost neutral.
- 4.11 In addition to the items outlined above, a budget proposal is included in the 2021/22 revenue budget of £100k to provide funding for Covid support and recovery and will complement the Council's Support Communities Strategy and Action Plan 2021/23 approved by Cabinet in January 2021. It is proposed that this amount is transferred into the Deprivation Strategy Earmarked Reserve and that a detailed spending plan is considered by members before the additional funding is allocated.
- 4.12 Other items of supplementary expenditure may be agreed during 2021/22 as the Council reacts to changing conditions or levels of demand, for example. Each item will be reviewed individually as part of the normal in-year process through CMT and Cabinet, in line with current financial regulations. However, given the financial pressures the Council faces over the MTFS period, it is anticipated that any such requests will be reviewed in the context of ongoing need for budgetary control and will be restricted to essential expenditure and agreed priority areas only.

Non-Service Expenditure and Income

- 4.13 Corporate Items covers the non-service revenue expenditure and income that is included in the Council's General Fund. Non-Service budgets for 2021/22 of £2.409m are proposed and increase to £3.528m, £4.177m and £4.529m over the MTFS period. Specific budgets covering the Council's Treasury Management activities and planned reserve transfers are set out below in more detail.

Treasury Management and PWLB Lending Terms

- 4.14 The MTFS includes an updated estimate of the additional cost of borrowing as interest rates increase. As set out in the Treasury Management Strategy, external short-term borrowing has been taken to finance the capital programme. This takes advantage of current low interest rates, with a planned move to longer-term external borrowing as interest rate rises are expected over the medium term. Advice will be sought from the Council's Treasury Management advisors Arlingclose, in terms of timing, maturity profile and debt composition.
- 4.15 The Government published their response to the Public Works Loan Board: future lending terms consultation that was open until 31 July 2020. The response was published alongside the wider Spending Review announced on 25 November 2020.
- 4.16 The new lending terms take effect for all PWLB loans from 26 November 2020. The lending terms are more restrictive and will require the Council to review its capital expenditure and financing plans. However, the Government will, as a result of the reforms, lower the interest rate of PWLB lending by 100bps (1.00%) for all new loans arranged from 26 November 2020.
- 4.17 In summary, the Government's new lending terms are designed to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield. The Government's intention for PWLB loans is that they should be used to pursue service delivery, housing, and regeneration activities.
- 4.18 The main changes to the ending terms require local authorities, through their Section 151 Officers, to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB
- 4.19 The new lending terms reflect the Government's view that local authorities should not undertake capital expenditure on investments assets that will be held primarily for yield but should be used for the following four broad areas of activity that are supported:
- **Service Spending** is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services
 - **Housing** is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from 'service spending' because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects

- **Regeneration Projects** addressing economic or social market failure; generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value
 - **Preventative Action** where intervention prevents a negative outcome such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease
- 4.20 As a result of these changes, the Capital Strategy, Capital Programme and the Treasury Management Strategy and Annual Non-Treasury Investment Strategy have been amended to explicitly remove any capital expenditure activity that is not compliant with the new lending terms.
- 4.21 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year. These consultations are due to close in early April 2021.
- 4.22 **Prudential Code** – The key area being addressed is the statement 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”. CIPFA is interested whether this statement and its implications are clearly understood. There is a proposal to change “purely” to “primarily” and to provide some additional guidance
- 4.23 Other proposed changes include:
- commercial investment should be proportionate to budgets
 - capital expenditure should be sustainable in accordance with the corporate objectives of the
 - authority, i.e., recognising climate, diversity and innovation
 - expanding the capital strategy section on commercial activities
 - replacing “gross debt and the CFR” with the liability benchmark as a graphical prudential indicator (CFR being the Capital Financing Requirement defined as the measure of the Council's underlying need to borrow. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue)
 - new prudential indicator: external debt to net revenue stream ratio
 - new prudential indicator: income from commercial and service investments to net revenue stream
- 4.24 **Treasury Management Code** – In addition to increased investment in commercial property, CIPFA believes that the TM Code must be updated to address “advances brought forward by issues such as the Markets in Financial Instruments Directive, known as MIFID II, and the increasing complexity of transactions in the sector.”
- 4.25 Proposed changes include:
- requiring job specifications and “knowledge and skills” schedules for treasury management roles to be included in TMP 10 (Training and Qualifications) and

formally reviewed (TMP being Treasury Management Practices which set out the way the organisation will seek to achieve policies and objectives set out in the Treasury Management Strategy)

- MiFID II professional clients recommended to have a specific treasury management committee (MiFID II being EU legislation “Markets in Financial Instruments Directive” and sets out a regulatory framework for local authority treasury management)
- a new TMP 13 on Environmental, Social and Governance Risk Management
- deleting the indicator on the maturity structure of borrowing as a consequence of including the liability benchmark

- 4.26 As set out in the Annual Treasury Management Strategy, the Council’s borrowing strategy is *“to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required”*.
- 4.27 The MTFS includes estimates of the borrowing costs arising from the financing of the capital programme.
- 4.28 Arlingclose expect the Bank base rate to remain at the current 0.10% for some time. Their projection (central case) for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- 4.29 The Treasury Management Strategy sets out the Council’s policy on Minimum Revenue Provision (MRP) and is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans).
- 4.30 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £2.457m is to be charged in 2021/22 and is forecast to increase to £3.457m in 2024/25.
- 4.31 Estimates of interest receivable on other investments remain positive but with some uncertainty around the continued impact from Covid-19 on the Council’s longer-term investment returns. The Council continues to hold up to £25m in Pooled Funds, which are performing well. Investment income of £1.090m has been forecast for 2021/22 recognising volatility in the Pooled Fund income projections during the current financial year. The MTFS forecast assumes a return to pre-Covid income levels from 2023/24. This will be kept under review in terms of the overall cash position of the authority and the impact of forecast interest rate rises.

5. BALANCED BUDGET REQUIREMENT

- 5.1 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFS, the Council’s core financial position is a balanced budget next year (after utilisation of the Stability and Resilience Reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap of £3.134m in 2022/23, rising to £4.056m in 2023/24 and is forecast to increase further to £4.177m in 2024/25.

- 5.2 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years.
- 5.3 The level of savings set out in the MTFs does not meet the funding gap identified. The Stability and Resilience Reserve is being used to balance the budget in the short-term and will be depleted over the MTFs period leading to a deficit position during 2023/24.
- 5.4 The CIPFA Financial Management Code (FM Code) was published in 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2021/22.
- 5.5 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances
- 5.6 A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings to that they are identified, agreed, planned, implemented and achieved. This will help to ensure the funding gap identified within the MTFs is addressed in a planned and managed way.

Savings Programme

- 5.7 The Council is developing a revised approach to its Savings Programme that seeks to address the funding gap identified in the MTFs. The programme will include a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. This new approach will be approved during March 2021, to then be implemented to cover the new MTFs period.
- 5.8 As reported to Cabinet in January 2021 (FIN2101), the key recommendation from the Budget Strategy Working Group (BSWG) was *“a new robust, balanced and proportionate savings and income programme for 2022/23 and the medium-term strategy period be developed, with the Budget Strategy Working Group acting as a consultee on its development, as set out in the Group’s Terms of Reference”*
- 5.9 Whilst the focus of the revised Savings Programme will be on ensuring the funding gap over the MTFs period can be addressed, in-year savings opportunities will be reviewed and implemented to reduce the reliance on the Stability and Resilience reserve in 2021/22.
- 5.10 The revised Savings Programme approach will look at the design principles required to achieve a robust and balanced and proportionate plan. It is expected that any Savings Programme will need to include a mix of cost savings and income generation. The programme will need to consider service delivery options, organisational redesign programmes such as ICE, improved procurement

outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.

5.11 The table below shows the savings that have been included in the MTFs. A number of items from the February 2020 Savings Plan have been updated and are now included with service revenue budgets. Material savings included in service budgets are highlighted in the first section of the table, but this is not an exhaustive list.

5.12 However, due to changes in the PWLB lending terms and the impact of Covid, a number of savings previously included in the Savings Plan are not possible to progress or are uncertain in terms of scale, scope and delivery timeframe. Therefore, it is considered prudent to not include these within the MTFs and will be considered in the revised Savings Programme in due course.

Table 2 – Savings update (February 2021)

Item	Updated Assumptions (February 2021)
Budget Savings included in Net Portfolio Expenditure	
Grants to Voluntary Organisation	Farnborough & Cove War Memorial Hospital Trust - Grant no longer required
Commercial Property Income (M&S)	Was included in Savings Plan (i.e. not new savings)
Commercial Property Income (Voyager House)	Was included in Savings Plan (i.e. not new savings)
Savings Plan (2020 items)	
Reversal of 2019/20 Additional Items	2021/22 will be incorporated into revised Savings Programme (SP)
Additional Portfolio Savings (May 2020)	Uncertain delivery - Removed
Procurement Savings (Printing)	To be allocated in 2021/22
ICE Programme (Workstreams 1-3)	2020/21 included under Salaries monitoring. 2021/22 will be incorporated into revised S
ICE Programme (Workstream 4)	Uncertain delivery - Incorporate in revised SP
Commercial Property - Rental Income expectations	Rental income included in Service budgets. Future year projections removed
Enhanced Commercial Property	Uncertain delivery - Removed
Major contracts	Uncertain delivery - Removed
Service Loans to Housing Company	Income projection updated in January 2021 to reflect planned activity
Salaries monitoring	Reviewed

Item	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Material Savings included in Net Portfolio Expenditure				
Grants to Voluntary Organisation	(82)	(82)	(82)	(82)
Commercial Property Income (M&S)	(625)	(625)	(625)	(625)
Commercial Property Income (Voyager House)	(300)	(300)	(300)	(300)
Savings Plan (2020 items)				
Reversal of 2019/20 Additional Items				
Additional Portfolio Savings (May 2020)				
Procurement Savings (Printing)	(20)	(20)	(20)	(20)
ICE Programme (Workstreams 1-3)				
ICE Programme (Workstream 4)				
Commercial Property - Rental Income expectations				
Enhanced Commercial Property				
Major contracts				
Service Loans to Housing Company	(186)	(535)	(681)	(681)
Salaries monitoring	(50)	(50)	(50)	(50)
	(1,263)	(1,612)	(1,758)	(1,758)

Notes:

- * The savings figures included in the table for Service Loans represent the Gross saving. Service loans to the Housing Company will result in a cost to the Council, although there is a net benefit gained from the margin on lending. This cost of borrowing has been provided within the Corporate items section of the MTFS.

Balances and Reserves

- 5.13 The Council's financial position is supported by its balances and reserves.
- 5.14 The Budget Strategy set a target for the General Fund balance to be maintained at a minimum of £2m, with the Stability and Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the funding gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is replenished.
- 5.15 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 5.16 Members will recall that as part of the 2019/20 budget setting process a Commercial Reserve was established to provide a source of funding to mitigate potential fluctuations commercial property income. The level of the reserve will need to reflect the financial risks associated with the commercial property portfolio and the impact from Covid-19 on income. The MTFS forecast assumes that £0.250m of the reserve will be utilised in 2020/21 and 2021/22 to mitigate the impact of reduced rental income expectations.
- 5.17 Whilst the Council has been able to collect rental income due during 2020/21, there are a small number of tenants where alternative payment arrangements have been agreed. Given the current economic climate, there is a risk that tenants may not be able to meet rental demands or the Council will face periods of vacancy with its properties.
- 5.18 As reported to Cabinet in June 2020, a Treasury Management Reserve was established in recognition of the expected delay in interest receipts from Farnborough International (FIN2017). The level of reserve transfer required in 2020/21 and 2021/22 is estimated to be £0.180m per year. It is proposed a further £0.220m is utilised to support the General Fund budget in 2022/23 to provide mitigation on Treasury Investment Income.
- 5.19 The Revenue Budget Monitoring Q2 2020/21 (FIN2031) to Cabinet provided an update on the FIL loan and interest position. This stated that Barclays intention to capitalise interest in-line with the Intercreditor Agreement. This states that Barclays, as primary creditor, would be paid all capital sums due (including rolled-up interest) before any of the public sector funding partners are due capital repayments. Therefore, the Council would not receive the deferred interest until 2026 at the earliest.
- 5.20 The Service Improvement Fund and ICE Reserve will be depleted by the end of 2021/22 and has provided up-front investment for the ICE modernisation programme and to support key projects that underpin the Council's plan for financial

sustainability. It is not proposed to amend level of these reserves during 2021/22 but they will be reviewed at the end of the current financial year.

- 5.21 Council approved the establishment of a number of earmarked reserves in February 2020 given the level of risk and uncertainty facing the Council over the medium-term:
- Pensions (confirmed transfer amounts are £0.669m in 2020/21, £0.818m in 2021/22, £0.960m in 2023/24) with the MTFS assuming further increases following the next triennial review in 2023.
 - Regeneration (£0.450m transferred in 2019/20)
 - Regeneration (Professional Advice and Due Diligence) (£0.250m transferred in 2019/20)
 - Workforce Strategy (£0.200m transferred in 2019/20)
- 5.22 It is proposed that the Regeneration Reserve be repurposed to provide funding to a wider number of projects over the medium term (to be named Regeneration, Property & Major Works Reserve). This reserve will provide limited revenue and capital funding for the wider Regeneration Programme. The reserve will facilitate delivery of the Council Business Plan around the regeneration of Aldershot and Farnborough town centres. Funding has already been drawn down in 2020/21 and the additional item “Property & Major Works Programme - Feasibility and Project Management” will be in part funded from this reserve.
- 5.23 It is expected that earmarked reserves supporting the Regeneration, Property & Major Works programmes are likely to be fully be utilised over the medium-term. Given the funding gap that is evident over the MTFS period it is not proposed at this stage to allocate any further funding to these reserves and the ability to progress capital projects through feasibility will need to be considered separately by the Council.
- 5.24 No changes are planned to the approach taken to the Pension Reserve or the Workforce Planning Reserve.
- 5.25 If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below:

Table 3 – Balances and Reserves forecast

	SOA Balance 31/03/2020 (£'000)	Esimated Balance 31/03/2021 (£'000)	Estimated Balance 31/03/2022 (£'000)	Estimated Balance 31/03/2023 (£'000)	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)
Transfers To (From) Reserves						
General Fund Balance	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Earmarked Reserves						
Stability & Resilience	(5,871)	(5,563)	(4,550)	(1,416)	0	0
Negative Balance of Stability & Resilience *			0	0	2,641	6,818
Service Improvement Fund	(129)	(129)	0	0	0	0
Commercial Property Reserve	(2,000)	(1,750)	(1,500)	(1,500)	(1,500)	(1,500)
Regeneration Reserve	(450)	(267)	(167)	(67)	0	0
ICE Reserve	(297)	0	0	0	0	0
Climate Emergency Reserve ***	0	(216)	0	0	0	0
Deprivation Reserve ****	0	(100)	0	0	0	0
Pension Reserve	0	(669)	(1,487)	(2,447)	(2,447)	(2,447)
Regeneration Due Diligence Reserve	(250)	0	0	0	0	0
Workforce Reserve	(200)	(200)	(200)	(200)	(200)	(200)
Treasury Reserve	0	(400)	(220)	0	0	0
CPE Rolling Fund	(345)	(254)	(254)	(254)	(254)	(254)
Budget Carry Forwards	(301)	0	0	0	0	0
Elections Reserve	0	(87)	0	0	0	0
SANG/s106 **	(4,442)	(4,442)	(4,442)	(4,442)	(4,442)	(4,442)
Other Earmarked Reserves/Prior yr grants	(2,673)	(2,673)	(2,673)	(2,673)	(2,673)	(2,673)
TOTAL Reserves and Balances	(18,958)	(18,751)	(17,493)	(14,999)	(10,875)	(6,698)
Excluding SANG	(14,516)	(14,309)	(13,051)	(10,557)	(6,434)	(2,256)

Notes:

- * Negative Balance on Stability & Resilience Reserve – this is shown as a negative balance should the Council not find sufficient savings or additional income to address the funding gap highlighted over the MTFs period. In practice, a negative reserve would not be created but is show for illustrative purpose to highlight the impact.
- ** This includes all other earmarked reserves including s106 and SANG *(Suitable Alternative Natural Green Space) balances. It is likely that the level of these reserves will increase over the next 3-4 years as the charge payable for the Southwood SANG is collected.
- *** Climate Emergency Reserve – For the purposes of the reserves forecast it is assumed the reserve will be utilised in full during 2021/22. Cabinet considered the Climate Change Action Plan (DCS2002) at their meeting in November 2020.
- **** Deprivation Reserve – For the purposes of the reserves forecast it is assumed the reserve will be utilised in full during 2021/22. Cabinet considered the Supporting Communities Strategy and Action Plan 2021/23 (DCS2101) at their meeting in January 2021. This allocated the initial £100k of funding and it is expected that a detailed spending plan will be developed during 2021/22 to support the allocation of the additional £100k included as a budget proposal in this report.

5.26 Whilst the level of balances and reserves shown in the table indicates that the Council is in a good financial position, the cumulative funding gap of £12.381m over the MTFs period - £1.014m in 2021/22 rising to £4.177m by 2024/25 (as shown in Table 4 below), would reduce the Stability and Resilience Reserve to a nil balance during 2023/24.

5.27 Clearly, the Council will need to ensure the Savings Programme is robust, balanced and proportionate, and mitigates the funding gap over the MTFs period.

Table 4 – Medium Term Financial Forecast

Item	Original 2020/21 (£'000)	Revised 2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Portfolio Net Expenditure	8,753	11,926	9,612	8,275	8,311	8,311
Corporate Items	3,038	1,754	2,409	3,528	4,110	4,529
Inflation	0	0	0	561	1,121	1,682
Portfolio + Corporate Items	11,791	13,680	12,020	12,364	13,542	14,522
Additional Items & Budget Pressures	909	0	1,005	587	532	232
Budget Proposals	26	26	100	0	0	0
Risk items (Waste)	0	0	0	350	350	350
Savings Plan	(1,436)	(446)	(256)	(605)	(751)	(751)
Draft Net Revenue Budget	11,290	13,260	12,869	12,696	13,672	14,352
Funded by:						
Council Tax	6,705	6,705	6,928	7,137	7,352	7,574
Business Rates	3,767	3,767	3,574	2,500	2,550	2,601
New Homes Bonus	1,169	1,169	863	211	0	0
Covid Funding	0	2,162	589	0	0	0
Other Funding	267	0	101	0	0	0
Council Tax/NNDR Surplus or (Deficit)	(270)	(270)	(200)	(286)	(286)	0
TOTAL Funding	11,637	13,533	11,855	9,561	9,616	10,175
Core (Surplus) / Deficit	(347)	(273)	1,014	3,134	4,056	4,177
Deficit Funding						
Stability & Resilience Reserve						
Balance b/f	5,871	5,871	5,563	4,550	1,416	(2,641)
Planned use		(307)	(1,014)	(3,134)	(4,056)	(4,177)
Balance c/f		5,563	4,550	1,416	(2,641)	(6,818)

Note – Table may contain rounding when compared to Appendix 1

5.28 Table 5 below illustrates the Funding Gap clearly in terms of the need for the Council to identify and deliver new savings over the MTFs period. This shows the position prior any savings being delivered and shows a widening gap between planned expenditure and funding assumptions. This is an important distinction due to the risk around delivery of savings (e.g., Service Loans to Housing Company are based on forecast drawdown of funding).

Table 5 – Funding Gap forecast in MTFS

Item	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Draft Revenue Budget (before Savings)	13,108	13,340	14,439	15,117
TOTAL Funding	11,865	9,544	9,581	10,155
Funding Gap	1,243	3,795	4,858	4,962
Savings Plan	(263)	(612)	(612)	(612)
Residual Funding Gap After Savings	980	3,183	4,246	4,350
Use of Stability & Resilience Reserve	(980)	(3,183)	(4,246)	(4,350)
Stability & Resilience Reserve Y/E Balance	4,584	1,401	(2,846)	(7,195)

6. FUNDING

6.1 The MTFS includes a forecast of the level of funding available to support the General Fund over the medium-term which are set out in detail below.

Business Rates

6.2 The Council was required to finalise its Business Rates estimates for 2021/22 and its initial estimate of any surplus or deficit for 2020/21 by 31 January 2021. Forecasting business rates income is complex with the impact from Covid-19 creating additional uncertainty.

6.3 The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2019. Forecasts have been made concerning the level of mandatory and discretionary reliefs that will be given, and an allowance made for bad debts and repayments.

6.4 The estimate does not take into account 2 potential issues that are likely to have a material impact on the level of business rates income the Council will retain:

- **Reliefs** – On 03 February 2021, the Financial Secretary to the Treasury made a Written Ministerial Statement (WMS) to Parliament asking billing authorities to consider waiting until the Chancellor has set out his plans at Budget, before issuing bills for 2021/22. Therefore, it seems likely that further business rates reliefs will be announced in the budget on 03 March 2021.
- **Material Change in Circumstance** – There have been reports in the press and some indication from the Valuation Office Agency (VOA) that consideration is being given to reductions in rateable values across a wide variety of sectors in response to the effects of the Covid-19 pandemic. The Government have not given any indication as to whether this is being considered but such a change, even if a temporary measure, would reduce the level of business rates due and hence on business rates income. NNDR1 estimates have been submitted to MHCLG in the absence of any further information.

6.5 Business rates are collected by the Council, and the proceeds are shared between Rushmoor and Hampshire County Council, and also with central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of retained business rates to be

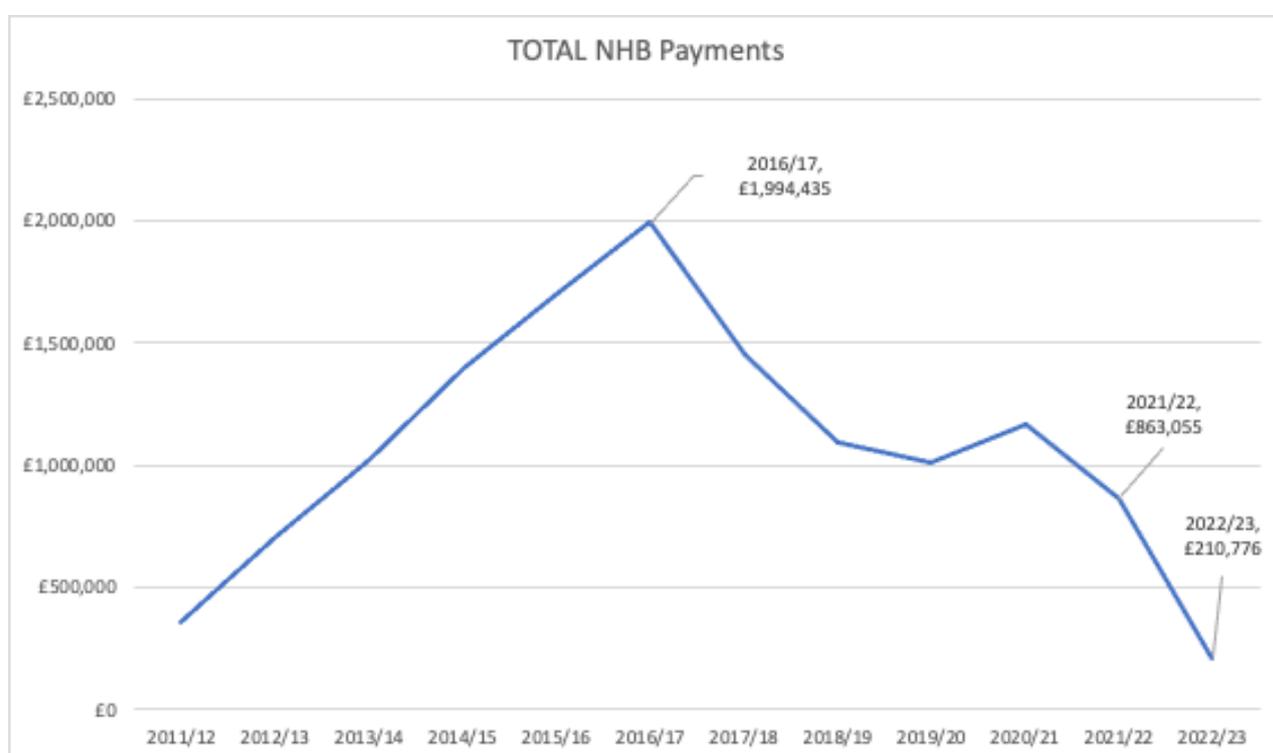
£3.574m in 2021/22. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs. The draft forecast for business rates included in this report is lower than last year and includes an estimated decline in business rates during the year, in part due to significant redevelopment in Aldershot Town Centre.

- 6.6 The Business Rates Collection Fund is forecast to be in a deficit position by the end of the current year, largely due to the impact of Covid-19. This is consistent with the outturn position on the collection fund for 2019/20. Owing to the way in which business rates are accounted for through the budget setting process and the year-end collection fund, any surplus or deficit from the previous year is dealt with in the following year's budget. Therefore, the forecast deficit (as shown in Part 4a of the NNDR1 as the exceptional balance) of £1.673m represents the timing difference between the 2019/20 outturn forecast from January 2020 and the final outturn declared in April 2020. Rushmoor's share of the exceptional balance is 40% (£0.669m).
- 6.7 The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 implemented the announcement made by the Secretary of State on 2 July 2020 that "the repayment of collection fund deficits arising in 2020-21 will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year". The Council has taken advantage of this change in the regulations and spread the Business Rates Collection Funds deficit with £0.223m included in the MTFS from 2021/22 to 2023/24.
- 6.8 At the same time, the Government provided further detail on the Local Tax Income Guarantee scheme. Billing and major precepting authorities will be compensated for 75% of their share of losses in business rates income as measured between NNDR1s and NNDR3s. This will be completed in April 2021 and will also take into account the impact of additional reliefs granted during the year on business rates income and Section 31 Grant provided to the billing authority to compensate for these reliefs.
- 6.9 At the time of writing, the 2020/21 deficit as shown on Part 4 of the NNDR1 return was £26.068m with Section 31 Grant compensation of £23.639m. Any deficit remaining after the Government's 75% loss funding will need to be reflected in future MTFS updates.
- 6.10 Final agreement of the Business Rates estimates will be made by the Council's Section 151 Officer in consultation with the Leader of the Council, under the delegation agreed by Council on 20th January 2014, and an update will be provided to Cabinet alongside this report.
- 6.11 Should the business rates estimates be materially different from those presented in this report, the General Fund Summary will be updated by the Council's Section 151 Officer in consultation with the Leader of the Council and the Portfolio holder for Corporate Services, prior to consideration of the budget by Council on 25 February 2021.

New Homes Bonus

- 6.12 Planned consultation on a new reward scheme did not take place in 2020 due to the impact of Covid-19 and the Government confirmed in the Spending Review the current scheme would continue for a further year. The allocation of New Homes Bonus (NHB) for 2021/22 was included in the provisional settlement.
- 6.13 Whilst the total amount of NHB for 2021/22 is £0.863m, the 2021/22 element of £0.313m will not generate legacy payments in future years. Therefore, future payments of NHB will reduce significantly as the remaining legacy payments taper-out over the next 2 years. The MTFS does not include any projection on future allocations of NHB (or its replacement) as the funding stream is part of the fair funding review.

Chart A – Total New Homes Bonus allocations



Covid Funding and other grants

- 6.14 Alongside the finance settlement, the government has confirmed the following grants and other funding scheme contributions that the Council will receive in 2021/22.
- Covid Expenditure Funding Allocations (£0.489m)
 - Lower Tier Services Grant (£0.101m)
 - Estimated Sales, Fees & Charges compensation (£0.100m)
- 6.15 The table below provides an overview of the overall position in respect of Government funding and a forecast across the MTFS period. Given the status of the Fair Funding Review there is significant risk in forecasting of funding from 2022/23.

Table 6 – Government Funding assumed in MTFS forecast

Item	Original 2020/21 (£'000)	Revised 2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Business Rates	3,767	3,767	3,574	2,500	2,550	2,601
New Homes Bonus	1,169	1,169	863	211	0	0
Lower Tier Services Grant	0	0	101	0	0	0
Subtotal Government Funding	4,935	4,935	4,539	2,711	2,550	2,601
Covid-19 Expenditure Pressures	0	1,478	489	0	0	0
Sales, Fees & Charges Scheme (Est.)	0	684	100	0	0	0
Subtotal Covid Funding	0	2,162	589	0	0	0
TOTAL Government Funding	4,935	7,098	5,128	2,711	2,550	2,601

Note: Business Rates Retention figure includes Baseline funding, Section 31 Grants and calculation of the levy payable on growth above the baseline. The forecast for 2022/23 reduces due to the baseline reset, which for the purposes of budgeting is estimated to reduce by 30% to 40%.

- 6.16 The forecast shown in the table is based on the assumption that the Fair Funding Review and Business Rates rest (required to fund the FFR) reduces the Council's business rates income to the baseline level (£2.381m in 2021/22). No assumption has been made on any replacement to the New Homes Bonus scheme and no assumption has been made on any further Covid-19 funding other than the amounts already announced and allocated.
- 6.17 Therefore, the level of Government funding reduces significantly over the MTFS period (based on the assumptions made above) and the Council will need to take appropriate actions to ensure the financial sustainability of the Council is maintained in light of reduced resources over the medium-term.

Council Tax

- 6.18 The referendum threshold for 2020/21 for Shire Districts such as Rushmoor is 2% or £5 (whichever is the greater). The Spending Power calculation published with the Local Government Finance Settlement assumed that all authorities would raise their Council Tax towards the maximum allowable amounts. Factoring such increases into the funding assessment, removes flexibility for local authorities to take local decisions about tax levels and to use increases in local taxation to offset local spending pressures. Councils now need to make these increases just to keep total funding levels at a standstill.
- 6.19 The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase of around 10 pence per week for a Band D property.
- 6.20 A council tax rise of £5 increases the Band D rate from £209.42 to £214.42 and will generate approximately £0.223m in additional council tax revenue annually (when

taken with estimated changes to the taxbase). As it is unclear whether the ability to increase Council Tax by £5 will continue beyond 2021/22, the MTFS assumes an increase of up to 2% per annum. This would generate a further £0.646m over the remaining years of the MTFS period.

Council Tax Support

- 6.21 Cabinet considered the report from the Council Tax Support Task and Finish Group at their meeting on 08 December 2020 (FIN2030). Following the review of Council Tax Support by the Task and Finish Group, the recommendation to full Council is that the current scheme for working age customers continues for 2021/22 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.
- 6.22 In light of the impact of the Covid-19 pandemic, it is proposed that the fundamental review of the Council Tax Support scheme be deferred until 2021/22. Further recommendations were made around the Hardship Fund and Government Funding for CTS in 2021/22.
- 6.23 Cabinet accepted the proposal from the Group, the impact of which are included within the estimates on the Council Taxbase for 2021/22.

Council Taxbase

- 6.24 The Taxbase for 2020/21 has been estimated at 32,309.09 and represents an increase of 293.86 (0.92%) over the 2020/21 position.

Council Tax Collection Fund

- 6.25 The Council Tax Collection Fund is estimated to be in deficit by the end of the current financial year by £1.6m, although there is a surplus in respect of previous years of £0.728m. (Whilst this suggests a net deficit of £0.872m there is a timing difference in how the surplus and deficit are allocated to the General Fund. The surplus from previous years is included in the revenue budget in 2021/22 with the deficit spread over a 3-year period).
- 6.26 Collection rates for Council Tax have been lower throughout 2020/21 due to the impact from Covid-19 on the ability for some Council Tax payers to make payments. The Council has provided support to Council Tax Support recipients during 2020/21 from the £0.542m allocation of Hardship Funding by the Government. This allowed the Council to support vulnerable individuals and households with their Council Tax Bills. Further support has been provided on a case-by-case basis which has included varying payment amounts and the timing of when payments are due.
- 6.27 At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available collection data suggests that the Council is 1.3% below the collection rate for the same period in 2019/20, and the total collected is forecast to be below the level precepted against the Collection Fund.
- 6.28 Any surplus or deficit on the Collection Fund is shared across the major precepting authorities (Hampshire County Council, Hampshire Police and Crime Commissioner, Hampshire Fire and Rescue Authority). In common with the

regulations outlined earlier on business rates, the Council has taken advantage of the options to spread any deficit over a 3-year period.

- 6.29 As outlined with the Business Rates Collection Fund, the Government is providing support for Councils through the Local Tax Income Guarantee scheme. There is a different mechanism in place for Council Tax losses. Billing authorities and major precepting authorities will be paid directly through section 31 grant in full into general funds in the 2021-22 financial year. The payment will be calculated by taking the authority's outturn, minus their baseline, and paying 75% of this value, provided it is negative. If it is positive, no guarantee will be payable.
- 6.30 For the purposes of the MTFS, no assumption has been made to the level of support from the Government from the Local Tax Income Guarantee scheme. Therefore, the MTFS includes the impact of the 3-year spread with a net surplus allocated for 2021/22 (£63k deficit arising from the 3-year spread, £86k surplus from prior years) with the impact of the 3-year spread in 2022/23 and 2023/24. Any funding received from the Government in respect of Council Tax losses will be allocated during 2021/22.
- 6.31 The Council Tax base and surplus were agreed under delegated powers by the Council's Section 151 Officer, in consultation with the Leader of the Council, during February 2021.
- 6.32 The decision to set Council Tax remains an annual decision for Council to consider when setting the budget one year from the next.

7. CAPITAL PROGRAMME 2020/21 to 2024/25

- 7.1 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent and sustainable over the longer-term.
- 7.2 The Council has set out its Capital Programme for the period 2020/21 to 2024/25 based on the principles of the Capital Strategy. This is summarised in Table 7 below and in further detail in Appendix 3 of this report. A total capital expenditure budget of £38.510m in 2021/22 is proposed. Total expenditure decreases to £7.278m and £2.070m in 2022/23 and 2023/24 respectively, and in the final year of the current programme 2024/25 spend is estimated at £1.332m.

Table 7 – Summary Capital Programme

Portfolio/Scheme	2020/21 Original Estimate (£'000)	2020/21 Revised Estimate (£'000)	2021/22 Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)
Corporate Services						
Flexible Use of Capital Receipts	0	86	0	0	0	0
Subtotal CS	0	86	0	0	0	0
Customer Experience & Improvement						
Computer Systems	80	38	115	0	0	0
Council Offices	45	0	33	0	0	0
Subtotal CE&I	125	38	148	0	0	0
Major Projects & Property						
Aldershot Town Centre Projects	2,091	618	3,951	0	0	0
Civic Quarter Farnborough	14,525	276	19,383	0	0	0
Housing Matters	2,731	770	5,436	4,862	854	116
Commercial Properties	22,425	17,553	0	0	0	0
Property Enhancements	202	254	90	0	0	0
Union Street Aldershot	7,393	1,650	7,658	1,200	0	0
Other	0	0	0	0	0	0
Subtotal MP&P	49,367	21,121	36,518	6,062	854	116
Operational Services						
Alpine Snowsports	0	3	0	0	0	0
CCTV	0	0	400	0	0	0
Crematorium	1,200	1,200	0	0	0	0
Depots	0	4	34	0	0	0
Manor Park	49	0	49	0	0	0
Moor Road	0	247	0	0	0	0
Parks & Open Spaces	125	305	20	0	0	0
Playground Works	104	104	0	0	0	0
Refuse/Recycling inc Food Waste	100	143	231	105	105	105
Southwood Community Centre	0	20	0	0	0	0
Vehicle Replacement	0	7	0	0	0	0
Improvement Grants	1,111	1,211	1,111	1,111	1,111	1,111
Subtotal OPS	2,689	3,243	1,844	1,216	1,216	1,216
Planning & Economy						
No Capital Schemes						
ICE Programme	45	233	0	0	0	0
Subtotal ICE	45	233	0	0	0	0
TOTAL Capital Programme	52,226	24,721	38,510	7,278	2,070	1,332

7.3 The capital programme is focussed on delivering against the Council's key priority of Town Centre Regeneration, with further schemes focused on enhancing the

delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of local housing and the Council's statutory duties in respect of Disabled Facilities Grants.

- 7.4 The Capital Programme, as set out in this report, includes expenditure estimates to enable the Union Street scheme in Aldershot to progress in accordance with the decision taken by Cabinet in August 2020 around demolition of the site. A further decision will need to be taken by full Council for the construction and development phase of the scheme following the completion of the due diligence process.
- 7.5 Expenditure estimates have also been included within the capital programme for the Civic Quarter, Farnborough scheme. This will allow site assembly and land remediation to continue, along with further detailed planning of the wider site.
- 7.6 Due to the scale and complexity of these schemes detailed proposals for each regeneration scheme will need to be considered by Cabinet and Council once the due diligence work has been completed. Each scheme will have significant legal and financial implications and will require the Council to consider the long-term financial commitments and risks. The Capital Strategy, Treasury Management Strategy and the Capital Programme will need to be updated to reflect decisions taken by Cabinet and Council.
- 7.7 There will be a continued review of capital spending requirements as the Council regeneration, new Property and Major Works programmes, and other schemes are brought forward in more detail, with affordability and deliverability will be a key consideration in this regard.
- 7.8 The Council's capital expenditure is predominantly financed from prudential borrowing. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 7.9 The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Table 8 – Summary Capital Financing Statement

	2020/21 Original Estimate (£'000)	2020/21 Revised Estimate (£'000)	2021/22 Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)
Capital Financing Statement						
Revenue Contribution to Capital		0	0	0	0	0
Grants & Contributions from Other Bodies	6,773	2,719	9,235	1,220	20	20
Grants & Contributions - Improvement Grants	1,061	1,161	1,061	1,061	1,061	1,061
Section 106 Developers Contributions	183	315	52	0	0	0
Prudential Borrowing	44,209	20,439	28,163	4,997	989	251
Capital Receipts	0	86	0	0	0	0
TOTAL Financing	52,226	24,721	38,510	7,278	2,070	1,332

8. RISK

- 8.1 There are a number of financial risks that the Council will face over the medium-term. The 2021/22 Budget and the MTFS have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 8.2 For Local Government, there are 2 significant strategic risks.
- 8.3 The first key risk is around the nature and scope of local government funding from central government from 2022/23. The implementation of the Fair Funding Review and Business Rates changes has already been delayed twice (originally due from April 2020) but the forecast impact on District and Borough Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- 8.4 It is very difficult to estimate the with certainty the impact on Rushmoor. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2021/22 and beyond. However, an initial estimate of a 30-40% reduction in the level of retained business rates income has been included in the MTFS assumptions.
- 8.5 The second key risk is around the continued impact on the Council from Covid-19. This will have an impact on income and expenditure budgets throughout 2021/22 and will require timely and accurate financial reporting to Cabinet. Covid-19 related risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2021/22 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
 - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
 - Cost of services where the Council is exposed to risk sharing in contract costs
 - Cost of leisure provision within the borough given the increased cost in 2020/21 (additional £0.486m) and the absence of direct support to local authorities such as Rushmoor given nature of contractual arrangements and/or nature of service delivery.
 - Reduced income from fees and charges – whilst the Government have extended the compensation scheme for Q1 2021/22 income from fees and charges may remain under pressure throughout 2021/22
 - Expenditure pressures over and above those that can be funded from the £0.489m funding already included in the MTFS
- 8.6 The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:
- Business Rates Retention Scheme – variability, appeals provision, revaluation, moves towards a 75% local retention scheme with a baseline reset and Fair Funding Review

- Replacement of New Homes Bonus from 2022/23 at a time this Council will be continuing to delivering a significant number of new homes.
- Treasury management issues including interest rates, level of capital expenditure, use of internal resources, borrowing costs.
- Impact of the UK leaving the European Union on the UK economy.
- Financial impact of the Capital Programme on the revenue budget – the affordability of the capital programme and future schemes needs to be carefully considered.

9. CONSULTATION

- 9.1 All Members of the Council were invited to a budget seminar on the 18 January 2021 to discuss the budget proposals and the full budget report is available online.

10. CONCLUSIONS

- 10.1 Despite the uncertainties around future levels of Government Funding, and the risks around Brexit and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Rushmoor to address future challenges.
- 10.2 The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £2m and maintaining other usable reserves to mitigate risk and support improvement.
- 10.3 The Council will need to continue to take steps to manage and address the funding gap identified over the MTFS period.
- 10.4 The Capital Programme includes planned expenditure £38.510m in 2021/22 with the Council needing to consider the outcome from due diligence work on the Union Street and Civic Quarter regeneration schemes before further capital expenditure is committed.
- 10.5 The budget proposals provide for the current Council Tax level to increase by £5 for a Band D property (from £209.42 per annum to £214.42) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- 10.6 In order to achieve this, the budget proposals will require the implementation of budget savings of £0.256m and utilisation of £1.014m of the Stability and Resilience reserve in 2021/22.
- 10.7 The Council is developing a revised approach to its Savings Programme that seeks to address the funding gap identified in the MTFS. The programme will include a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. This new approach will be approved during March 2021, to then be implemented to cover the new MTFS period.

10.8 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. These will be monitored and reported to Cabinet throughout 2021/22.

Background documents:

Budget Strategy 2021/22 (FIN2029)

Council Tax Support Scheme 2021/22 (FIN2030)

Medium Term Financial Strategy 2021/22 to 2024/25 – Update (FIN2032)

Recommendations from Budget Strategy Working Group (FIN2101)

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APPENDIX 1

MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2024/25

Item	Revised 2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Corporate & Democratic Services	5,470	5,184	5,184	5,184	5,184
Customer Experience & Improvement	88	55	55	55	55
Major Projects & Property	(4,473)	(5,434)	(5,434)	(5,434)	(5,434)
Operational Services	10,768	9,869	9,034	9,034	9,034
Planning & Economy	2,470	2,303	2,303	2,303	2,303
ICE Modernisation Programme	556	536	0	0	0
Portfolio Net Expenditure	14,880	12,513	11,142	11,142	11,142
Less: Capital Charges (Reversal)	(1,665)	(1,695)	(1,695)	(1,695)	(1,695)
Less: Pension Adj (Reversal)	(1,288)	(1,207)	(1,172)	(1,136)	(1,136)
Net Expenditure	11,926	9,612	8,275	8,311	8,311
Corporate Items					
Transfers To/From reserves	(463)	(103)	425	1,071	1,280
Other CI&E	342	349	342	342	342
MRP	2,180	2,457	3,170	3,316	3,457
Interest Payable	785	795	940	980	1,050
Investment Income	(1,090)	(1,090)	(1,350)	(1,600)	(1,600)
Subtotal	1,754	2,409	3,528	4,110	4,529
Adjusted Budget	13,680	12,020	11,803	12,420	12,839
Inflationary Provision, Pension costs					
Inflation (Pay) 2.00% Assumption			261	521	782
Inflation (Contracts/Non-Pay)			200	400	600
Salary Increments			100	200	300
Subtotal		0	561	1,121	1,682
Adjusted MTFP Position	13,680	12,020	12,364	13,542	14,522
Budget Proposals/Growth					
Additional Items: Variations in Service		900	587	532	232
Additional Items: Non-recurring		105			
Budget Proposal 2021/22: Covid support and recovery		100			
Ward Budgets (included in service budget from 2021/22)	26				
RISK: HCC Waste proposals (September 2019 notification)			350	350	350
Subtotal	26	1,105	937	882	582
Savings					
Reversal of 2019/20 Additional Items	(100)				
Procurement Savings		(20)	(20)	(20)	(20)
Pipeline Savings - Service Loans to Housing Company	(99)	(186)	(535)	(681)	(681)
Salaries monitoring	(247)	(50)	(50)	(50)	(50)
Subtotal	(446)	(256)	(605)	(751)	(751)
NET Savings or Growth	(420)	849	332	131	(169)
Proposed Net Revenue Budget	13,260	12,869	12,696	13,672	14,352

APPENDIX 1

Item	Revised 2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Proposed Net Revenue Budget	13,260	12,869	12,696	13,672	14,352
Funded by:					
Council Tax	6,705	6,928	7,137	7,352	7,574
Business Rates Retention	3,767	3,574	2,500	2,550	2,601
Lower Tier Services Grant		101			
New Homes Bonus (Legacy)	1,169	550	211	0	0
New Homes Bonus (Year 11)		313			
Covid Funding (Expenditure Pressures)	1,478	489			
Covid Funding (Sales, Fees & Charges compensation)	684	100			
Collection Fund - CT	101	23	(63)	(63)	0
Collection Fund - NNDR	(370)	(223)	(223)	(223)	0
TOTAL Funding	13,533	11,855	9,561	9,616	10,175
Core (Surplus) / Deficit	(273)	1,014	3,134	4,056	4,177

ADDITIONAL ITEMS SUMMARY

Additional Item	Type	Summary	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
ICT Pressures						
ICT: Cloud Telephony	VIS	Replacement of Council telephone system and equipment to enable more effective home working and improved business continuity	143	110	105	105
ICT: CRM Software Licence	VIS	Annual software licence and maintenance costs associated with Goss CRM system implemented in 2020	32	32	32	32
ICT: Cyber Security	VIS	Increased cyber security requirements as changes to Public Services Network (PSN) and move towards NCSC Cyber Essentials. Higher initial cost in Yr 1 reflects fixed-term appointment to flex the team	45	25	25	25
ICT: Application Maintenance & Compliance	VIS	There is an ongoing need to fund essential software application upgrades and enhancements on an ongoing basis for service departments. Historically, there was a central IT upgrade capital budget to enable departmental system to be maintained at the correct level. Often upgrade work is needed to achieve compliance or to ensure suppliers continued support	35	25	25	25
ICT: Property System IT Costs	VIS	Estimated revenue costs from soft market testing for new Property System	45	45	45	45
Subtotal			300	237	232	232

Additional Item	Type	Summary	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Property & Major Works Programme - Feasibility and Project Management	VIS	<u>Indicative</u> costs of feasibility studies and project management office costs associated with emerging Property & Major Works Programme. Further work needed to firm up costs and sequencing	100	100	100	0
Waste & Recycling (HCC Cost exercise)	NR	Expected cost increase in waste and recycling collection/disposal as set out in letter from HCC September 2020	100			
Waste & Recycling (Food Waste changes)	VIS	Estimated revenue costs of implementing food waste collection in advance of wider waste & recycling service changes. Indication costs would be eligible for New Burdens funding when measures in the Environment Bill take effect	200	50		
CCTV Decommissioning Costs	NR					
Service Expenditure (Contingency)	VIS	Contingency budget to be allocated for service expenditure pressures arising from Covid-19 response and recovery	300	200	200	
Other	NR	Radio Equipment for duty officers on-call	5			
Subtotal			705	350	300	0
TOTAL			1,005	587	532	232
	VIS	Variations in Service	900	587	532	232
	NR	Non-Recurring	105	0	0	0

CAPITAL PROGRAMME SUMMARY 2020/21 TO 2024/25

	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
			Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
CAPITAL EXPENDITURE ON PORTFOLIOS						
Corporate and Democratic Services	-	85,610	-	-	-	-
Customer Experience and Improvement	125,000	37,587	148,000	0	0	0
Major Projects and Property	49,367,400	21,120,940	36,517,530	6,062,000	854,000	116,000
Operational Services	2,688,680	3,243,420	1,844,350	1,215,510	1,215,510	1,215,510
Planning and Economy	-	-	-	-	-	-
Ice Programme	45,000	233,000	-	-	-	-
TOTAL CAPITAL EXPENDITURE	52,226,080	24,720,556	38,509,880	7,277,510	2,069,510	1,331,510
CAPITAL EXPENDITURE RESOURCES						
Revenue Contribution to Capital - General	-	-	-	-	-	-
Revenue Contribution to Capital - Improvement Grants	-	-	-	-	-	-
Total Revenue Contributions	-	-	-	-	-	-
Grants & Contributions from Other Bodies (see Grants & Conds Summary page)	6,773,480	2,719,330	9,235,000	1,220,000	20,000	20,000
Grants & Contributions - Improvement Grants	1,060,510	1,161,110	1,060,510	1,060,510	1,060,510	1,060,510
Section 106 Developers Contributions (see s106 Summary page)	183,170	315,160	51,670	-	-	-
	8,017,160	4,195,600	10,347,180	2,280,510	1,080,510	1,080,510
Capital Receipts & Borrowing - General Fund Schemes	44,208,920	20,439,346	28,162,700	4,997,000	989,000	251,000
Capital Receipts & Borrowing - Housing home improvement grant schemes	-	85,610	0	0	0	0
Total Capital Receipts & Borrowing	44,208,920	20,524,956	28,162,700	4,997,000	989,000	251,000
TOTAL CAPITAL FINANCING	52,226,080	24,720,556	38,509,880	7,277,510	2,069,510	1,331,510

GRANTS AND CONTRIBUTIONS SUMMARY 2020/21 TO 2024/25

Project Number	PROJECT	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
				Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	General Fund - Grants & Contributions						
6518	- Wheeled Bin Contributions (Developers & Householders)	20,000	20,000	20,000	20,000	20,000	20,000
6567	- Replacement Cremator (CAMEO)	600,000	600,000				
6608	- Moor Road - Recreation Ground Development (Sport England, PEBL, Landfill Tax)		117,000				
6613	- Parks and Open Spaces - Southwood Golf Course SANG Initial Setup	422,000	422,000				
6619	- Parks and Open Spaces - Heritage Trails	15,000		15,000			
	<u>Regeneration Projects</u>						
5407	- Union Street East, Aldershot (LEP and Housing Infrastructure Fund)	3,800,000		5,300,000	1,200,000		
5408	- Games Hub (LEP)	529,480	738,210				
5409	- The Galleries (Housing Infrastructure Fund)	1,000,000		3,400,000			
	<u>Activation Aldershot Projects</u>						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	387,000		500,000			
	<u>Voyager House</u>						
5225	- Voyager House Purchase		422,120				
5225	- Voyager House Fit Out		400,000				
	Total General Fund Grants & Contributions	6,773,480	2,719,330	9,235,000	1,220,000	20,000	20,000
	<u>Housing Schemes - Government Grants</u>						
640050013	- Improvement Grants - Disabled Facilities Grants (Better Care Fund)	1,060,510	1,161,110	1,060,510	1,060,510	1,060,510	1,060,510
	TOTAL GRANTS & CONTRIBUTIONS	7,833,990	3,880,440	10,295,510	2,280,510	1,080,510	1,080,510

SECTION 106 DEVELOPERS CONTRIBUTIONS SUMMARY 2020/21 TO 2024/25

Project Number	PROJECT	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
				Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	General Fund Schemes						
6571	- Manor Park - Lake Improvements	49,170		49,170			
6588	- Ivy Road - Sports Pavilion						
6605	- Aldershot Park Car Park - Installation of LED powered lighting columns						
6608	- Moor Road - Recreation Ground Development		130,010				
6610	- Recreation Ground Playground Renewal	104,000	104,000				
6612	- Parks Improvements		81,150				
6619	- Park and Open Spaces - Heritage Trails	30,000		2,500			
	TOTAL SECTION 106 DEVELOPERS CONTRIBUTIONS	183,170	315,160	51,670	-	-	-

CORPORATE & DEMOCRATIC SERVICES PORTFOLIO SUMMARY 2020/21 TO 2024/25

1 of 1 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
5403	FARNBOROUGH AIRPORT Farnborough International Ltd Loan	1,100,000						
5299	FLEXIBLE CAPITAL RECEIPTS Schemes funded by unallocated Capital Receipts	101,789		85,610				
	TOTAL	1,201,789	-	85,610	-	-	-	-

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2020/21 into 2021/22

CUSTOMER EXPERIENCE & IMPROVEMENT PORTFOLIO SUMMARY 2020/21 TO 2024/25

1 of 1 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	COMPUTER SYSTEMS							
730540012	IT Equipment Replacement		70,000	37,587	70,000			
750040224	PCI Compliance (s)		10,000		10,000			
730740012	Telephony Replacement Project				35,000			
	COUNCIL OFFICES							
5329	Office Accommodation (s)	54,032	35,000		10,000			
5318	Improvement Programme				13,000			
5340	Electrical Generator Switch (s)		10,000		10,000			
5341	Relocation of Voluntary Groups	16,742						
	TOTAL	70,774	125,000	37,587	148,000			

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2020/21 into 2021/22

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2020/21 TO 2024/25

1 of 1 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
ALDERSHOT TOWN CENTRE PROJECTS								
5401	Town Centre Integration	1,500,000						
5409	The Galleries Regeneration (bc) (s)		1,000,000		3,400,000			
5408	The Games Hub (s)	259,408	529,480	618,070				
5404	Train Station and Surrounding Area Works (s)	124,237	562,000		550,760			
CIVIC QUARTER FARNBOROUGH								
5405	Civic Quarter Farnborough Development (bc) (s)	5,526,555	14,525,260		19,383,000			
5405	REGENERATION - Elles Hall pre development and demolition			75,700				
5405	REGENERATION - Feasibility and design work			200,000				
HOUSING MATTERS								
5406	Housing PRS Delivery (bc) (s)	16,930	2,730,500	770,000	5,436,000	4,862,000	854,000	116,000
COMMERCIAL PROPERTIES								
5216	168 High Street Guildford - Glass floor replace; fire lining; air con & other repairs	32,637						
5222	Boulters House, 237 High Street Redevelopment	227						
522540509	M&S Food Hall (Haslemere)			7,440,870				
522540510	M&S Food Hall (Ferndown)			8,211,930				
522540012	Various Investment Property Purchases (bc)		22,125,100					
522540508	Trafalgar House	9,766,057						
522540500	Voyager House Purchase	48,695						
522540507	Voyager House Fit Out			1,900,000				
522540501	The Meads	16,552						
522540505	Frimley 4 Business Park	24,247,952						
522840012	Redevelopment of new Units at Optrex Business Park (bc) (s)		300,000					

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
(s) denotes projects which include slippage from 2020/21 into 2021/22

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2020/21 TO 2024/25

2 of 2 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	PROPERTY ENHANCEMENTS							
5232	Queens Road Weightlifting Club - Enhancement Works		30,000	30,000				
5233	Aldershot Park Angling Club - Enhancement Works		20,000					
5231	Frimley 4 Business Park Unit 4.3 Enhancement Works		117,000	117,000				
5230	Frimley 4 Business Park Unit 4.4 Enhancement Works		35,000	107,000				
5316	Devereux House Albert Road Farnborough				90,000			
	UNION STREET ALDERSHOT							
5220	36-62 Union Street Enhancement Works (s)	228,655	336,760	450,370				
5407	Union Street East Aldershot Regeneration (bc)	732,880	7,056,300	1,200,000	7,657,770	1,200,000		
	TOTAL	42,500,783	49,367,400	21,120,940	36,517,530	6,062,000	854,000	116,000

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2020/21 into 2021/22

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2020/21 TO 2024/25

1 of 2 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	ALPINE SNOWSPORTS							
6527	Slope Maintenance	58,111						
6615	Workshop Ceiling & Lighting and Footpath Repair	12,648		2,820				
	Maintainence Vehicle							
5203	Purchase of vehicle	19,336		6,540				
	CAR PARKS							
6524	Car Park Ticket Machines	5,930						
6605	Aldershot Park Car Park LED Columns	13,461						
	CCTV							
6507	Camera and Network				400,000			
	CREMATORIUM							
6565	Waiting Room Modernisation	3,866						
6567	Replacement Cremators		1,200,000	1,200,000				
6607	Cremulator and Transfer Cabinet	21,750						
6616	Sanctum 2000 Area 7 (Memorial Vaults)	14,345						
	DEPOTS							
6517	Hawley Lane Development Works (s)	7,730			33,670			
6573	New Depot Lysons Avenue	24,191						
5229	Creation of a depot at Southwood	43,626		4,000				

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
(s) denotes projects which include slippage from 2020/21 into 2021/22

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2020/21 TO 2024/25

2 of 2 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
6571	MANOR PARK Lake Improvements (s)		49,170		49,170			
6608	MOOR ROAD DEVELOPMENT Recreation Ground Dvlpmt (bc)	222,989		247,010				
	PARKS & OPEN SPACES							
6612	Unspecified Park Improvements	18,848		81,150				
6613	Southwood Golf Course SANG Setup	278,206		143,790				
6617	Southwood Golf Course SANG Wetland	36,695		30,000				
6618	KGV café conversion within the pavilion		50,000	50,000				
6619	Heritage Trails		75,000		20,000			
	PLAYGROUND WORKS							
6610	Recreation Ground Playground Renewal (bc) (s)		104,000	104,000				
	REFUSE/RECYCLING							
6518	Domestic Refuse - Wheeled Bins	100,128	100,000	143,000	100,000	100,000	100,000	100,000
6620	Domestic Refuse - Waste Containers and Liners				131,000	5,000	5,000	5,000
	SOUTHWOOD COMMUNITY CENTRE							
6532	Internal Decoration			20,000				
	STREET CLEANSING							
6515	Litter/ Cigarette Bins	10,600						
	IMPROVEMENT GRANTS							
640050013	Disabled Facilities Grants		1,060,510	1,161,110	1,060,510	1,060,510	1,060,510	1,060,510
640050022	Home Improvement Grants		50,000	50,000	50,000	50,000	50,000	50,000
	TOTAL	892,458	2,688,680	3,243,420	1,844,350	1,215,510	1,215,510	1,215,510

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2020/21 into 2021/22

PLANNING & ECONOMY PORTFOLIO SUMMARY 2020/21 TO 2024/25

1 of 1 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
6404	AFFORDABLE HOMES GRANT Affordable Homes Grant Funding	100,000						
6614	PRINCES HALL Essential Roof Works	115,342						
TOTAL		215,342	-	-	-	-	-	-

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2020/21 into 2021/22

ICE PROGRAMME SUMMARY 2020/21 TO 2024/25

1 of 1 Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
					Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
	ICE PROGRAMME							
760141810	Procure & Implement CRM		10,000	10,000				
760141811	App Development		20,000					
760142814	Flexible & Mobile Working		15,000	30,000				
760142817	Modernising Corporate & Service Systems			193,000				
	TOTAL	-	45,000	233,000	-	-	-	-

Notes: (bc) denotes projects which are subject to further business case and presentation to Cabinet
 (s) denotes projects which include slippage from 2019/20 into 2020/21

STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS 2021/22

The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

Projects included in the strategy support the Council's ICE Modernisation Programme and progress will be monitored regularly as part of the Council's review of performance against top line priorities and budget monitoring.

The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

Only receipts from the disposal of capital assets received between 1 April 2016 and 31 March 2020 are eligible for use to fund qualifying costs of service reform. During 2016/17, a receipt of £500,000 was received to be fully utilised by the Flexible Use of Capital Receipts. A further capital receipt of £480,000 was received in 2017/18. There have been no capital receipts received in 2018/19 and 2019/20. A balance of £85,610 was held within Flexible Use of Capital Receipts at 31 March 2020.

As part of the Local Government Settlement, the Communities Secretary for Ministry of Housing, Communities and Local Government announced on 13 December 2018 that there would be a continuation of the capital receipts flexibility programme. Should future projects be identified alongside suitable asset sales, this will be presented in a revised strategy.

Service reform projects can still be financed in whole or in part from other sources e.g., the Service Improvement Fund. The Council is not obliged to fund these projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.

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CABINET

16 FEBRUARY 2021

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES
PORTFOLIO HOLDER
REPORT NO. FIN2104

KEY DECISION? YES/NO

**ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-
TREASURY INVESTMENT STRATEGY 2021/22**

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2021/22 before 1 April 2021.

The attached Treasury Management Strategy Statement (TMSS) for 2021/22 (Appendix A) and Non-Treasury Investment Strategy (Appendix B) is prepared in accordance with the “Prudential Code” and the “Treasury Management Code of Practice” in 2017, and the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investment.

RECOMMENDATION:

Members are requested to recommend to Council:

- (i) Approval of the Treasury Management Strategy 2020/21, Annual Borrowing Strategy 2020/21 attached at Appendix A, and
- (ii) Approve Annual Non-Treasury Investment Strategy attached 2021/22 at Appendix B;
and
- (iii) Approval of the Minimum Revenue Provision (MRP) Statement set out in Appendix C.

1 INTRODUCTION

1.1 This report sets out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2021/22, including the borrowing and investment strategies and treasury management indicators for capital finance for 2021/22 and the Minimum Revenue Provision Statement.

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 2017 Edition* (the CIPFA Code) which requires the Authority 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.

- 1.3 The CIPFA "Prudential Code" 2017 edition, "Treasury Management Code of Practice" 2017 edition and MHCLG revised guidance February 2018 focus on "non- treasury" investments. Resulting in a requirement for a separate Non-Treasury Investment Strategy (Appendix B) must be approved before April 2021.
- 1,4 There are currently two consultations in progress, one related to the CIPFA Prudential Code and the second related to the CIPFA Treasury Management Code. Both consultations are due to close on 12 April 2021. The CIPFA Prudential Code consultation is in response to the recommendation of the Public Accounts Committee and the substantial increase in commercial investment in the sector, CIPFA is proposing to strengthen the provisions within the code. CIPFA Treasury Management Code was last updated in 2017, since this date the landscape for public services has changed. There has been an increasing profile of the role of treasury management as a result of COVID-19, and the rise in commercial non-treasury investments is a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century. The outcome of both consultations may require a revision to the Treasury management and Non-Treasury Investment Strategies presented in this report.

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 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.
- 2.5 The secondary function of investment management is to generate potential returns and monitor performance of returns on a regular basis.
- 2.6 The purpose of the Indicators is to set a framework for affordable, prudent and sustainable capital investment.
- 2.7 The appendices (A to C) set out the Treasury Management Strategy, Investment Strategy and Minimal Revenue Provision Statement for 2021/22 and fulfil key legislative requirements as follows:

Appendix A

- 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 B

- The new **Non-Treasury Investment Strategy** sets out the Council’s investment decisions taken during the period and monitors performance and security, in accordance with MHCLG Investment Guidance.

Appendix C

- 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 2.5 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 Arlingclose advice continues to indicate that the Council should diversify investment risk (spreading smaller amounts over an increasing number of counterparties) wherever possible.
- 3.3 The Council incurred prudential code borrowing in 2019/20 in the sum of £28.8m in relation to its capital expenditure. Further borrowing to support the financing of its approved capital programme in the year 2020/21 will also be required. The Council therefore commences the year 2021/22 in a position where its investment holdings continue to remain significant (although, less than in previous financial years) but also carries significant accumulating debt. There will be an inevitable requirement to incur some further borrowing to service capital expenditure in future years.
- 3.4 Careful observation of the "gross debt v capital financing requirement" indicator will need to be undertaken progressively throughout the financial year.
- 3.5 Where a material change to the attached strategies occurs during the year a revised strategy will be presented to Full Council before the change is implemented.

BACKGROUND DOCUMENTS:

1. *Treasury Management in the Public Services (CIPFA) 2017 Edition*
2. *The Prudential Code for Capital Finance (CIPFA) 2017 Edition*
3. *SI 2003/3146 - Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*
4. *SI 2004/3055 - Local Authorities (Capital Finance and Accounting) (Amendment)*
5. *Capital Finance: Guidance on local government investment (third edition) (Issued under section 15 (1)(a) of the Local Government Act 2003)*
6. *Prudential Property Investment 2019*

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APPENDIX A

TREASURY MANAGEMENT STRATEGY 2021/22

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 2017 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 Licensing, Audit and General Purposes 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 report, the Investment Strategy at **Appendix B**.
- 1.4 This strategy covers:
- External context
 - Current borrowing and investment portfolio position
 - Annual Borrowing Strategy
 - Annual Investment Strategy
 - Performance Indicators

2 EXTERNAL CONTEXT (commentary provided by Arlingclose)

- 2.1 **Economic background:** The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.
- 2.2 The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary

Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

- 2.3 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.
- 2.4 GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- 2.5 GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.
- 2.6 The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are

- unlikely to change from current levels over the next three years.
- 2.7 Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organisation.
- 2.8 **Credit outlook:** After spiking in late March as COVID-19 became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.
- 2.9 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 2.10 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 2.11 **Interest rate forecast:** The Council's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 2.12 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 2.13 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 1.

- 2.14 For the purpose of setting the budget, it has been assumed that investments will be made at an average rate of 3.65%, and that new short-term loans will be borrowed at an average rate of 0.8%, being the current blended rate for short and long term-borrowing.

3 LOCAL CONTEXT

- 3.1 On 31 December 2020, the Council held £97.0m of borrowing, long-term liabilities of £2.1m and £31.0m of investments. This is set out in further detail below in table 3. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet (Capital Expenditure, Gross Debt and Capital Financing Requirement summary) in £ millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt (incl. leases)	102.0	119.8	154.1	146.5	143.8
Capital Financing Requirement	178.4	146.5	143.8	140.2	146.3
Difference	76.4	26.7	-1.3	-6.3	2.5
Investments	27.2	23.9	23.9	23.9	23.9

- 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.
- 3.3 The Council has an increasing CFR due to the capital programme, stable level of investments and will therefore be required to borrow up to £26.5m over the forecast period.
- 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. Table 1 shows that the Council expects to comply with this recommendation during 2021/22 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 table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity, minimise credit risk and maintain Market in Financial Instrument Directive II (MiFID II) status.

Table 2: Liability benchmark

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget
Outstanding borrowing	102.0	119.8	154.1	146.5	143.8
Investment minimum	-10.0	-10.0	-10.0	-10.0	-10.0
Investments held that can be redeemed	-27.2	-23.9	-23.9	-23.9	-23.9
Liability benchmark	84.8	105.9	131.2	132.6	129.9

4 CURRENT BORROWING & INVESTMENT PORTFOLIO POSITION

- 4.1 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. The Council continues to follow Arlingclose advice in the knowledge that whilst long-term interest rate forecasts remain low it should generate enhanced returns with counterparties other than banks and to invest across a diverse investment portfolio.
- 4.2 During 2020/21 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 at 31 December 2020:
- £21.9m in pooled funds (providing a balance across a range of 6 different types of fund).
 - Various temporary investments of minor amounts held in Money Market funds all for durations of 6 months or less

Table 3: Existing Investment & Debt Portfolio Position

	Actual Portfolio at 31/12/20	Average Rate
	£m	%
Total External Borrowing		
Borrowing from other Local Authorities	97	0.8
Total Gross External Debt	97	
Other long-term liabilities:		
Finance Leases	2.1	
Total other long-term liabilities	2.1	
Investments		
Managed in-house:		
Money Market Funds	9.16	0.01
Managed externally:		
Pooled Funds:		
CCLA LAMIT Property Fund	3.9	6.88
M&G Investments Strategic Corporate Bond Fund	4	1.50
UBS Multi Asset Fund	5	4.71
Kames	2	4.24
Columbia Threadneedle Investments	2	2.39
Schroder Income Maximiser Fund	5	5.65
Total Investments	31.06	2.14
Net Debt	68.04	

Table 3 Illustrates the Council's investment and debt portfolio position as at 31 December 2020.

5 ANNUAL BORROWING STRATEGY 2021/22

- 5.1 The Council currently holds £97.0m of loans, an increase of £7.0m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to borrow up to £17.8m in 2021/22.

- 5.2 Capital expenditure in 2020/21 financial year is programmed to be substantial, including a significant amount for investment property acquisitions and regeneration projects. Prudential code borrowing will therefore be required in order to achieve overall financing. The Council will incur some further borrowing during 2021/22 in order assist in the financing of its capital programme.
- 5.3 **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.
- 5.4 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is more cost effective to borrow at short-term rates. The Council is balancing short-term refinancing risk by holding a mixed portfolio of short and long-term loans.
- 5.5 By adopting this approach the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years, however long-term borrowing rates are forecast to remain flat over the medium term. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 5.6 On 26 November 2020 Public Works and Loan Board (PWLB) reversed the previous year 1% increase in standard rate. Alongside the reduction of the standard rate the terms of engagement were revised making it conditional that Local Authorities have no intention to buy investment assets primarily for yield in the current and following two financial years. To access this facility the Council has revised its capital programme excluding all investment assets primarily for yield. The s151 Officer is required on application to the PWLB to submit strategic capital and financial plans.
- 5.7 Alternatively, the Council may arrange forward starting loans during 2021/22, 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.
- 5.8 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

5.9 **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)
- Money market loans (long term & temporary)
- Any bank or building society authorised to operate in the UK
- UK Local Authorities
- UK public and private sector pension funds (except the Local Government Pension Scheme administered by Hampshire County Council)
- Capital market bond investors
- UK Municipal Bond Agency plc and other special purpose companies created to enable local authority bond issues.
- Lottery monies

5.10 **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

5.11 The Council has previously raised the majority of its borrowing from Local Authorities, but it continues to investigate other sources of finance, that may be available at more favourable rates.

5.12 **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 in the event that 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 Full Council.

5.13 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators in Section 7.

6 ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2021/22

- 6.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. As at 31 December 2020 the Council's investment balance stood at £31.0m. The Council estimates that the level of investment held in Money Market Funds (MMFs) will reduce to £2m at the financial year end. In future years the Council estimates to hold on average £25m.
- 6.2 **Objectives:** Both the CIPFA Code and the MHCLG Guidance require the Council to invest its 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, in order to maintain the spending power of the sum invested.
- 6.3 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 6.4 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to maintain a diverse range of secure and/or higher yielding asset classes during 2021/22. The majority of the Council's surplus cash is currently invested in short-term money market funds. This diversification will represent a continuation of the strategy adopted in 2020/21.
- 6.5 **Business models:** Under the IFRS 9 standard, 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.
- 6.6 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 4 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 4: Approved Investment Counterparties

Sector	Time limit	Counterparty limit	Sector limit
Money market funds	n/a	£5m	£25m
Strategic pooled funds	n/a	£5m	£25m

- 6.7 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.
- 6.8 **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 taken into account.
- 6.9 **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £2 million on 31 March 2021. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 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 above.
- 6.10 Further information as to why certain counterparties have been included in Table 4 is set out below:
- **Money Market Funds:** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. The Council will continue to use funds that offer same-day liquidity as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
 - **Strategic Pooled Funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus

equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

6.11 **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.

6.12 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.

6.13 **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.

6.14 **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.

6.15 When deteriorating financial market conditions affect the

creditworthiness of all organisations, as happened in 2008 and 2020, 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.

7 TREASURY MANAGEMENT INDICATORS

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

7.2 **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 7 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	7.0

7.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount cash available within three months, including bank deposits, call accounts and money market funds.

Liquidity risk indicator	Target
Total cash available within 3 months	£1m

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

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£500,000

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

- 7.5 **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.

- 7.6 **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	2021/22	2022/23	2023/24
Limit on principal invested beyond year end at any one time	£90m	£90m	£90m

8 OTHER ITEMS

- 8.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 8.2 **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. 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. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

8.3 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.

8.4 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.

8.5 Financial Implications - Investments: The budget for investment income in 2021/22 is £0.9m (gross of borrowing interest), based on an average investment portfolio of £30m at interest rates ranging from 0.01% liquid MMF and other short-term investments to 6.9% on the highest yielding long-term pooled investment fund. Performance of investments against budget will be reviewed on an ongoing basis and as part of our quarterly budget monitoring process.

8.6 Financial Implications - Borrowing: The budget for interest costs in relation to borrowing in 2021/22 is £0.8m (not including IFRIC 4 lease accounting interest). It is determined using the current average rate of interest on borrowing incurred for 2020/21. The Council's actual borrowing at the end of 2021/22 is estimated to be in the region of £154.1m

8.7 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.

Alternative	Impact on income and expenditure	Impact on risk management
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	Interest income will be higher	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 unlikely to 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

Arlingclose Economic & Interest Rate Forecast December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.

- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r.													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

APPENDIX B

ANNUAL NON-TREASURY INVESTMENT STRATEGY 2021/22

1 INTRODUCTION

- 1.1 The Council invests its money for three broad purposes:
- because it has surplus cash as a result 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.

2 SERVICE IMPROVEMENTS: LOANS

- 2.1 **Contribution:** The Council lends money to its subsidiaries, local businesses, and its employees to support local public services and stimulate local economic growth. The Council is a funding partner of Farnborough International Limited. The loans have enabled the development of the Farnborough International exhibition and conference centre. Expanding the exhibition and conferencing capabilities in Farnborough brings increased economic capacity to the Borough and is a reinvestment in local business. The Council has established a Wholly Owned Company (WOC) subsidiary, called Rushmoor Homes Limited (RHL) in April 2020. The Council will lend to RHL at a commercial rate to enable procurement of property.
- 2.2 **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. In order 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:

Table 1: Loans for service purposes in £ millions

Category of borrower	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Local businesses	6.7	6.7	6.7
Subsidiaries and Partnerships	0	0.8	6.2
Employees	0.1	0.1	0.1
TOTAL	6.8	7.6	13.0

- 2.3 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.
- 2.4 **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.
- 2.5 **FIL loan interest deferral:** The Council has two loan agreements with FIL. As reported in the Revenue Budget Monitoring Report for Q2 (FIN2031) the Council and the other funding consortium funding partners as part of the original FIL loan agreed to defer interest payments to provide cashflow support to Farnborough International Limited (FIL) following the cancellation of the 2020 Airshow. The primary creditor (Barclays) has proposed to capitalise interest in-line with the Intercreditor Agreement. Unless a compromise can be reached the Council would not receive deferred interest until 2026. The second directed loan agreement between the council and FIL will continue to pay interest.

3 SERVICE INVESTMENTS: SHARES

- 3.1 **Contribution:** The Council invests in the shares of its subsidiary and holds a financial share in a development partnership to support local public services and stimulate local economic growth.

- 3.3 The purpose of Rushmoor Development Partnership (RDP) is to redevelop sites in Farnborough and Aldershot. In particular, it directly contributes to the delivery of the following Place Making strategic objective which underpins the Vision: “Great Places to Live – to make Aldershot and Farnborough town centres great places to live with a wide variety of quality new homes attractive to a diverse range of people”
- 3.4 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	2020/21 Forecast	2021/22 Estimate
Subsidiaries and Partnerships	0.4	0.6
TOTAL	0.4	0.6

- 3.5 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares in line with paragraph 41 of *Capital Finance: Guidance on local government investment (third edition)*
- 3.6 The Council has good knowledge of the RDP intended developments. RDP is effectively a closed market and it will provide development in accordance with agreement between the Council and the developer. Competition has effectively been evaluated at the time of the creation of RDP. The Council considers that RDP (an LLP) is the most appropriate mechanism to achieve the developments required. Hence, the barriers to entry have been lifted (by creation of RDP) and barriers to exit are eliminated because RDP has a specific set of defined initiatives.
- 3.8 The Council has used three external advisors regarding the potential for creation and development of the WOC and development of the RDP. These three advisors are Freeths (legal and financial advice), Regenco (housing and economic advice) and Arlingclose (treasury management and financial advice).
- 3.9 The Council observes strict procedure regarding its procurement of external advisors. They are appointed utilising specific competitive tendering procedure processes, relevant to the category of advice and guidance that is sought. Maintenance of the quality of advice is reviewed within the relatively frequent tender engagement process.
- 3.10 In the circumstances of RDP no credit ratings have been used.
- 3.11 The RDP Investment team will monitor developments to ensure minimisation of risk. None of the site developments would proceed if there were considerations that no financial return would be achieved. The

developer would not participate in any venture that did not deliver financial return. Both partners are insistent on the creation of specific and clearly defined development plans for all sites. Data and advice from the developer is paramount to assess and monitor risk for each development.

- 3.12 **Liquidity:** RDP funds will be committed for an estimated period of 10 years.
- 3.13 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

4 COMERCIAL INVESTMENTS: PROPERTY

- 4.1 **Contribution:** The Council invests 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 On 26 November 2020 Public Works and Loan Board (PWLB) reversed the previous year 1% increase in standard rate. Alongside the reduction of the standard rate the terms of engagement were revised making it conditional that Local Authorities have no intention to buy investment assets primarily for yield in the current and follow two financial years. To access this facility the Council has revised its capital programme excluding all investment assets primarily for yield.
- 4.3 Prior to the introduction of the PWLB lending terms the Council had committed and purchased investment assets primarily for yield during 2020/21. Including the purchase of M&S Food Hall (Haslemere) and M&S Food Hall (Ferndown). The Council had also committed to the redevelopment of Voyager House as local health centre.

Table 3: Property held for investment purposes in £millions

Property by type	2019/20 Carry forward	2020/21 Transactions		2021/22 estimated transactions	
		Purchase cost	Estimated Value in accounts	Purchase cost	Estimated year end Value
Mixed use	4.5	0.00	4.5	0.0	4.5
Industrial units	24.3	0.00	24.3	0.0	24.3
Retail	29.3	15.7	45.0	0.0	45.0
Offices	48.5	2.1	50.6	0.0	50.6
TOTAL	106.6	17.8	124.4	0.0	124.4

- 4.4 **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.
- 4.5 *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.
- 4.6 Should the 2020/21 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.
- 4.7 *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:
- Review of the portfolio during 2021/22 by external agency
 - An assessment from the Executive Head of Regeneration and Property that the best course of action is to hold the assets as values will increase over the long term. Giving consideration to the soundness of the assets with strong covenants/dependable income streams.
- 4.8 **Risk assessment:** The Council assesses the risk of loss before entering into 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
- Full and comprehensive report on all new investments to Cabinet
- Continual monitoring of risk across the whole portfolio and specific assets

4.9 **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 within a period of six months.

5 LOAN COMMITMENTS AND FINANCIAL GUARANTEES

- 5.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
- 5.2 The Council has contractually committed £5.4m of loans to RHL for 2021/22 and £4.9m for 2022/23

6 PROPORTIONALITY

- 6.1 The Council has become increasingly dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 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 Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income. The Executive Head of Regeneration and Property 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 stricter PWLB access requirements the Council has no intention to purchase investment assets primarily for yield in the current and follow two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to Gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in Gross service expenditure.

Table 4: Proportionality of Investments in £ millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Gross service expenditure	62.5	61.4	59.3
Investment income	8.0	9.3	9.7
Proportion	12.8%	15.1%	16.4%

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 assessments 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 over 85 years of combined commercial experience. The assigned investment team can call on the wider expertise and resource of the parent company (Lambert Smith Hampton-LSH) that have offices throughout the UK
- 8.3 **Commercial deals:** The Council will ensure that the Cabinet, officers and agents negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
- 8.4 **Corporate governance:** Any investment decisions will be scrutinised by Executive Leadership Team, Property Investment Activity Group (PIAG) and Cabinet before final approval. The Overview and Scrutiny committee review all decisions made by the Cabinet. Although after the event the Committee can make any recommendations to the Council if it sees fit.

9 INVESTMENT INDICATORS

- 9.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 9.2 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Treasury management investments	27.2	23.9	23.9
Service investments: Loans	6.8	7.6	13.0
Service investments: Shares	0.2	0.4	0.6
Commercial investments: Property	106.6	124.4	124.4
TOTAL INVESTMENTS	104.8	156.2	161.9
Commitments to lend	0.0	5.4	4.9
TOTAL EXPOSURE	140.8	161.7	166.8

- 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 particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Treasury management investments	0	0	0
Service investments: Loans	2.2	3.0	8.4
Service investments: Shares	0.2	0.4	0.6
Commercial investments: Property	72.2	89.9	89.9
TOTAL FUNDED BY BORROWING	74.6	93.3	98.9

- 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.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Treasury management investments	4.3%	2.9%	3.7%
Service investments: Loans	4.0%	1.4%	2.2%
Service investments: Shares	0%	0%	0%
Commercial investments: Property	2.8%	4.0%	3.5%
Commercial Investment Return	2.9	3.8%	3.4%
ALL INVESTMENTS	3.18%	3.6%	3.4%

- 9.5 The above table shows a forecast decrease in the return on treasury management investments during 2020/21. This is due to the economic impact of COVID-19 lockdowns. The portfolio has performed well given the economic downturn and there has been a noticeable recovery during 2020/21. Treasury management returns are forecast to continue to recover in 2020/21. Service investment loan returns are forecast to be significantly reduced during 2020/21 due to a sabbatical on interest payment from original Farnborough International Limited loan, which the Council entered into as part of a funding consortium. Commercial property investment return is forecast to improve during 2020/21 due to the expansion of commercial property and the 12-month lag of MRP impact. The impact of increased MRP reducing the return for commercial property in 2021/22.
- 9.6 The Council has considered the following additional indicators prudent to report given the investment activities.

Table 8: Other investment indicators

Indicator	2019/20 Actual	2020/21 Forecast	2021/22 Estimate
Debt to net service expenditure ratio	8.0	8.0	11.6
Commercial income to net service expenditure ratio	0.6	0.62	0.8

APPENDIX C

MINIMUM REVENUE PROVISION STATEMENT 2021/22

- 1.1 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.
- 1.2 The Local Government Act 2003 requires the Council to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 1.3 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.4 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This statement only incorporates options recommended in the Guidance.
- 1.5 For any unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure for all other assets or on capital expenditure not related to fixed assets but which has been capitalised by regulation or direction (revenue expenditure financed by capital under statute), will be charged over the useful economic life (UEL) of the asset up to a maximum of 50 years. MRP will be applied in the year following expenditure was incurred.
- 1.6 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.
- 1.7 Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts generated by the repayments on those loans will be set aside to repay debt instead.
- 1.8 At the commencement of 2020/21 the Council had, a Capital Financing Requirement (CFR) of £102.1m in relation to a specific elements of capital expenditure incurred in the previous financial year (2019/20). The Council has incurred further amounts of capital expenditure in 2020/21 and will

need to engage in an element of Prudential Code borrowing in that financial year to achieve total financing of its capital programme. It is inevitable therefore that the borrowing that is required in 2020/21 will require MRP to be charged to the Council's General Fund Revenue Account in 2021/22 and future years.

- 1.9 Capital expenditure incurred during 2021/22 will not be subject to MRP charge until 2022/23.
- 1.11 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2021, the MRP budget for 2021/22 has been set at (£2.2m).
- 1.12 **Overpayments:** The Council is planning to make voluntary overpayments of MRP that are available to reduce the revenue charges in later years. The Council made a £0.45m overpayment in 2020/21. No further overpayment is planned.

MRP Overpayments in £ millions

Actual balance 31.03.2020	0.45
Approved overpayment 2020/21	0.45
Expected balance 31.03.2021	0.45
Planned overpayment 2021/22	0.0
Forecast balance 31.03.2022	0.45

CABINET

16 FEBRUARY 2021

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO
HOLDER
REPORT NO. FIN2105

KEY DECISION? ~~YES~~/NO**ANNUAL CAPITAL STRATEGY 2021/22****SUMMARY AND RECOMMENDATIONS:****SUMMARY:**

The Council is required to approve a Capital Strategy for 2021/22 before 1 April 2021.

The Capital Strategy 2021/22 (Appendix A) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2018, and the Ministry of Housing, Communities and Local Government (MHCLG) guidance on Local Government Investment.

RECOMMENDATION:

Members are requested to recommend to Council:

- (i) Approval of the Capital Strategy for 2021/22 to 2023/24 and Prudential Indicators for 2021/22

1 INTRODUCTION

- 1.1 This report sets out the proposed Capital Strategy for the year 2021/22, including the Prudential indicators for capital finance for 2021/22.
- 1.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy and Investment Strategy before the start of each financial year.
- 1.3 The CIPFA "Prudential Code" 2017 edition, "Treasury Management Code of Practice" 2017 edition and MHCLG revised guidance 2018 have resulted in the creation of a new Capital Strategy which is required to be approved by the Council before the start of each financial year.
- 1.4 There are currently two consultations in progress, one related to the CIPFA

Prudential Code and the second related to the CIPFA Treasury Management Code. Both consultations are due to close on 12 April 2021. The CIPFA Prudential Code consultation is in response to the recommendation of the Public Accounts Committee and the substantial increase in commercial investment in the sector, CIPFA is proposing to strengthen the provisions within the code. CIPFA Treasury Management Code was last updated in 2017, since this date the landscape for public services has changed. There has been an increasing profile of the role of treasury management as a result of COVID-19, and the rise in commercial non-treasury investments is a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century. The outcome of both consultations may require a revision to the Capital Strategy presented in this report.

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 A sets out the Capital Strategy for 2021/22 to 2023/24 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. 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 incurred prudential code borrowing in 2019/20 of £41.2m in relation to its capital expenditure. Further borrowing to support the financing of its approved capital programme in the year 2020/21 will also be required. It therefore commences the year 2021/22 in a position where its investment holdings continue to remain significant, but it also carries some accumulating debt. There will be an inevitable requirement to incur some further borrowing to service capital expenditure in future years.
- 3.3 On 26 November 2020 Public Works and Loan Board (PWLB) reversed the previous year 1% increase in standard rate. Alongside the reduction of the standard rate the terms of engagement were revised making it conditional that Local Authorities have no intention to buy investment assets primarily for yield in the current and follow two financial years. To access this facility the Council has revised its capital programme excluding all investment assets primarily for yield. The s151 Officer is required on application to the PWLB to submit strategic capital and financial plans.
- 3.4 Careful observation of the "gross debt v capital financing requirement" indicator will need to be undertaken progressively throughout the financial year.
- 3.5 Where a material change occurs to the attached strategies during the year a revised strategy will be presented to full council before the change is implemented.

BACKGROUND DOCUMENTS:

1. *Treasury Management in the Public Services (CIPFA) 2017 Edition*
2. *The Prudential Code for Capital Finance (CIPFA) 2017 Edition*
3. *SI 2003/3146 - Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*
4. *SI 2004/3055 - Local Authorities (Capital Finance and Accounting) (Amendment)*
5. *Capital Finance: Guidance on local government investment (third edition) (Issued under section 15 (1)(a) of the Local Government Act 2003)*
6. *Prudential Property Investment 2019*

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APPENDIX A

CAPITAL STRATEGY 2021/22

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. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

2 CAPITAL EXPENDITURE AND FINANCING

- 2.1 Capital expenditure is where the Council 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 Council has some limited discretion on what counts as capital expenditure, as outlined in the following Council account policy for 2021/22:

“Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably (subject to a de minimus capitalisation threshold of £20,000 for land and buildings and £10,000 for plant, vehicles and equipment). 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 2021/22, the Council is planning capital expenditure of £24.7m as summarised below:

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

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund services	46.2	24.7	38.5	7.3	2.1
TOTAL	46.2	24.7	38.5	7.3	2.1

- 2.3 The main General Fund capital projects in 2020/21 include investment property acquisitions M&S Food Hall (Haslemere) and M&S Food Hall (Ferndown) In addition, regeneration site assembly costs associated with Union Street (Aldershot) and Farnborough Civic Quarter. The capital programme for 2021/22 includes a further £36m of regeneration expenditure.
- 2.4 On 26 November 2020 Public Works and Loan Board (PWLB) reversed the previous year 1% increase in standard rate. Alongside the reduction of the standard rate the terms of engagement were revised making it conditional 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 such assets since 26 November 2020 and the Council does not plan to incur expenditure on investment assets primarily for yield within the revised capital programme.
- 2.5 **Governance:** Service managers bid annually in September to include projects in the Council's capital programme. Bids are collated by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Corporate Management Team (CMT) and Executive Leadership Team (ELT) appraises all bids based on a comparison of service priorities against financing costs. The final capital programme is then presented to Cabinet early February and to Full Council in late February each year. Variation to capital bids and new capital bids can be received during the year.
- For full details of the Council's capital programme, including the project appraisals undertaken, see: Appendix 3, FIN2106 Revenue budget, Capital Programme and Council Tax
- 2.6 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

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External sources	3.1	4.2	10.3	2.3	1.1
Own resources	0.1	0.1	0.0	0.0	0.0
Debt	43.0	20.4	28.2	5.0	1.0
TOTAL	46.2	24.7	38.5	7.3	2.1

2.6 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

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Own resources	1.4	2.2	2.5	3.2	3.3

- The Council's full minimum revenue provision statement is available here: Appendix C, FIN 2104 Annual Treasury Management Strategy and Non-Treasury Investment Strategy

2.7 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 by £17.8m during 2021/22. 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

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund services	103.8	122.4	148.0	150.1	147.5
MRP	-1.4	-2.2	-2.5	-3.2	-3.3
IFRIC 4 Lease Adjustment	-0.4	-0.4	-0.4	-0.4	-0.4
TOTAL CFR	102.0	119.8	145.1	146.5	143.8

2.8 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council is in the process of putting an asset management strategy in place.

2.9 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend

capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council is forecasting to receive the following capital receipts over the medium term.

Table 5: Capital receipts in £ millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Asset sales	0	0.0	0.0	0.0	0.0
TOTAL	0	0.0	0.0	0.0	0.0

- The Council's Flexible Use of Capital Receipts Policy is available here: Appendix 4, FIN2106 Revenue budget, Capital Programme and Council Tax

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. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.2 Due to decisions taken in the past, the Council currently has £97.0m borrowing at an average interest rate of 0.6% and £31.1m treasury investments at an average rate of 2.14%.
- 3.4 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between lower-cost short-term loans (currently available at around 0.3%) and long-term fixed rate loans where the future cost is known but higher (currently 0.7 to 1.5%).
- 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 4).

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

Gross Debt and the Capital Financing Requirement in £ millions	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt (incl. leases)	102.0	119.8	145.1	146.5	143.8
Capital Financing Requirement	178.4	146.5	143.8	140.2	146.3
Difference	76.4	26.7	-1.3	-6.3	2.5

3.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

3.7 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity, minimise credit risk and maintain Market in Financial Instrument Directive II (MiFID II) status. This benchmark is currently £105.9m and is forecast to rise to £129.9m over the next three years.

Table 7: Borrowing and Liability Benchmark in £ millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Outstanding borrowing	102.0	1119.8	145.1	146.5	143.8
Investment minimum	-10.0	-10.0	-10.0	-10.0	-10.0
Investments held that can be redeemed	-27.2	-23.9	-23.9	-23.9	-23.9
Liability benchmark	84.8	105.9	131.2	132.6	129.9

3.8 The table shows that the Council expects to remain borrowed above its liability benchmark. This is because a deliberate decision has been made to maintain investment fund balances and not deplete to cover potential borrowing costs.

- 3.9 **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

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit – total external debt	134.8	160.1	161.5	158.8
Operational boundary – total external debt	129.8	155.1	156.5	153.8

- Further details on borrowing are contained in the treasury management strategy – Appendix A FIN 2104 Annual Treasury Management Strategy and Non-Treasury Investment Strategy
- 3.10 **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.
- 3.11 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.

Table 9: Treasury Management Investments in £ millions

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Near-term investments	2.3	2.0	2.0	2.0	2.0
Longer-term investments	21.9	21.9	21.9	21.9	21.9
TOTAL	24.2	23.9	23.9	23.9	23.9

3.12 **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

- Further details on treasury investments are contained in the Treasury Management Strategy - Appendix A FIN 2104 Annual Treasury Management Strategy and Non-Treasury Investment Strategy

3.13 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Head of Finance and staff, who must act in line with the treasury management strategy approved by Full Council. Year-end report and half-yearly reports on treasury management activity are presented to Licencing, Audit & General Purposes Committee (LA&GP). The LA&GP Committee is responsible for scrutinising treasury management decisions.

4 NON-TREASURY INVESTMENTS FOR SERVICE PURPOSES

4.1 The Council makes investments to assist local public services, including making loans to local businesses to promote economic growth, the Council's subsidiaries that provide services. In light of 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.

- Further details on service investments are contained in the investment strategy: Appendix B FIN 2104 Annual Treasury Management Strategy and Investment Strategy

5 COMMERCIAL ACTIVITIES

5.1 With central government financial support for local public services declining, the Council has undertaken some investment in commercial properties purely or mainly for financial gain. Total commercial investments for 2020/21 are forecast to be £138.0m, the portfolio providing a net return

after all costs of 3.4%.

- 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.

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
 - Full and comprehensive report on all new investments to Cabinet
 - Continual monitoring of risk across the whole portfolio and specific assets
- 5.3 In order that commercial investments remain proportionate to the size of the Council, these are subject to an overall maximum investment limit of £180m and contingency plans are in place should expected yields not materialise.
- 5.4 With the introduction of stricter PWLB access requirements the Council has no intention to buy investment assets primarily for yield in the current and following two financial years.
- 5.5 **Governance:** Decisions on the day-to-day management of commercial investments are made by the Executive Head of Regeneration and Property in line with the criteria and limits approved by LA&GP Committee, Cabinet and Full Council in the investment strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.
- Further details on commercial investments and limits on their use are contained in of the investment strategy: Appendix B FIN 2104 Annual Treasury Management Strategy and Investment Strategy

6 LIABILITIES

6.1 In addition to debt of £131.2m detailed above, the Council is committed to making future payments to cover its pension fund deficit. It has also set aside funds to cover risks of Business Rate Appeals. The Council is also at risk of having to pay for Local Land Charges but has not put aside any money because the value of claim is unknown.

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.

- Further details on liabilities and guarantees are on page 46 and 49 of the 2019/20 statement of accounts:

<https://www.rushmoor.gov.uk/statementofaccounts>

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 10: Prudential Indicator: Proportion of Financing Costs to Net Core Revenue Stream in £ million

	2019/20 Actual	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Financing Costs	2.4	3.0	3.2	4.1	4.3
Proportion of Net Core Revenue Stream	23.0%	28.4%	31.8%	38.4%	40.5%

- Further details on the revenue implications of capital expenditure are contained in the 2021/22 revenue budget: Appendix 1, FIN2106 Revenue budget, Capital Programme and Council Tax

7.2 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Executive

Head of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because the net budget demand on the Council and the risks within the programme have been reviewed and are within the Council's risk appetite and tolerances.

8 KNOWLEDGE AND SKILLS

- 8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Head of Finance is a qualified accountant (Chartered Institute of Public Finance and Accountancy) with 20 years' experience of local government finance, the Executive Head of Regeneration and Property is a qualified surveyor (Royal Institute of Chartered Surveyors). The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and RICS.
- 8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and Lambert Smith Hampton Investment Management Ltd (LSHIM) as commercial property consultants as required depending on the nature of the professional advice sought. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

CABINET
16 FEBRUARY 2021

COUNCILLOR ADRIAN NEWELL
DEMOCRACY, STRATEGY AND PARTNERSHIPS
PORTFOLIO HOLDER
REPORT NO. ACE2101

KEY DECISION? NO

**COUNCIL BUSINESS PLAN PROJECT PROGRESS REPORT OCTOBER
– DECEMBER 2020/21**

SUMMARY AND RECOMMENDATIONS:

This report is a *Summary Project Progress Report* providing information for Members only on projects which are either completed in Q3 or not on track at the end of Q3. The majority of projects are identified as making good progress and a full report on all activity can be found at www.rushmoor.gov.uk/councilplan.

Overall good progress is being made against a very ambitious programme of work, taking account the impact of the current pandemic and ongoing resource constraints. Work continues on strengthening project and programme management arrangements and improving governance of each programme.

Cabinet are requested to note the progress against the Council Business Plan in this quarter. In addition, the Summary Project Progress Report the Q3 Organisational Health Dashboard and an update to the Covid-19 Recovery Plan is provided.

1. Introduction

- 1.1 This report provides an update on progress against key council projects in the Council Business Plan. The updates are provided on an exception basis so only projects which have been completed in Q3 or are not on time or on budget are reported; Members can assume all other projects are on track and being delivered. The Summary Project Progress Report is intended to provide a snapshot of the position at the end of each quarter.
- 1.2 In addition, the Organisation Health Dashboard gives a snapshot of the key indicators and measures at the end of Q3, and there is an update to the Covid-19 Recovery Plan. Together these documents provide a summary of the Council's position at the end of Q3 and highlight key areas of work.
- 1.4 The report is presented by the Democracy, Strategy and Partnership Portfolio Holder with two other Portfolio Holders also responsible for the delivery of the Council Business Plan, Cllr Martin Tennant, Major Projects and Property Portfolio Holder and Cllr Ken Muschamp, Customer Experience and Improvement Portfolio Holder.

2. Background

- 2.1 The Council Business Plan 2020-23 sets out what the Council is planning to deliver over the next three years and the key projects to be delivered in

2020/21, building on the 16 priorities identified by Cabinet, which support the Vision for Aldershot and Farnborough 2030.

2.2 Management and reporting of the projects to deliver the Council Business Plan are contained in three main programmes: Business Plan Projects, Regeneration Projects and ICE Transformation Projects.

2.3 **The Regeneration Programme** - Cabinet established the 'Regenerating Rushmoor' programme in June 2018 to enable delivery of the Council's regeneration ambitions. The programme delivery is a partner co-ordinated approach addressing economic and place-making challenges and opportunities across the Borough. It directly addresses the 'Place' priorities in the Council Plan. Work is currently being undertaken to redefine and reprofile the regeneration programme.

2.4 **The ICE Programme** - The Council's transformation programme, known as the ICE programme, was confirmed on 15 October 2019 and the agreed programme outcomes are as follows:

- Improved and modernised core business
- Consistently excellent Customer Experience
- Enable efficiencies, delivered savings and generate more income

2.5 **Business Plan Projects** – projects which fall outside these two programmes, but which are vital to the delivery of the Council Business Plan are contained within the Business Plan Projects Programme.

3. Delivery of the Council Business Plan

3.1 The attached report (Annex A) is the Summary Project Progress Report which is only showing projects which are not Green (where activity is on track). At the end of Q3, the majority of activity was considered to be on track/completed, with the remainder covered in Annex A. The full programme reports are available on the Council's website www.rushmoor.gov.uk/councilplan

3.2 The following key activities successfully completed between October and December 2020. These are set out in Section 1 of the Summary Project Progress Report.

- Work to implement improved arrangements for the council's Community safety service has been completed.
- The People Strategy has been completed.

This was in addition to the extra demands placed on teams arising from Covid pandemic and builds upon the completion of the following activity reported at the end of Q2:

- Completion of the renovation work on the Digital Hub in Aldershot.
- Completion of works on Invincible Road with the scheme open to traffic.
- The handover of Voyager House, with the building becoming operational as the new 'Farnborough Centre for Health' in October.
- Under the ICE programme, the roll-out of Microsoft Delve has been completed and the BACs payment system has been upgraded.

- Adoption of the Procurement Strategy 2020-2024.

3.4 A summary of progress on the Council Business Plan is given below:

3.5 **Business Plan Projects - Quarter 3** – Section 2 of the Summary Project Progress Report provides information on Business Plan Project progress. Covid continues to have an impact on project delivery and this has resulted in some project delays as highlighted in the report. Since the presentation of the Q2 report to Cabinet in November 2020, work to implement new arrangements for the Council's Community Safety Service has been completed, the Supporting Communities Strategy was submitted to Cabinet in January 2021 and the electoral review is back on track and gone from amber to green.

After successfully re-opening our leisure facilities these have now been closed again, and work on the procurement of a future operator for the Council's key leisure contracts reflects the current situation. Plans to develop new working arrangements with community/voluntary sector groups are in progress have been delayed in order to focus on the Covid response and recovery work. Planned work on international links continues to be paused as is work to take forward the Strategic Economic Framework.

3.6 **Regeneration Programme – Quarter 3** – Section 3 of the Summary Project Progress Report provides information on Regeneration Programme Project progress. The Council regeneration programme was established in 2018 and performance has been reported quarterly to Members. At the regeneration seminar in December 2020, Members were advised that the stage we have reached in the regeneration programme coupled with the number of significant property and capital works projects in the Council's business plan has led to a review of delivery and governance arrangements.

This review is still underway and this performance report for Q3 20/21 should be considered as an interim update report pending conclusion of the review and agreement to the revised programme arrangements.

Quarter 3 saw significant milestones within the Regeneration Programme projects being achieved as follows:

- Completion of demolition work at Elles Hall Community Centre.
- Conclusion of the legal negotiations for the disposal of the Parson Barracks site. It is anticipated quarter 4 will see the exchange of contracts and enable the developer to submit planning for the site which is to be redeveloped as a nursing home. In the meantime, the site is being used as a valuable community resource providing a venue for a Covid 19 testing centre.
- Quarter 3 also saw the Council formally entering into a funding agreement with Enterprise M3 LEP for grant funding of £1.2 million which will be used to support the redevelopment of the Union Street Scheme.

3.7 **ICE Programme – Quarter 3** - Section 4 of the Summary Project Progress Report provides information on the ICE Transformation Projects. The ICE

Programme Phase 2 delivery continues to make progress despite the impact of Covid 19 and the resulting knock-on effects. Project 11 the Development of the People Strategy was completed in quarter 3. However, project slippage has taken place on some key projects over the reporting period primarily as a result of resource constraints, overall workloads or supplier delays all primarily linked to the pandemic.

4 Organisational Health Dashboard

- 4.1 The attached report (Annex B) is the Q3 Organisational Health Dashboard. In Q3 Covid-19 continues to affect many of the Organisational Health indicators from customer contact indicators to key income streams. More positive is the reduction in the Customer Services abandoned call rate from Q2 and from Q3 last year. Also, although there is a small rise in sickness absence in Q3, it is nearly half of what it was in Q3 last year.

5 Covid-19 Recovery Plans

- 5.1 One of the key Business Plan Projects is to develop and implement delivery plans for the recovery phase of Covid-19. The recovery plans have developed and implemented in accordance with government guidelines and in conjunction with local partners and with a small cross-party Member Working Group. The attached report (Annex C) Covid-19 Recovery Plan provides a detailed update. The plan will be reviewed as the pandemic progresses and further guidance is published. As the Council Business Planning process for 2021/22 develops, the aim will be to incorporate this activity into the Business Plan and performance management approach.

6 Conclusion

- 6.1 Cabinet are requested to note the progress against the delivering Council Business Plan in this quarter.

COUNCILLOR ADRIAN NEWELL
DEMOCRACY, STRATEGY AND PARTNERSHIP PORTFOLIO HOLDER

BACKGROUND DOCUMENTS:

Council Business Plan April 2020 to March 2023

CONTACT DETAILS:

Sharon Sullivan, Policy Officer - 01252 398465, sharon.sullivan@rushmoor.gov.uk

Rachel Barker, Assistant Chief Executive, rachel.barker@rushmoor.gov.uk

Summary Project Progress Report

ANNEX A - COUNCIL BUSINESS PLAN MONITORING QUARTER 3

ASSISTANT CHIEF EXECUTIVE

RUSHMOOR BOROUGH COUNCIL JANUARY 2021 VERSION 2.2

SUMMARY PROJECT PROGRESS REPORT

This *Summary Project Progress Report* only reports on an exception basis. This means that **only projects which have 'Red' or 'Amber' statuses are reported**. All other projects which are on track as **'Green'** projects are not reported in this summary report (however, projects completed in the period are listed in section 1 with a **Blue** status).

The report is divided into four sections:

1. **Projects completed this Quarter**
2. **Business Plan Projects** (projects in the Council Business Plan but not included in Regeneration or ICE Programmes)
3. **Regeneration Programme**
4. **ICE Transformation Programme**

'RAG' REPORTING

Red - shows that we have not been able to achieve or achieve elements of the activity

Amber - flags up that achieving the activity is in question

Green - indicates that the activity is on course

Blue – indicates that activity/project has been completed this quarter

PROGRAMME SUMMARIES

Business Plan Projects

Covid continues to have an impact on project delivery and this has resulted in some project delays as highlighted in this report. Since the presentation of the Q2 report to Cabinet in November 2020, work to implement new arrangements for the Council's Community Safety Service has been completed, the Supporting Communities Strategy was submitted to Cabinet in January 2021 and the electoral review is back on track and gone from amber to green.

After successfully re-opening our leisure facilities these have now been closed again, and work on the procurement of a future operator for the Councils key leisure contracts reflects the current situation. Plans to develop new working arrangements with community/voluntary sector groups are in progress have been delayed in order to focus on the Covid response and recovery work. Planned work on international links continues to be paused as is work to take forward the Strategic Economic Framework.

Regeneration Programme

The Council regeneration programme was established in 2018 and performance has been reported quarterly to members. At the regeneration seminar in December Members were advised that the stage we have reached in the regeneration programme coupled with the number of significant property and capital works projects in the Council's business plan has led to a review of delivery and governance arrangements.

This review is still underway and this performance report for Q3 20/21 should be considered as an interim update report pending conclusion of the review and agreement to the revised programme arrangements.

Quarter 3 saw significant milestones within the Regeneration Programme projects being achieved as follows:

- Completion of demolition work at Elles Hall Community Centre.
- Conclusion of the legal negotiations for the disposal of the Parsons Barracks site. It is anticipated quarter 4 will see the exchange of contracts and enable the developer to submit planning for the site which is to be redeveloped as a nursing home. In the meantime, the site is being used as a valuable community resource providing a venue for a Covid 19 testing centre.
- Quarter 3 also saw the Council formally entering into a funding agreement with Enterprise M3 LEP for grant funding of £1.2 million which will be used to support the redevelopment of the Union Street Scheme.

ICE Programme

The ICE Programme Phase 2 delivery continues to make progress despite the impact of Covid 19 and the resulting knock-on effects. Project 11 the Development of the People Strategy was completed in quarter 3. However, project slippage has taken place on some key projects over the reporting period primarily as a result of resource constraints, overall workloads or supplier delays all primarily linked to the pandemic. A summary of the current or forecast project slippage is:

- Project P1 The Modern Workplace – Board decision taken 24th Nov to extend timescales for file store reorganisation. Other elements of project are on track (Green from Amber)
- Project P4 Windows 10/New laptops Roll-out of new laptops delayed by about two months due to late delivery of laptops. Laptop roll-out now subject to revised restrictions 4th Jan (Amber)
- Project P5 delays in finalising/issuing procurement documents due to resource constraints in Finance. Procurement documents now issued. Further resource constrains in Legal advised (Red)
- Project P9 delays proceeding with the replacement website due to Covid 19 and internal resource constraints. Project was re-baselined in September, but further slippage now reported (Amber)

Overall forward Programme view is now **Amber**. **The Programme remains on-track but is likely to suffer further delays as a result of increased Covid 19 restrictions and ongoing internal resource constraints.**

SECTION 1 – ACTIVITIES AND PROJECTS COMPLETED IN Q3

Activity	Status Q3	Notes/Update
Business Plan Projects		
P19 Community Safety Service: Implement improved arrangements for the Council's Community Safety Service		New structure implemented in September and new Service Manager appointed.
ICE Programme		
P11: People Strategy Development of a People Strategy to support organisational development and change		Approved at Cabinet on 19 th January

SECTION 2 - BUSINESS PLAN PROJECTS

Key to trend arrow					
	Same quarterly status as previous quarter		Decline in quarterly status		Improvement in quarterly status

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
People projects			
P4 Rough Sleeper Strategy: Agree a deliver the Rough Sleeper Strategy and action plan recognising the long-term effects of Covid-19 on the Councils obligations			The strategy had to undergo a 12 week consultation period which is now complete. This will go to Cabinet in April 2021.

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
Place projects			
P9 Green infrastructure and biodiversity: Develop policies and initiatives to improve green infrastructure and enhance biodiversity across the borough	↓		Other projects including the cycle track feasibility, issues on Southwood Country Park and a number of other planning related demands have impacted on progress.
P10 Leisure facilities recovery: In line Government advice, work with the Councils leisure provider to recover services at the Farnborough Leisure Centre and the Aldershot Indoor Pools and Lido complex	↓		Leisure centres are currently closed by law. Negotiations surrounding the medium-term provision of leisure services with Places for People Leisure are being finalised and will be considered by the Cabinet in February. Bid for financial assistance to Government submitted.
P11 Facilities for visitors: Develop a visitor centre, café and other facilities for visitors to the Southwood Country Park	→		Development of proposals for building impacted by Covid. Environmental Plan delayed due to issues on ownership of culvert and agreement on proposals with Thames Water
P12 Moor Road: Complete and open the new leisure and play facilities at Moor Road playing fields	↓		The new facilities would have been completed by Christmas except that the pump track contractors had their plant machinery stolen. Now will be completed Jan 2021 with car park completed by March 2021
P13 Economic development: Take forward the strategic economic actions to support recovery and growth	→		This work is evolving so that the strategic actions identified best take account of the impact of Covid 19. A review will take place in January 2021 to decide whether to re-commence the work.
P15 Rushmoor Homes: Develop and deliver homes for private rent through Rushmoor Homes	→		Revised business plan being prepared. Delay on transfer of properties due to Public Works Loan Board announcement within the Chancellor's statement and need to review implications.
P18 Leisure contracts: Work with the sector to undertake the procurement of an operator for the Councils key leisure contracts, at the right time	↓		No further long-term procurement work is planned until the leisure industry has recovered sufficiently. Although current contracts are being renegotiated to run from the 1 st April to bridge the gap until further procurement exercise can be launched.
Partnerships projects			
P20 Community/voluntary sector groups: Develop new working arrangements with community/voluntary sector groups and public	→		Plans for joint arrangements are in progress but will not be completed by March because of the focus on Covid response and recovery.

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
sector partners to support recovery processes from the coronavirus pandemic and develop a new community support hub arrangement jointly with key partner organizations.			
P25 International links: Encourage and establish business, education and community links with support from the Rushmoor International Association with: <ul style="list-style-type: none"> Dayton, Ohio, United States Gorkha Municipality, Nepal Rzeszow, Poland 	→		No visits, working arrangements or plans have been possible to establish due to COVID although virtual contact continues – the project has however slowed down.
Better Public Services			
P27 Cyber security: Implement new technology to protect the Council from the threat of cyber crime	↓		PSN compliance report submitted to cabinet office, returned with mitigations. Work ongoing with remediations and to be resubmitted in February 2021. Work on cyber security enhancement being planned linked to budget approvals.

SECTION 3 - REGENERATION PROGRAMME

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
Union Street (Rushmoor Development Partnership Scheme)	→		<ul style="list-style-type: none"> S106 completed enabling site handover to Hill Partnerships Limited to begin 20-week demolition programme from 1 February. Completion of Due diligence to confirm delivery route and finance approach due to conclude January 2021 with recommendation to Cabinet March 2021. Cabinet working group established 19 January to support due diligence recommendations

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
			<ul style="list-style-type: none"> Increased risk to 2024 completion timeline if detailed design unable to commence before April 2021
Civic Quarter & Civic Hub (Rushmoor Development Partnership Scheme)	→		<ul style="list-style-type: none"> Masterplanning work continues to progress the project to planning application submission, with public consultation anticipated in late February subject to prior informal consideration of the draft Masterplan by the Council. Leisure and Civic Hub Stage one feasibility in development and due to conclude January 2021 for internal review and agreement of next steps. Future timelines to be linked to Council consideration of leisure service impacts as a result of the Pandemic.

SECTION 4 - ICE PROGRAMME

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
P4: Infrastructure and Cloud Migration - The implementation of IT infrastructure which includes modernising the council's IT environment, moving services to the cloud and rolling out Windows 10	→		<ul style="list-style-type: none"> Delay of 8 weeks in delivery of laptops – rollout now will now Q1 2021, subject to increased Covid 19 restrictions (staff not being able to attend site to pick-up new laptops) Implications for fixed term/contract resource should slippage continue Slippage now impacts original end date for project.
P5: Modernising LOB Applications - Procurement of a new Property System to ensure efficient and effective management of council property assets	→		<ul style="list-style-type: none"> Delays of about three months from the original project timescales have been experienced by the project. This has primarily been as a result of lack of internal resource availability from the Finance Team. Finance support has now identified. Further resource issue identified in Legal Team Data cleansing exercise continues – Tender document issued December 2020, tender evaluation and suppliers presentations scheduled

Activity	Trend Q2 -Q3	Status Q3	Notes/Update
			Both project resource constraints and time create ongoing 'Red' status
P9: Digital Services Development and Implementation of New Council Website	↓		<ul style="list-style-type: none"> • Web and comms team prioritised to pandemic communications • Additional web and comms capacity has been requested - in addition to existing website budget. Funding to be identified. • Discovery Phase complete • The project has been redated to delivering a full live website by October 2021
P10: New Ways of Working A rolling review of services to redesign and transform them to work flexibly & remotely at a lower cost using digital technologies	↓		<ul style="list-style-type: none"> • Project Amber due to slippage as a result of Coronavirus • Recruitment of additional Digital Services project resources complete • Review work underway • Benefits Realisation Plan agreed

Organisational Health Indicators

Quarter 3 2020/21

Summary this quarter: Covid-19 continues to affect many of the Organisational Health indicators from customer contact indicators to key income streams. More positive is the reduction in the Customer Services abandoned call rate from Q2 and from Q3 last year. Also, although there is a small rise in sickness absence in Q3, it is nearly half of what it was in Q3 last year.

Key An improvement from last quarter or this quarter last year A decline from last quarter or this quarter last year

Income over time from key income streams				Council Tax collected		Business Rates collected	
				93.70%	Last quarter: 93.59%	88.41%	Last quarter: 89.60%
					This quarter last year: 95.11%		This quarter last year: 91.80%
				Benefit caseload		Electoral Registration – % of registered properties (properties minus 'true' voids)	
				6,241*	Last quarter: 6,184	89.5% (January 2021)	Last quarter: 88% (November 2020)
					This quarter last year: 6,299		This quarter last year: 88.6% (February 2020)
Key income stream	Amount in Q1, Q2 and Q3	% of budget by Q3 2020/21`	% of budget by Q3 2019/20	Number of Penalty Charge Notices (PCNs) issued		Number of Fixed Penalty Charge Notices (FPN's) issued	
From buildings	£1,920,319	85.4%	83.3%	3,940	Last quarter: 2,805	13*	Last quarter: 15
Investment Properties*	£2,553,877	54.1%	122.9%		This quarter last year: 3,447		This quarter last year: 486
Princes' Hall	£108,783	11.0%	89.3%				
Building Control fees	£130,731	59.3%	70.7%				
Car Parks and on-street parking	£604,043	24.3%	72.8%				
Crematorium & Cemeteries	£1,180,534	66.5%	65.5%	Recycling rates - % reused, recycled and composted (one quarter behind)		Residual waste – kg per household (one quarter behind)	
Planning fees	£251,629	62.9%	42.4%	32.4%	Last quarter (Q1): 34.7%	137.93 (Q2)	Last quarter (Q1): 135.57
Green Waste	£430,310	103.9%	94.5%	(Q2) Estimate for Q3: 31%	This quarter last year (Q2): 29.9%		This quarter last year (Q2): 136.48

Comments:

* **Number of Fixed Penalty Notices (FPNs) Issued** – Patrols for litter enforcement ceased at the end of March 2020 due to Covid-19. Therefore, no notices were issued in Q1, Q2 and Q3 for litter. However, Rushmoor Community Patrol Officers have continued to issue FPN's for abandoned vehicles.

* **Benefit caseload** – there has been a decrease in Housing Benefit claimants due to this now being part of Universal Credit but an increase in Council Tax Support claimants

* **Investment properties** - in 2019/20 by Q3 we had received 122.9% of the budget because there were investment properties not included in the original budget.

Gross affordable housing completions – target 150 p.a.		B&B cost - Gross		Homelessness enquires – All cases		Major Planning Applications processed within 13 weeks - Target 60%	
49 (87 so far in 2020/21)	Last quarter:38	£45,000 estimate	Last quarter: £64,386	187	Last quarter:146	N/A*	Last quarter: 100%
	This quarter last year: 32		This quarter last year: £32,750		This quarter last year: 169		This quarter last year: 66%
Staff turnover		Absence - Working days lost per FTE *				Violence at work data - incidents	
3.14%	Last quarter: 2.48%					12*	Last quarter: 9
	This quarter last year: 2.41%						This quarter last year: 12
Number of complaints						Rushmoor work related accident / incident data	
3	Last quarter: 2						This quarter last year: 10
Number of walk-in customers		Number of calls to Customer Services		Call Abandoned rate		Number of website sessions	
249*	Last quarter: 781	11,276	Last quarter: 14,413	2.3%	Last quarter: 5.5%	238,335	Last quarter: 246,112
	This quarter last year: 7,742		This quarter last year: 12,353		This quarter last year: 3.4%		This quarter last year: 208,919
Top three-page views this quarter							
<ol style="list-style-type: none"> 1. Bin collections (41,955) 2. Coronavirus main page (20,865) * 3. Coronavirus advice for residents (20,585) * 							

Comments:

*Major Planning Applications – we did not issue decisions on any major applications in Q3.

*Top three-page views this quarter - this is the first quarter the Coronavirus pages have made it into the top three, the increase page in views is connected with Rushmoor entering Tier 4.

*Absence - Working days lost per FTE – slight rise in days lost due to sickness. However, it is almost half of what it was in Q3 last year.

*Number of walk-in customers -Reception reopened on a limited basis on 10th August 2020. Reception closed again with the second lockdown on 5th November. An intercom system was put in place should customers attend the offices. With options to call through to housing, benefits, council tax, a Nepali speaking officer, Customer Services, also a provision for Citizens Advice. The usage is monitored through the operations meeting on a fortnightly basis.

*Violence at work data – incidents – the majority of the incidents in Q3 were related to verbal abuse/threats received by members of the CEO team.

Covid-19 Recovery Plan

ANNEX C – RECOVERY PLAN QUARTER 3

ASSISTANT CHIEF EXECUTIVE

WILMSLORE BOROUGH COUNCIL JANUARY 2021 VERSION 3

Priority Area	Community Recovery	RAGB Status	R	Needing urgent action
Lead Member	Adrian Newell		A	Further action needed
Lead Officer	AC		G	On track
Coordinator	AN		B	Completed

Completed items in Q3
<ul style="list-style-type: none"> • ORCA helpline provided in conjunction with RVS. However, existing RBC HeLOs can be recalled if necessary and additional RBC staff identified and placed on standby to join the team. • Residents survey complete and actions being developed from the survey. • Obtained feedback from local response groups • Reviewed current Food Hub operation and demand. The evolved/evolving food model was able to respond to the current lockdown. Strong supply routes continue. • Supported provision of local vaccination sites • Regular liaison with partners (in particular Hampshire County Council, North East Hampshire and Farnham CCG, RVS, Citizens Advice and the Military) to review, plan and deliver actions in response to waves of the pandemic

Project / Action and status as existing E / new N	Performance Measures	Timescales	Progress update	R/A/G/B Status
Understand C19 impact (N) <i>Develop an understanding of feelings, needs and views of the local community and key partners to enable effective community-based work to be developed and measured</i>	Request Members in specific wards for feedback on the issues within their wards	Nov 2020	Ownership and commitment from Elected Members. Arrangements in place for ongoing engagement with residents at a ward level. Led by Cabinet Champion but response has been limited.	A
	Engage with key organisations in the borough's C19 response Key Delivery Partners: HCC, CCG, RVS, GRNC, TVC, SBS	Ongoing	Key organisations identified and engaged. Support arrangements established Improved understanding of contributory factors including deprivation, social/digital isolation and poor health/wellbeing.	G
	Establish a C19 impact dataset within the Community Development and Partnerships Team	Jan 2021	Use of data compiled from key sources. To be used as part of ongoing monitoring reports.	G

Food Provision (E). <i>Facilitate the physical, mental and financial recovery of communities via the provision of appropriate, sustainable and community-based food initiatives.</i>	Explore and enable longer-term community-led food provision Key Delivery Partners: RVS	Aug/Sept 2020	Future model(s) meet existing need as well as developing more aspirational/innovative approaches. Future model to be delivered through Community Interest Organisation. Proposed food hub to be established at St John's Hall in Windsor Way, Aldershot	A
	Develop longer term options to encourage healthy eating.	Jan 2021	Residents have access to good quality, healthy food and opportunities to learn more about nutrition and cooking. Part of food hub proposals.	A
Physical & mental recovery in local communities (N). <i>Identify and facilitate initiatives that support the physical and mental recovery of communities via the provision of local resilience-based programmes.</i>	Work with partners to deliver programmes that support building resilience and improve mental and physical health. Key Delivery Partners: HCC, CCG	Mar 2021	High take up of local resilience- based programmes and community-led initiatives in targeted areas. Increased access to mental health support. Development of joint CCG/RBC schools' mental health programme. Initiatives being picked up through the Supporting Communities Strategy and Action Plan	G

Priority Area	Economy Regeneration and Housing	RAGB Status	R	Needing urgent action
Lead Member	Marina Munro and Martin Tennant		A	Further action needed
Lead Officer	TM		G	On track
Coordinator	KS		B	Completed

Completed items in Q3
<ul style="list-style-type: none"> Deployment of commuted sums to support housing delivery, however feedback from developers has not identified any projects needing deployment so will now be focused on Temporary Accommodation project

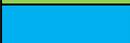
Project / Action and status as existing E / new N	Performance Measures	Timescale	Progress update	R/A/G/B Status
Engage with HCC/EM3 Recovery groups & establish Rushmoor Economic Recovery Group	Engagement with EM3 COVID-19 recovery group & ED lead at HCC for Aerospace Key Delivery Partners: HCC, EM3, Districts, Business Support		EM3 regular meetings to share best practice and provide a co-ordinated approach to business support and grants. RBC Recovery group successfully mapped provision and looking to support identified gaps HCC have had limited engagement.	G
	Participate in manufacturing subgroup & key projects with Regeneration subgroup Key Delivery Partners: HCC		Limited engagement due to focus of manufacturing sub group and meetings. Ongoing discussions on regeneration.	A
Identify anchor businesses & ensure liaison with them to support recovery	Identify Key contact in RBC for each business & make initial contact in relation to Recovery process Maintain contact on frequency agreed with businesses Build actions into Phase 2 of ERH recovery plan dependent on feedback Key Delivery Partners: FIA, Barrons, Farnborough Airport, Enterprise Rent a Car, Fluor, Gulfstream, Airbus, QinetiQ, Wilmot Dixon, Camberley Rubber Mouldings, Business Parks, Aerospace supply chain		Ongoing engagement with Farnborough Airport on a number of economic, regulatory and sustainability issues Liaison with FIA, Business Parks and key businesses continuing Contact with key businesses is occurring dependent on appetite of businesses Engaging with Gulfstream around curriculum engagement activity with secondary school. Supporting and engaging Enterprise Rent a Car to recruit locally via employment support course for residents	G

Identify key small businesses to identify & target support needs	June/July attend networking groups & understand small business profile/ support needed <i>Key Delivery Partners: WSX, Enterprise Frist, FSB, Chamber of Commerce</i>		Produce regular business bulletin, established network of business support. SLA in place with Enterprise South. Business conference did not take place to due its timing at point of lockdown. However activities have been rearranged where popular on a standalone basis. Enterprise First engaging with potential start-ups and working directly with 11 referred Rushmoor start-ups	A
Effectively & efficiently distribute Discretionary Grant Funding	<i>*Updated*</i> Agree policy and distribute latest mandatory and discretionary grants		Executive decision circulated 9/12 to authorise policy. Applications already invited and 79 received at 9/12 As of 13/1 LRSO closed Addendum £970,599, LRSO Sector £4,300, LRSO Closed £14,217, LRSO Open £58,090, ARG £103,104, Wet led pubs £6,000 Total paid out £1,156,344.93 Remaining ARG to be split between grants and recovery plans. Workshops with EM3 and investigation of ideas such as online market place under consideration	G
Support local businesses through rescheduling of rent & lease reviews	Position on rental for RBC is looking better than expected with circa 80% collection but the remainder is impacted by monthly repayment plans so generally positive <i>Key Delivery Partners: LSH, Gowlings</i>		Regular reporting is provided to the Property Investment Advisory Group	G
Develop online support for those seeking employment inc. virtual job clubs, online training, pre employment courses. Promotion weekly bulletin	Quarterly monitoring reports of candidates engaged at virtual job clubs and outcomes Virtual employability programme delivered June/July Weekly RESZ bulletin produced Static stand in Princes Mead Delivered Mentoring Circles <i>Key Delivery Partners: RESZ support and training partners</i>		Established a network and programme of virtual training. Delivered 8 courses to date supporting approximately 80 learners. Working with Enterprise Rent a Car, Mayfield Care, Frimley Hospital to help learners move into employment. No longer require resources for virtual job fair as using twitter/ teams etc. Virtual job Club to go to Cabinet in January for approval, preparation work has been undertaken with IT, legal, procurement and comms to ensure swift implementation if approved.	A
Work with Job Centre:	Redundancy support in place linked to Fuse NCS programme etc		Vine JC has been funded until April 21.	A

<ul style="list-style-type: none"> to put redundancy support in place establish Farnborough Job Club 	<p>Identify funding, location and delivery partner for JC Key Delivery Partners: Job Centre wider RESZ support and training partners Redundancy support in place NH Youth Hub bid in for partnership with Hart/ Basingstoke</p>	<p>by August</p>	<p>Due to DWP funding requirements and current restrictions on face to face delivery second job club proposal is being replaced with youth employment hub to address the 600 + 18-24 year olds unemployed in Rushmoor. Basingstoke lead authority on partner bid. Awaiting decision from DWP In order to ensure swift implementation once we have decision expressions of interest have been sort from potential partners.</p>	<p style="background-color: yellow; text-align: center;">A</p>
<p>Support growth areas including digital/5G</p>	<p>Ensure support is in place to market Digital Hub and support business development Develop 5G proposals with EM3 LEP Scope potential of Toobe offer Key Delivery Partners: EM3 LEP, Rocket Desk/ Digital Factory, Surrey University, Toobe</p>		<p>Working with EM3 on Gigabit project to provide enhanced fibre from Basingstoke to Guildford through the Borough. Council also in negotiations to enable another provider to deliver fibre offer locally Digital Hub building complete Legal agreements awaiting agreement by Rocket Desk and Freeholder. Marketing will be timed depending on lockdown.</p>	<p style="background-color: yellow; text-align: center;">A</p>
<p>Ensure Business Support in place for:</p> <ul style="list-style-type: none"> business recovery start ups 	<p>Map current support, identifying gaps and establishing new support programmes Produce Supporting Business brochure Work with FAC/HCC re:Aerospace sector Key Delivery Partners: Business support partners and key organisations. Working with FCoT to develop online training</p>		<p>Developed online training via FCoT Co-ordinator Start up business support. Agreed SLA with Enterprise South. Working with Inspiring Enterprise to offer free business space to Rushmoor residents Co-produced a Start-up business guide with Enterprise South due for release by February Established start up networking groups to offer resilience support and signposting</p>	<p style="background-color: #90EE90; text-align: center;">G</p>
<p>Support Inward Investment & exporting</p>	<p>Work with HCC and EM3 LEP on existing and future opportunities Supporting new company BOSS with investment – Southwood Business Park Key Delivery Partners: HCC, EM3 LEP, DIT</p>		<p>Work to support inward investment prospects progressing</p>	<p style="background-color: #90EE90; text-align: center;">G</p>
<p>Deliver Aldershot Transition recovery plan (& continue HSTF timescales/work)</p>	<ul style="list-style-type: none"> Stage 4 - Adopt 'transition and recovery plan'. Manage RHSS and transition funding Stage 5 – deliver strategy (Initial stages complete, action plan in place). <p>Key Delivery Partners: Aldershot Taskforce (key stakeholders), Aldershot Retail Forum, HSTF, HCC</p>		<p>Transition & recovery plans have been combined. RHSS spend is underway. Ongoing revision of T&R Plan in light of lockdown. Digital (retail) skills support package launched. Town Centre Heritage Trail funded from within Transition Budget and being developed in New Year</p>	<p style="background-color: #90EE90; text-align: center;">G</p>

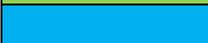
	<i>(Highways funding), LEP town centre funding, Creative community Public transport providers ERF RHSS funding</i>		RHSS spend - first Claim submitted £6875.22 Second claim being prepared Digital training due to start Feb 21, 8 signed up looking for 12 in total Christmas shop local campaign delivered including Advent calendar, promotional film, and planters installed Q1 campaign Theirs No Catch launched on social media with physical graphics next week	
Deliver Farnborough & North Camp recovery plan	<ul style="list-style-type: none"> Stage 4 – deliver strategy (Initial stages complete, action plan in place) <i>Key Delivery Partners: Princesmead, The Meads, Heart of Farnborough, HCC (Highways funding), LEP town centre funding, Public transport providers</i>		Recovery plan is being delivered. RHSS spend is underway Ongoing revision of T&R Plan in light of lockdown. Digital (retail) skills support package launched. Christmas ‘shop local’ campaign launching w/c 30/11 RHSS spend - first Claim submitted £6875.22 Second claim being prepared Digital training due to start Feb 21, 8 signed up looking for 12 in total Christmas shop local campaign delivered including Advent calendar, promotional film, and planters installed Q1 campaign Theirs No Catch launched on social media with physical graphics next week.	G
Farnborough Town Centre regeneration schemes proceed	<ul style="list-style-type: none"> Stage 2 Masterplan Planning application Civic Hub Outline Business Case Commence acquisitions required to deliver masterplan Infrastructure funding options <i>Key Delivery Partners: Hill, St Modwen, Knight Frank Investment, EM3 LEP, Homes England, HCC</i>	<p>Sept 2020 onwards June 2021 July 2020 Sept 2020</p> <p>Sept 2020</p>	Planning application expected June 2021. Second stage RIBA design now commissioned Early Pre-application meetings and initial Design Review Panel held to assist early development of scheme	G
Aldershot Town Centre regeneration schemes proceed	Due diligence report expected November 2020 with recommended approach by the end of the year. Lawyers working on UCA lease. Seeking to agree S106. <i>Key Delivery Partners: Hill, Shaviram, EM3 LEP, HCC, UCA, Homes England, Future High St Taskforce</i>		Union St s106 sealed and permission issued 11/1/21 Demolition prestart meeting held 11/1/21 with start on site expected at the beginning of February 2021 Extended due diligence underway with reports to Cabinet expected February and March 2021	A

			Delivery of Union St planned for 2024 to accord with UCA student timetable Galleries Planning Application approved subject to s106 November 2020	
Interim Aldershot Town Centre Strategy	Develop interim Aldershot Town Centre Strategy Key Delivery Partners: Aldershot Taskforce, Future High St Taskforce	September/ October 2020	Initial consultation with Aldershot Taskforce planned for February 2021.	G
Develop Green & low carbon approach for elements	Review each element of plan for green/LC Longer term consider as part of Strategic Economic Framework Key Delivery Partners: M3 LEP, HCC		Lo Carbon project now agreed by MHCLG and engaging with Kent CC the lead authority on launch and promotion	G
Identifying & access funding Future High Street Funding (ATCS) Highways funding for cycleways (ATP)	Develop potential revised EoI proposals FHSF Work with HCC on proposals Key Delivery Partners: Future High St Taskforce, EM3 LEP, HCC		HCC submitted DfT round 2 bid awaiting further information on funding and implementation of schemes in Rushmoor Work ongoing on preparation in case of FHSF bid opportunity	A
Engage with Homes England to support housing/ affordable housing development/delivery in Borough	HE Industry Engagement Programme Q2- Meet with HE Local Programme Manager about delivery support end Q2-ZP Key Delivery Partners: Homes England		Meeting held with Homes England 29/9 in context of Hampshire Growth Narrative. Ongoing contact with HE Programme Manager.	G

Priority Area	Covid Secure Working Arrangements & R06 Operational Recovery	RAGB Status		Needing urgent action
Lead Member	Ken Muschamp			Further action needed
Lead Officer	IH & NH			On track
Co-ordinator	KH			Completed

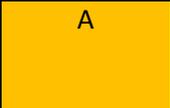
Project / Action and status as existing E / new N	Performance Measures	Timescale	Progress update	R/A/G/B Status
Working from home, if you can Covid-19 Secure Working Arrangements Policy & Guidance	CLT 2 nd June (September 10 th) decisions to continue to work from home, only essential and venerable people not able to WFH to be identified for return <ul style="list-style-type: none"> Guidance to be presented/ publish - staff to be updated as Alert Level changes Remote Working Toolkit Restrictions linked to 2m social distancing policy Attendance register & track & trace monitoring 		Recovery Team supporting Service Managers with covid secure restrictions (very limited numbers of staff can work in the office). Service Risk Assessments - complete Track & Trace for staff attending the Council offices implemented Q3 - working arrangements to be re-assessed linked to local Tier level, government guidance and the national vaccination strategy rolls out	G
Covid-19 National Tier Restriction System	Monitor Covid-19 Alert Level at 4 (September 2020) Easing of lockdown guidance – monitoring & assessing implications		Local Tier level 5	G
IT Support	Remote Support (& On-site appointments for essential work), W10 LTs being upgraded		All staff able to work from home – IT service desk providing on site appointment 8:30 to 13:00	G
Guidance for Elected members	Members provided with weekly updates		Regular updates provided – in line with local Tier level and covid secure measures	G
Communications	Comms plan underway, working arrangement policy & toolkit – regular updates at ‘staff live’ events		Staff receive regular updates – staff live & internal comms/ policy	G
Trade union	Regular consultation & updates provided			G
Council Offices Tenants	Liaison and guidance for tenants on Covid-Secure & return arrangements Café contract – cancelled		Smaller tenants receiving financial assistance – potential loss of rental income reported	A
Covid-Secure Risk Assessment	Monthly reviews, linked to Covid-19 Alert Level Service risk assessments		Council Offices are COVID-secure – new policy on wearing face coverings in office until further notice	G

Social Distancing Policy	Compliance with 2 metre, 1+ metre with mitigation's social distancing guidance (4 th July) Restrictions on, on site attendance by service introduced		Implemented & monitored Staff live events continue with specific C19 updates	G
Manage Transmission Risk	Covid-19 Secure Working Arrangements Policy & Guidance – practical measures implements – to be recovered as alert level changes		Implemented – options for measure being developed for future easing of lockdown during 2021	G
Reinforce Cleaning Processes	Facilities Team Cleaning Processes reviewed and updated to comply with covid-secure guidance – additional cleaning staff implemented since 1 st August		Additional cleaning underway	G
Customer Services, reception	<ul style="list-style-type: none"> • Limited front of house reopened 10th August 2020 – low demand • Appointments system • Triage service • Access for vulnerable • Walk ups for revenues & benefits • No Payments 		Front of house service – closed until further notice Continuous review by Recovery Team/CMT	A
Medium to longer term plans – linked to ICE NWoW project	New system and redesigned processes to support remote working – specifically cloud based telephony investment for 2021		ICE Programme continues – IT/Digital work-stream progressing to plan. Windows 10 and new laptops – final testing underway, rollout to commence shortly, COVID restrictions being considered. Cloud telephony feasibility complete – awaiting financial approval – project for 2021/22. Component shortages has delayed Windows 10/ laptops rollout until November.	G

Priority Area	Tactical Plan Democracy and Governance	RAGB Status		Needing urgent action
Lead Member	Adrian Newell			Further action needed
Lead Officer	AC			On track
Co-ordinator	VP			Completed

Completed items in Q3

- Participated in a Hampshire wide elections group making plans for the elections and undertaken scenario planning for the elections in a post COVID 19 environment.
- Introduced Canvass Reform and other changes in electoral registration
- Review of remote meetings working arrangements (staff and Members) and any impact on provisions in the Constitution wider than the Standing Orders
- Considered any alternative options with IT or address current barriers to full video participation in Teams live events remote meetings
- Meeting held with supplier and proposals received and being assessed for external speakers not having MS Office accounts
- Future tech and accommodation requirements for hybrid remote meetings has been considered
- Impact of remote working arrangements on governance requirements and ensure that effective arrangements are in place for the safe collection, storage, use and sharing of data/information considered
- Impact on key controls in place within processes if they have had to be amended to enable remote working/ different way of working has been assessed
- Regular reports for Licensing, Audit and General Purposes Committee have been prepared to ensure it has the necessary assurances regarding the arrangements for managing risk and maintaining an effective control environment during and after the changes as a result of Covid-19
- Work to understand the impact on partnership arrangements and the communication of this to the relevant partners, in reference to governance and scrutiny arrangements

Project / Action and status as existing E / new N	Performance Measures	Timescale	Progress update	R/A/G/B Status
(N) Preparation for and delivery of three elections on 6th May 2021	Prepare project plans and risk assessments in light of the scenario planning	November 2020	Project plan prepared and being monitored. Risk assessment underway	 A
	Undertake review of polling places and polling districts	January 2021	Underway report prepared on proposals for Licensing, Audit and General Purposes Committee and Council	 G

<p>(N) Establishing framework for holding remote meetings</p>	<p>Develop plans for any permanent arrangements to be introduced after May 2021, including any consequential changes to the Constitution and decision-making arrangements</p>	<p>February 2021</p>		<p>G</p>
<p>(O) Make changes to governance and scrutiny arrangements</p>	<p>Review impact of COVID 19 on governance arrangements including: Audit of accounts Key Delivery Partners: Ernst and Young, Development Partners, RBC Services</p>	<p>The date for the final audited accounts to be published by has been extended to the 30th Nov 2020, with draft accounts to be approved by the 31st Aug 2020.</p>	<p>The draft accounts have been completed but the audit of these accounts is still to be completed by the Council’s external auditors Ernst and Young. It is proposed that the audit opinion will be given by the external auditors by March 2021.</p>	<p>A</p>

CABINET
16th FEBRUARY 2021

COUNCILLOR MARINA MUNRO
PLANNING AND ECONOMY
PORTFOLIO HOLDER

KEY DECISION? NO

REPORT NO. EPSH2104

ALDERSHOT MILITARY CONSERVATION AREA - ADOPTION

SUMMARY AND RECOMMENDATIONS

The Council is committed to reviewing the borough's conservation areas. On the 16th December 2019 cabinet (report No EPSH1950) were presented with a draft conservation area and appraisal for the Aldershot Military Conservation Area to approve for public consultation. This document proposed the removal of some areas of the current conservation area and the inclusion of an area of recreation land (playing fields) and open space to the West of the A325 Farnborough Road. The Cabinet decision required the removal of the playing fields from the draft conservation appraisal and management prior to consultation.

The Council consulted on the draft Aldershot Military Conservation Area Appraisal between 31 January and 14 March 2020 and six responses were received. Savills on behalf of Grainger Plc were one of the respondents to the consultation and their response identifies that exclusion of the playing fields from the conservation area boundary is at odds with the appraisal which identifies the importance of open spaces as a key feature of the conservation area. The response requests that the conservation area boundary is amended to include the recreation ground and sports pitches located between Fleet Road and Rushmoor Road.

Recommendation: That Cabinet approve the Aldershot Military Conservation Area Appraisal and Management Plan (Appendix 1) that will include the historic playing fields to the West of the A325 Farnborough Road within the Conservation Area.

1. INTRODUCTION

- 1.1 The purpose of this report is to inform members of the comments received during the public consultation on the draft Aldershot Military Conservation Area Appraisal and Management Plan, including the response from Grainger Plc in relation to the exclusion of the playing fields to the West of the A325 from the proposed conservation area boundary.

2. BACKGROUND

- 2.1 On the 16th December Cabinet were presented with a draft Aldershot Military Town Conservation Area Appraisal and Management Plan to approve form public Consultation (along with some other heritage documents). The character appraisal and management plan provides an update on work carried out in the early 2000s prior to the disposal of the southern part of the military land to create

an urban extension for Aldershot, now known as Wellesley.

- 2.2 The draft document proposed a number of boundary amendments to reflect development that has occurred / been consented since the conservation area was first designated in 2003, and the inclusion of the playing fields to the West of the A325.
- 2.3 At the Cabinet meeting, in discussing the revised boundaries of the Aldershot Military Town Conservation Area, the Cabinet was keen to ensure that future development in respect of the Wellesley site would not be hindered by any changes. The Cabinet subsequently resolved to approve the Aldershot Military Town Conservation Area Appraisal and Management Plan for public consultation subject to the removal of the playing fields / recreation land to the West of the A325.
- 2.4 Public Consultation on the amended draft Conservation Area Appraisal and Management Plan was undertaken for a period of six weeks between 31 January 2020 and 14 March 2020. During the consultation six consultation responses were received all of which are detailed in the Consultation Statement (attached as Appendix 2). Two of the responses recommended additions to the Conservation Area boundary which are detailed below along with officer comments.

Grainger Plc response

- 2.5 Savills on behalf of Grainger Plc note that the consultation draft character appraisal identified the importance of open spaces as a key feature of the conservation area that contributes towards the area's special character. Grainger suggest the inclusion of the playing fields west of the A325 as the land, along with the setting it provides, is an important open space feature which, when considering its position within the Wellesley development area and its history, should be afforded the same levels of protection as the neighbouring land, including the army athletic ground and pitches. In addition, they consider the land serves to protect open views to the west.
- 2.6 The draft character appraisal and management plan presented to Cabinet in December 2019 for approval to consult included the playing fields to the west of the A325. As with the other open spaces within the Conservation Area, the purpose of designation is to assist in protecting and enhancing the open green character and historic significance and use of this area in line with other initiatives in the Local Plan. It would not preclude development which, in accordance with the established and historic pattern of use, would improve and enhance the variety of sport and recreation facilities available. It would however require any such proposal to be tested in order to establish that its impact on the character and appearance of the conservation area would be acceptable.

Friends of Aldershot Military Museum response

- 2.7 The Friends of Aldershot Military Museum: suggest that the conservation area be extended south down Hospital Hill to prevent this area becoming over-developed.

- 2.8 Officers have considered this suggestion and consider that the main historic asset in this area is the Old Union Poor House which is a listed building and has recently been refurbished and converted into residential units. The setting of this building is protected by Local Plan policy HE1 and therefore the inclusion of additional land along Hospital Hill within the Conservation Area is not recommended.
- 2.9 The Friends of Aldershot Military Museum also suggest that the conservation area should be retained as wide as possible along the length of Queen's Avenue to ensure that the vista, which includes the road, trees, and open spaces either side before any buildings, is maintained along the whole road.
- 2.10 Having reviewed the boundary officers agree that the conservation area boundary could be amended in several locations along Queens Avenue to include the green infrastructure and the boundary has been amended to reflect this.

3. Details of the proposal

- 3.1 Officers have considered the responses received during the consultation period and consider that there is a strong argument for the conservation area boundary to include the sports pitch land to the West of the A325 prior to adoption. The Conservation area appraisal and management plan (Appendix 1) has therefore been amended to reflect this.
- 3.2 The 16th December 2019 Cabinet decision delegated to the Head of Economy Planning and Strategic Housing, in consultation with the Portfolio Holder for Planning and Economy, to make any necessary factual and/or non-substantive minor amendments to the documents prior to consultation and adoption.
- 3.3 The designation of the playing fields to the West of the A325 within the Conservation Area is not considered to be a 'non-substantive minor amendment' following public consultation which is why the conservation appraisal and management plan is being presented to Cabinet for adoption.
- 3.4 The sports pitches were laid out and terraced in the late 19th and early 20th century in association with the officers' club to the North. The character of this area is publicly accessible open space bordered by woodland and its historic importance is as a sports ground for Military officers based at the Garrison. Historic maps indicate the area was, among other things, used and adapted at various times for football, rugby and cricket pitches, tennis courts and equestrian activity, and that these activities were supported by ancillary structures such as pavilion buildings and stables.
- 3.5 The playing fields in question are due to transfer to the Council's ownership in the near future as part of a legal agreement associated with the Wellesley planning permission, however this has been delayed. Plans for a new sports pavilion, also funded by the Wellesley Development, are in preparation.

Alternative Options

Do not adopt the Conservation Area Appraisal and Management Plan

- 3.6 An alternative option would be not to adopt the Aldershot Military Conservation Area Appraisal and Management Plan. However, this would mean the Council will have failed both to carry out its statutory legal duty and to implement the commitment set out in the adopted Local Plan. In addition, the lack of an up to date character appraisal and management plan increases the risk of unsympathetic development within the Conservation Area.
- 3.7 An additional consideration is that modern developments forming part of the consented Grainger development have been carried out within the Conservation Area boundary that was defined in 2003. This could potentially undermine the Council's ability to resist any unsympathetic development affecting features of historic significance within the Conservation Area.

Remove the playing fields to the West of the A325 from the Conservation Area Appraisal and Management Plan

- 3.8 Officers consider that this option will undermine the confidence of stakeholders and residents in the Conservation Area Review process that is taking place in the borough, and in the value of public consultation. In addition, the provision and funding of the playing field area for public sport and recreation and its protection as a heritage asset and part of the borough's green infrastructure are dependent on Grainger Plc completing the transfer. Their view on its inclusion should therefore be afforded significant weight.

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 There are not considered to be any legal implications associated with the implementation of the recommendations of this report.

Financial and Resource Implications

- 4.3 There are not considered to be any financial implications arising from the decision, other than minor costs associated with production of hard copies of the documentation, which will be met from existing budgets.

Equalities Impact Implications

- 4.4 The adoption of the documents is unlikely to lead to equalities implications.

5. CONCLUSIONS

- 5.1 The Aldershot Military Conservation Area Review has been carried out in line with the Council's statutory duty, to fulfil a commitment in the recently adopted Local Plan and in support of Policy HE3 of the Local Plan. The progression of reviewing the Borough's conservation areas are a service priority that feature in the Business Plan.
- 5.2 It is recommended that the historic playing fields to the West of the A325 are included within the conservation area, and that Cabinet adopt the Aldershot Military Conservation Area Appraisal and Management Plan (Appendix 1) to assist in preserving and enhancing the historic character of the conservation area, by providing a framework for determining planning applications and ensuring that development proposals are of high quality.

BACKGROUND DOCUMENTS:

Appendix 1 – Aldershot Military Conservation Area Appraisal and Management Plan

Appendix 2 – Aldershot Military Conservation Area Consultation Statement

Appendix 3 – Grainger Plc full response to consultation.

The adopted Local Plan is available to view at:

<https://www.rushmoor.gov.uk/rushmoorlocalplan>

Information on the Borough's existing conservation areas is available to view at

<https://www.rushmoor.gov.uk/conservationareas>

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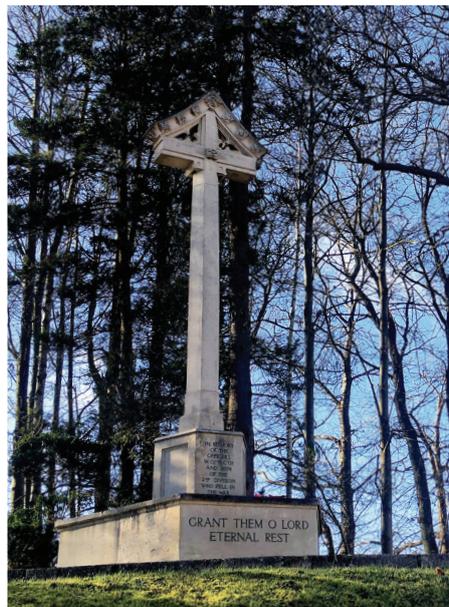


Conservation Area

appraisal and management plan



Aldershot military



Contents

1. Introduction	3
Overview Document	3
Appraisal and Management Plan	3
2. An Overview of Aldershot Military Conservation Area	3
Area development	4
3. Character Area	9
Area Summary	9
Views	9
Streetscape and Boundaries	9
Open Spaces, Parks and Gardens and Trees	9
Building forms and details	10
4. Listed buildings	15
5. Management Plan.....	17
Introduction	17
Good stewardship.....	17
Positive & Negative Attributes.....	18
Development Management and Article 4 Direction	18
Implementation and Monitoring	19
6. Appendix A – Areas removed from the Conservation Area	20
Areas de-designated	20

1. Introduction

Overview Document

- 1.1. This document should be read alongside the [Rushmoor Conservation Area Overview document](#) which sets out the context in which conservation areas in Rushmoor have been designated, including the legislative and planning policy framework as well as the geographic and historic setting of the borough. The Conservation Area Overview document also explains what you need planning permission for, if your property is within a conservation area.
- 1.2. Whilst nationally listed buildings may be included within a conservation area, it is the combination of factors such as buildings, walls, trees, hedges, open spaces, views and historic settlement patterns that create the sense of place that gives the area its special character and appearance. Less tangible senses and experiences, such as noise or smells, can also play a key part in forming the distinctive character of an area. It is this character, rather than simply individual buildings, that the conservation area designation seeks to preserve and enhance.

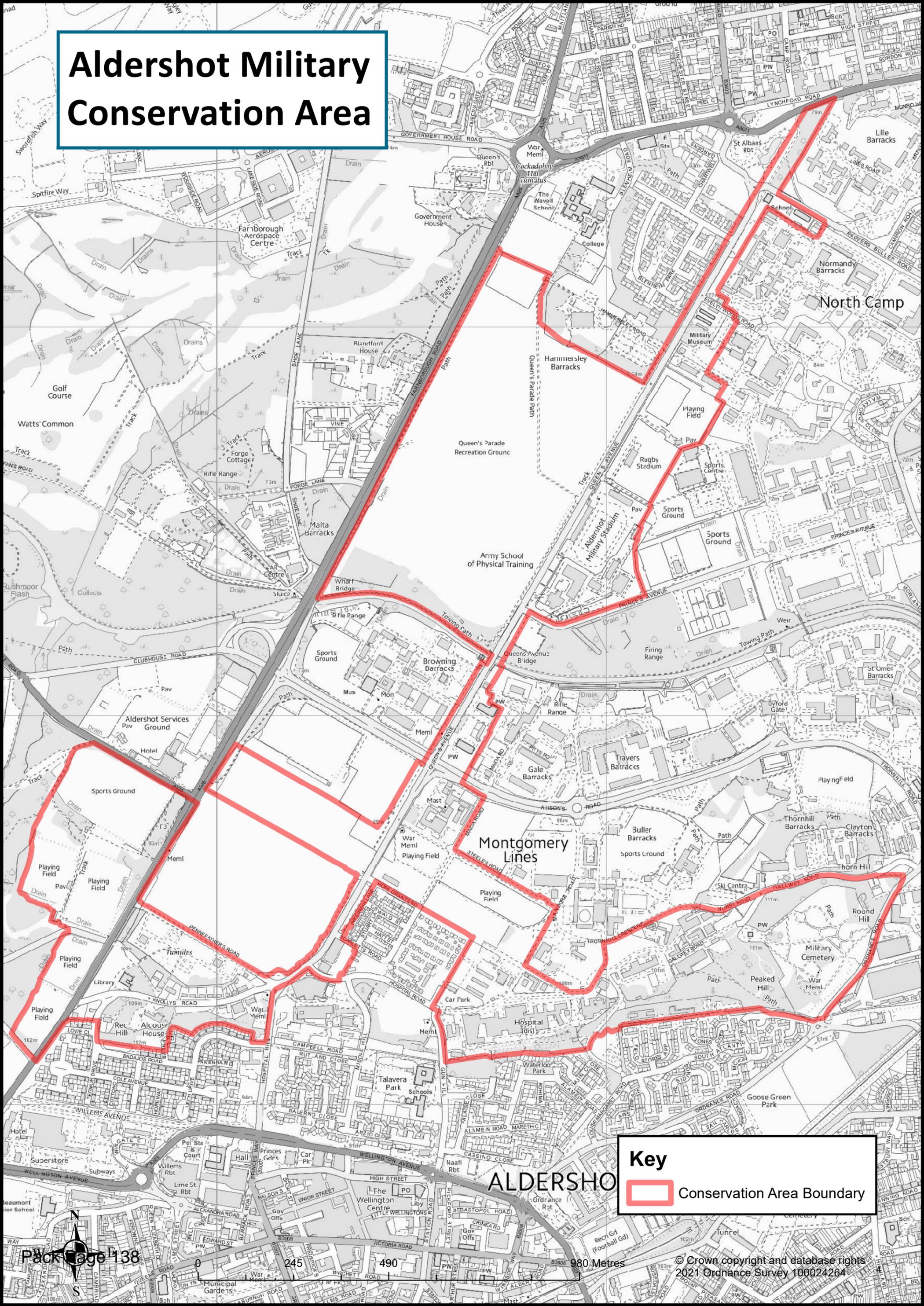
Appraisal and Management Plan

- 1.3. This appraisal document sets out the special architectural and historic interest of the Aldershot Military Town Conservation Area, which justifies its designation as a heritage asset, the character or appearance of which it is desirable to preserve or enhance. The appraisal also identifies which features of the conservation area make a positive or negative contribution to its significance and is accompanied by a management plan, which sets out ways in which homeowners, the local community and the council can manage change in a way that conserves and enhances the historic area.
- 1.4. Character appraisals and management plans provide a framework and guide to enable planning decisions to be made on a site-specific basis, within the context of national planning policy and the adopted Local Plan.

2. An Overview of Aldershot Military Conservation Area

- 2.1. Designation History The Conservation Area was first designated in October 2003 and was envisaged as a 'single conservation area linking the important elements of the North and South Camps' as it was then.
- 2.2. The reason for the initial designation was the Ministry of Defence (MoD) was developing plans in 2001 to re-model and redevelop parts of the military estate, including the then proposed Aldershot Urban Extension, under a scheme known as Project Connaught. The Aldershot Urban Extension was granted planning consent in March 2014 and development is underway with several phases completed.
- 2.3. In 2020, the Council consulted on updating the boundary and designation is to recognise, link and protect the character of the area derived from its military past and to contextualise heritage assets remaining within it in the setting of new Wellesley development.
- 2.4. The designation seeks to preserve and enhance the architectural and historic interest of listed and unlisted buildings and memorials, the architectural and historic interest of the development pattern, road network and open spaces.

Aldershot Military Conservation Area



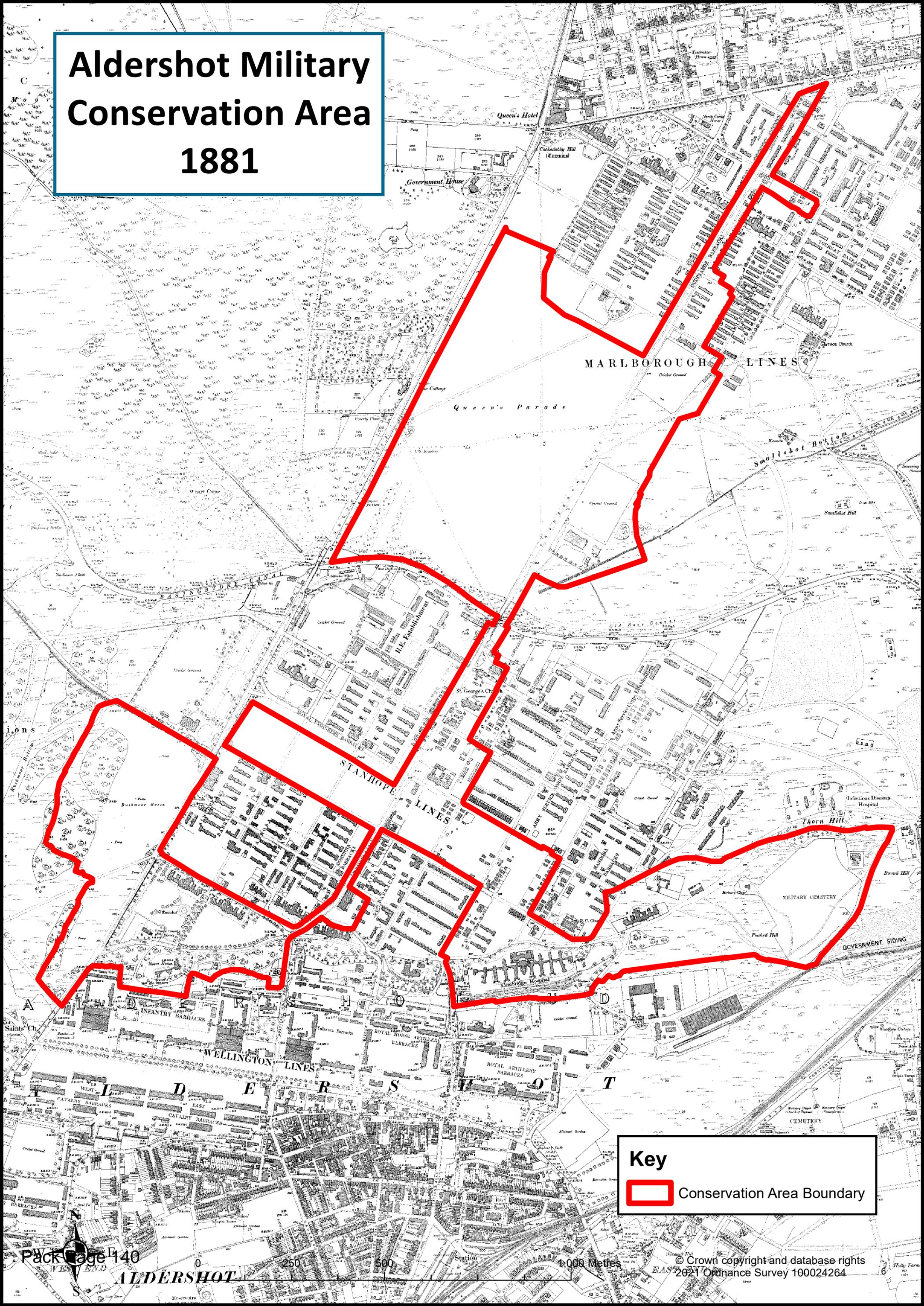
Key

 Conservation Area Boundary

Area development

- 2.5. In 1854 the Government acquired 10,000 acres of heath land to the north of Aldershot village, for the establishment of the first permanent training camp for the British Army. Aldershot was chosen for its extensive areas of terrain, the availability of water and its strategic location between London and the coast.
- 2.6. The core of the site was the parade ground, surrounded by the dining halls, armouries, stores, workshops and married quarters. The design of this system reflected a new method of army organisation known as the 'Company System'. Some building designs had been used elsewhere, but others were unique to Aldershot. The Physical Training Group of buildings off Queens Avenue, include the gymnasium (originally 1860, replaced in circa 1890), the athletics ground and the swimming pool. The swimming pool was the earliest army pool to be built in the country.
- 2.7. The early 1900's saw a marked change in many aspects of the army, in particular to weaponry and manoeuvres, with the introduction of motorised transport and flight. Mechanisation superseded the need for horses and as a consequence, many of the ancillary buildings, that were of importance to the Victorian camp, became redundant. Many brick buildings of the North and South barrack Camps were then replaced with independent clusters of buildings. Residential areas were made separate, forming a 'crescent town' around the periphery to the camp. The majority of this housing focused along the former Wellington Lines, redefining the character and appearance of the camp and its relationship to the town of Aldershot.
- 2.8. The history of the Aldershot Military Garrison is characterised by planned phases of development and redevelopment. With each phase retaining and celebrating the past, as well as developing facilities for the future.
- 2.9. In 2013, planning permission was granted for up to 3,850 new homes, together with road improvements, schools, public open space and other facilities on the Aldershot Urban Extension site, south of the Basingstoke canal and north of Aldershot town centre. Construction of the new development, now known as Wellesley, started in 2015 and is being delivered in phases by Grainger plc.
- 2.10. Further information about the Wellesley development may be found on the [Aldershot Urban Extension](#) and [Wellesley](#) websites. Among the documents submitted as part of the planning application was a comprehensive [Conservation Plan and Heritage Strategy](#) setting out the history of the area.

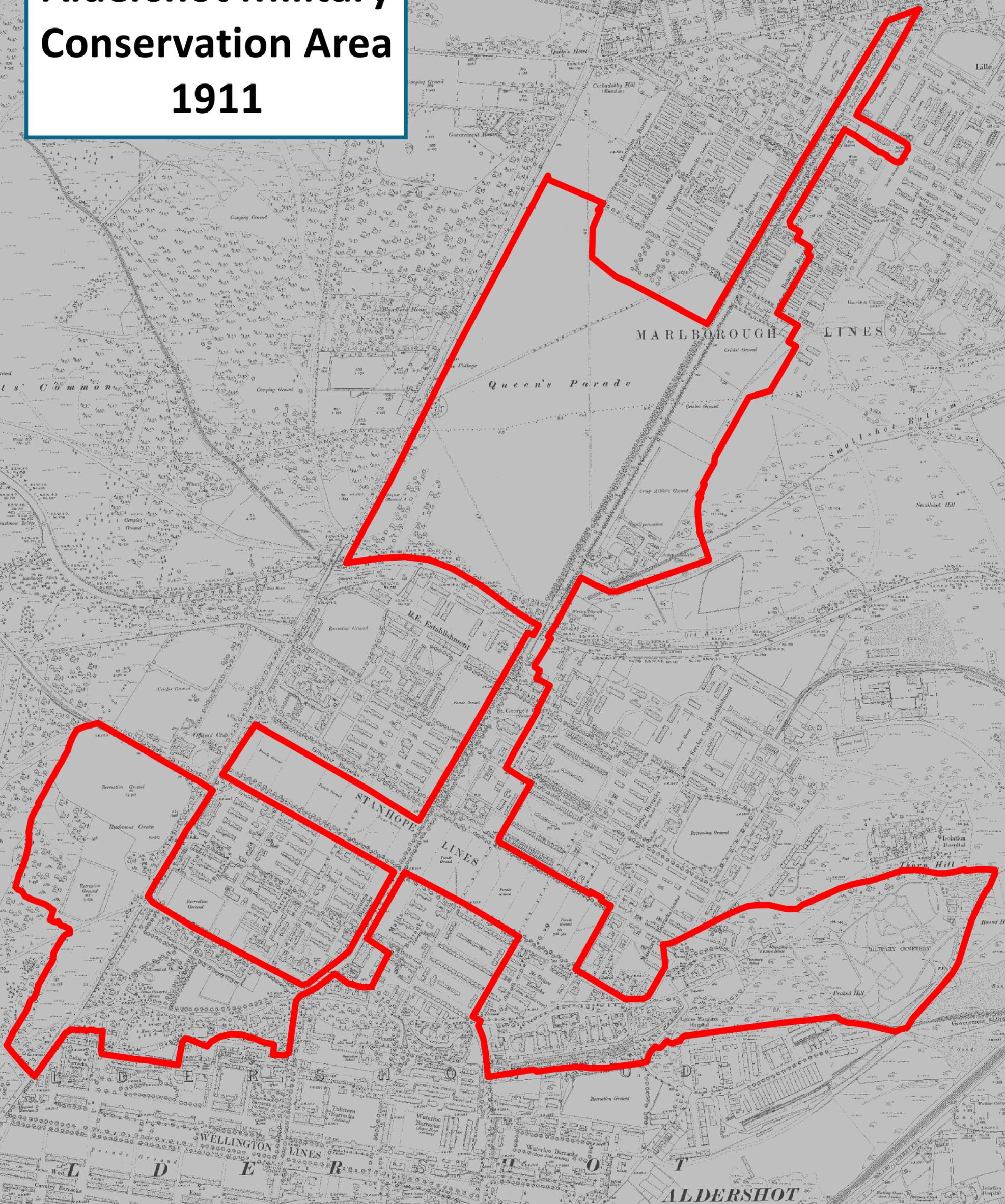
Aldershot Military Conservation Area 1881



Key

 Conservation Area Boundary

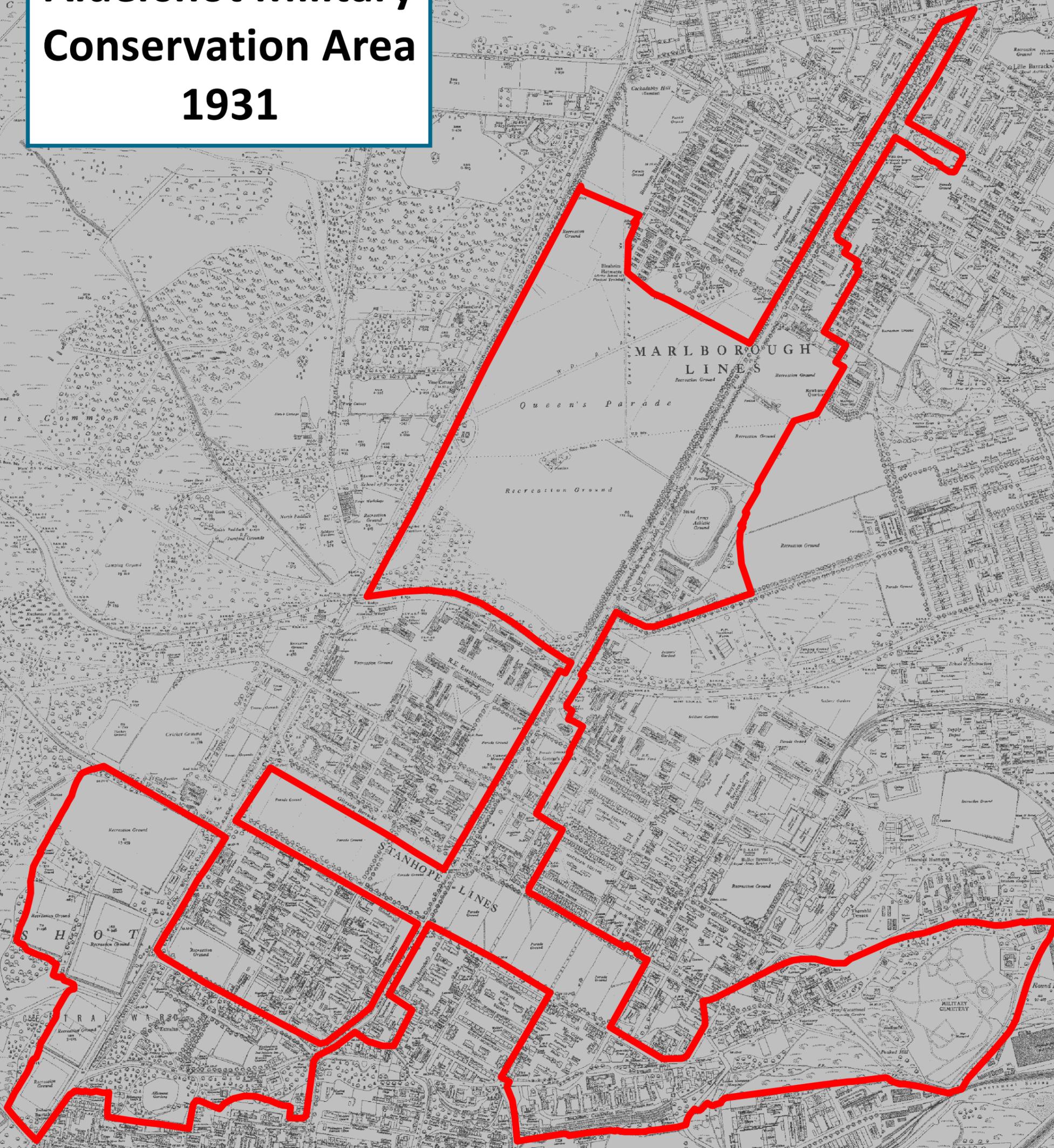
Aldershot Military Conservation Area 1911



Key
 Conservation Area Boundary



Aldershot Military Conservation Area 1931



Key
 Conservation Area Boundary



3. Character Area

Area Summary

- 3.1. Given the extensive progress of the Wellesley redevelopment and associated demolition of the former barracks and associated buildings, the focus of the Conservation area should be the preservation and contextualisation of heritage assets and the retention of important open spaces and the formal tree-lined road network. In addition, control over alterations to new development may be appropriate to ensure that its design and appearance respects the retained significant spaces and roads of the Conservation Area.

Views

- 3.2. The landscape formation of plateaus and shallow slopes along with the grid iron layout make the Aldershot Garrison typical of a military development layout and street formation. The substantial areas of open spaces, the majority of which have a sport and recreation use provide a number of key vistas.

Streetscape and Boundaries

- 3.3. The overall appearance of the Conservation Area is defined by its military historic architecture and road layouts. The history is recalled by the names of roads, spaces and buildings. The original grain of the area is structured on the north-east to south-west orientation of the road grid pattern. The notable exceptions being Knollys Road, Hospital Road and Gallway Road.
- 3.4. The majority of military housing was focused along the former Wellington Lines and Stanhope and Montgomery Lines. Other key structural elements include the central spine road of Queens Avenue and the recreational and open land of Queens Parade. The redevelopment of the North and South Camps and the current Wellesley development have retained the historic street pattern.
- 3.5. Historic boundary treatments to plots are rare, due to the MOD open layout. A few hedges have historically defined spaces and some formal entrances have wrought iron gates, with brick and stone piers. Later metal fencing introduced by the MOD, some for security reasons, resulted in greater separation of the site from the public realm.

Open Spaces, Parks and Gardens and Trees

- 3.6. Open spaces are key features of the Conservation Area. Most spaces are associated with the military pattern of development. There are four core areas of open space within the Conservation Area that make a valuable contribution towards its setting:

Queens Parade is a substantial grassed open area covering approximately 89 acres that sits between the A325. The land is owned and maintained by the Ministry of Defence and is predominantly used as sports playing fields. The historic significance of the site is that it was on this land that Queen Victoria carried out her annual review and inspection of the Garrison. The site is open and provides a view beyond the Conservation Area boundary to heritage assets such as Vine Cottage to the West, in addition to historic military buildings to the East of Queens Avenue.

Stanhope lines – Is a sizable East West parade ground that was provided in the centre of the Garrison and appears on the 1911 Ordnance Survey Map. As part of the consented Wellesley

urban extension, the historic significance of this land is to be preserved with a significant area of land to be remain undeveloped to provide an area of public open space.

Sports pitches adjoining Wellesley Woodlands - The sports pitches were laid out and terraced in the late 19th and early 20th century in association with the officers' club to the North. The character of this area is publicly accessible open space bordered by woodland and its historic importance is as a sports ground for Military officers based at the Garrison adapted for a variety of activities including Cricket, Rugby, Football, Tennis and Equestrian use with ancillary pavilion and stable buildings. The playing fields are due to transfer to the Council's ownership as part of a legal agreement associated with the Wellesley planning permission and their future use will continue the historic function of providing a variety of recreation opportunities on an important area of green infrastructure.

Aldershot Military Cemetery - a permanent military cemetery containing the graves of those who lost their lives in both the first and second world wars. Located to the East of the Conservation Area that is the property of the Ministry of Defence and individual and groups of trees contribute significantly to the character and appearance of the Conservation Area. Red and white horse chestnut trees are the main species lining the roads, with some beech and oak. The trees define the visual and physical boundaries of roads no longer used and important historical routes and buildings. The tree cover outside the Conservation Area also contributes to views into and out of the area, with wooded hills surrounding the area beyond the adjacent settlements to the north, east and west.

The elevated topography along the ridge of the South boundary escarpment, along Knollys Road, Hospital Road and Gallway Road, afford significant views across the site. This section of the Conservation area has undulating topography, an irregular character to the road pattern and mature trees, which all contrast with the openness and functionality elsewhere within the area.

Building forms and details

- 3.7. There are a number of listed buildings that are of regional importance in relation to their military architectural design and function;
- The Cambridge Military Hospital is associated with the pioneering work of the plastic surgeon Captain Harold Gillies, who started a unit at the hospital in 1915. 2000 patients from the Battle of the Somme were treated at the unit and the first patients from WW1, were all treated for jaw and facial injuries. The hospital was used as a local healthcare facility for Aldershot and Farnborough until 2009 when it closed.
 - The Louise Margaret Hospital was built as a maternity hospital in 1897 and dedicated to the Duchess of Connaught.
 - Fitzwygram House was established as a Veterinary School in 1888, by Captain John Shipp.
 - A number of monuments and memorials have been placed within the conservation area, which play a significant part in the development and history of the Military Town and Aldershot.
- 3.8. The principal building materials are buff bricks and red/orange bricks with grey/blue/heather slate roofs and decorated soffit and barge boards. Yellow stock brickwork is also found,

particularly for the pre-1890's buildings and as architectural features such as string courses and chimney stacks, and as the main material of some of the larger properties.

- 3.9. Brick is an important building material for the area. Early bonds of Flemish and English are evident, with a Stretcher bond at a later date. Other important materials and features are York stone, Portland stone, Bath stone, polychromatic brickwork and terracotta detailing. Granite sets formed part of the hard-landscaping detail for the modern barracks, with much of this still in situ. Other hard landscaping materials present are stone kerbs and Staffordshire blue brick pavements.
- 3.10. In the 1960s, redevelopment of the area used concrete as a design material and for features. Little of this construction remains within the conservation area, however the retained listed Ramsden Garden Wall Memorial is characteristic of this era.



Queen's Avenue looking North



Queen's Parade looking North West



Queen's Avenue looking North



Queen's Avenue looking North



Wide landscaped buffer between Queen's Avenue and Inckerman Lane



Aldershot Military Cemetery



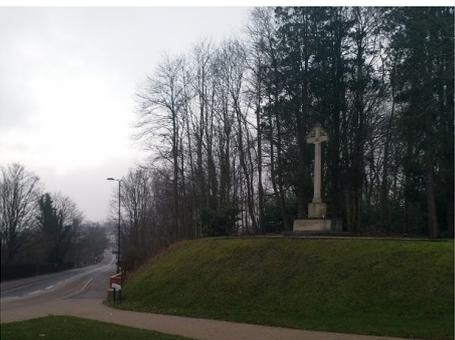
Queen's Parade looking North East across Queen's Avenue



Queen's Parade looking North West



Queen's Avenue looking South



Hospital Hill

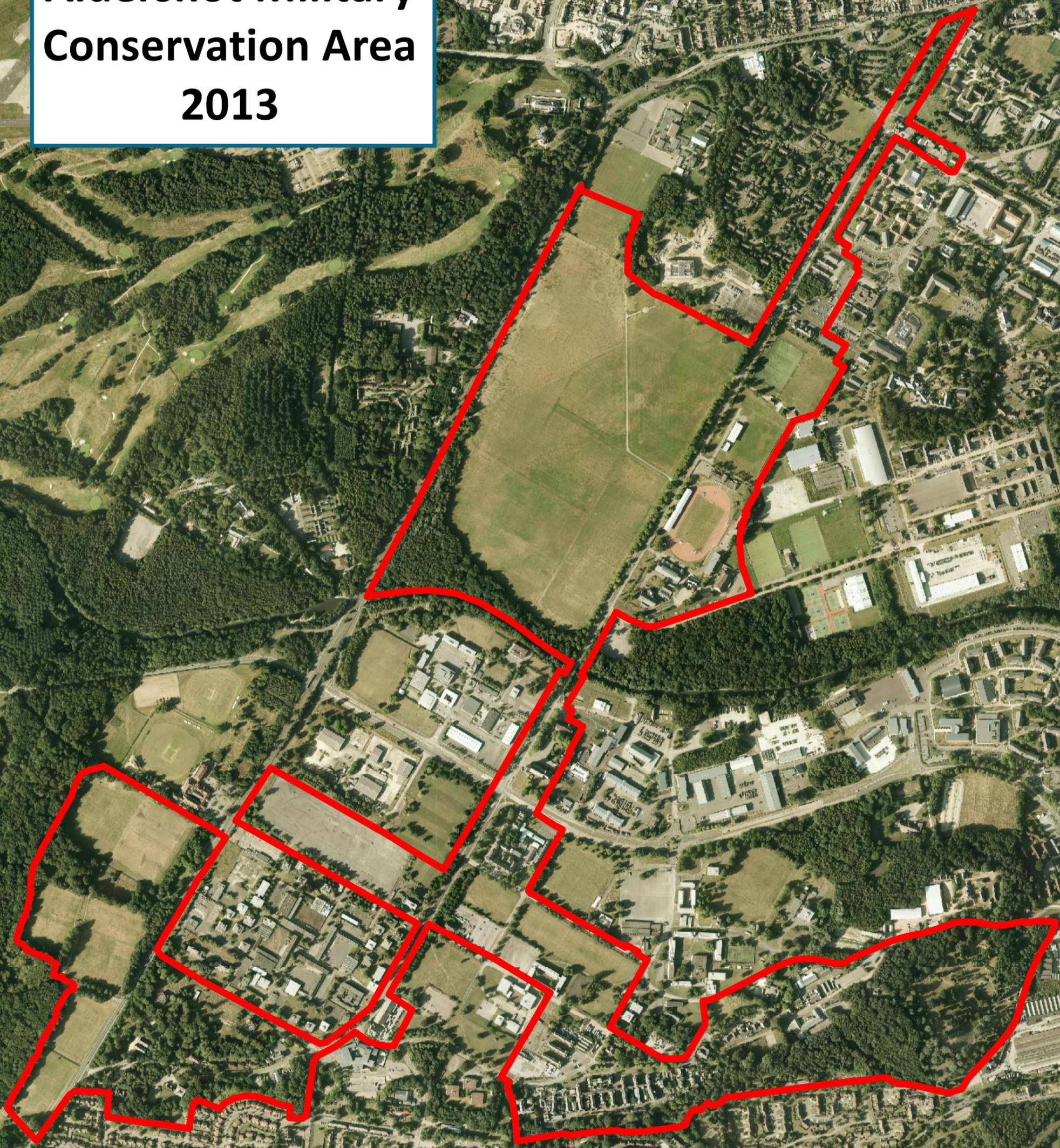


Sports pitches to the West of A235 looking North



Playing fields to the West of the A235 looking West

Aldershot Military Conservation Area 2013



Key

 Conservation Area Boundary





Queen's Avenue Bridge



Observatory



Aldershot Military Museum



Marlborough County Infants School



Clocktower House



Smith Dorrien House



Cambridge Military Hospital



Pack Page 148 on Knollys Road



Smith Dorrien House

4. Listed buildings

Nationally Listed Buildings

Name	Grade	Link to Historic England record
Aldershot Military Museum M Block	II	https://historicengland.org.uk/listing/the-list/list-entry/1109984
Aldershot Military Museum N Block	II	https://historicengland.org.uk/listing/the-list/list-entry/1109985
British Army 2 nd Division World War I Memorial	II	https://historicengland.org.uk/listing/the-list/list-entry/1393803
British Arms – 8 th Division World War 1 Memorial	II	https://historicengland.org.uk/listing/the-list/list-entry/1393804
Church of St Andrew, Church of Scotland	II	https://historicengland.org.uk/listing/the-list/list-entry/1391573
Foxs Gymnasium, Queens Avenue	II	https://historicengland.org.uk/listing/the-list/list-entry/1156234
Garrison Church of St Michael and St George	II	https://historicengland.org.uk/listing/the-list/list-entry/1092606
Maida Gymnasium, Queens Avenue	II	https://historicengland.org.uk/listing/the-list/list-entry/1339698
Main Block of Cambridge Military Hospital	II	https://historicengland.org.uk/listing/the-list/list-entry/1339693
Memorial to Lieutenant Reginald Archibald Cammel, Air Battalion royal engineers, Queens Avenue	II	https://historicengland.org.uk/listing/the-list/list-entry/1393806
Old Military Swimming Baths	II	https://historicengland.org.uk/listing/the-list/list-entry/1272438
Pediment Sculpture to the North of the Prince Consort Library	II	https://historicengland.org.uk/listing/the-list/list-entry/1092601
Prince Consort's Library	II	https://historicengland.org.uk/listing/the-list/list-entry/1092600
Royal Army, Veterinary Corps Laboratory	II	https://historicengland.org.uk/listing/the-list/list-entry/1393221
Smith Dorrien House, Queens Avenue	II	https://historicengland.org.uk/listing/the-list/list-entry/1375566
South East District Headquarters Building, Steeles Road	II	https://historicengland.org.uk/listing/the-list/list-entry/1092611
The Observatory, Queens Avenue	II	https://historicengland.org.uk/listing/the-list/list-entry/1302983

Locally Listed Buildings

Reference Name of building or structure

LL5017	Cavans Road - Cricket Pavilion South of Wavell House
LL5018	Cavans Road - Wavell House and Guardhouse
LL5041	Gallwey Road – Former Army Signalling School
LL5042	Gallwey Road - Chapel at Military cemetery
LL5043	Gallwey Road – Group of monuments (notable local people) Military Cemetery
LL5044	Gallwey Road – group of Outbuildings to north and north-west of Fitzwygram House
LL5047	Gun Hill - (jcn with Hospital Road) - Gun Hill House
LL5052	Hospital Road – (to west of Cambridge Military Hospital Main Block) Water Tower
LL5053	Hospital Road (north Side) - Cambridge House
LL5054	Hospital Road - Louise Margaret Hospital
LL5055	Hospital Road - Nurses Accommodation, Louise Margaret Hospital
LL5058	McGrigor Barracks, Hospital Road, Aldershot
LL5060	Louise Margaret Road - Officers Mess, Mandora Barracks
LL5062	Maida Road – Military Police barracks block 10m to north-east of South East District Headquarters
LL5068	Attached Buildings, Foxs Gymnasium, Queens Avenue, Aldershot
LL5069	Queens Avenue - Building to south-east of Old Military Swimming baths
LL5071	Queens Avenue - Canal Bridge
LL5072	Memorial to IRA Victims, Pennefathers Road, Aldershot
LL5073	Queens Avenue – Montgomery’s barn to south of Aldershot Military Museum
LL5074	Queens Avenue – Outbuilding to S of Basingstoke Canal (possible former Guardhouse) now Tailors shop
LL5150	St Michael’s House, Hospital Road (North side)
LL5151	Post Office to north of South East Headquarters, Queens Avenue
LL5152	Building 5m to north-east of South East Headquarters
LL5154	Queens Avenue – Cranborne House (north of South East District HQ)
LL5155	Queens Avenue – Alison House (north of South East District HQ)
LL5157	Knollys Road – Badajos and Salamanca Lodges
LL5161	Knollys Road – Socmanscote
LL5178	Redvers Buller Road - Marlborough Infants School
LL5179	Redvers Buller Road - Clocktower House

5. Management Plan

Introduction

- 5.1. The management plan outlines a positive strategy to deal with the threats and opportunities identified in the conservation appraisal.
- 5.2. The effect of incremental, small-scale change within a conservation area can be cumulative and negative, particularly when involving the loss of key architectural features such as chimneys, boundary walls or traditional windows and doors. Incremental change is particularly difficult to manage as it is not automatically managed through the planning system and therefore requires good stewardship by the residents and property owners.

Good stewardship

- 5.3. The active management of small-scale change within the conservation area is the responsibility of the people who live and work in that area. Community led conservation involves guiding positive change and positive regular maintenance. The owners of properties situated within a conservation area are caretakers of local heritage for future generations and commitment to good conservation practice is vital for preserving and enhancing its character and appearance.
- 5.4. Living in a well-maintained conservation area often increases property value and appreciation, as well as the general desirability of the area and its community value. Conservation areas are valued for their distinctiveness, visual appeal and historic character.
- 5.5. Historic England, the Society for the Protection of Ancient Buildings (SPAB) and other heritage bodies publish specialist guidance on the suitable maintenance and repair methods for different historic buildings and buildings affecting conservation areas. Key points to remember when looking to carry out repair work or install replacement features are:
 - A method of repair that was suitable for one building may not be suitable for another. Repair and replacement should always be considered on a case-by-case basis;
 - Repairs using appropriate materials and techniques are always preferable over wholesale replacement;
 - Where a historic feature has degraded beyond repair, replacement should be carried out on a like-for-like basis;
 - Where seeking to improve failing modern features, a traditionally-designed alternative using appropriate materials is preferable. For example, the replacement of uPVC gutters and downpipes with lead, cast iron or coated aluminium alternatives that better reflect the traditional character of the conservation area;
 - Cement-based mortars and/or ribbon pointing are harmful to historic brickwork and masonry. Repairs to any pointing should be carried out in a Naturally Hydraulic Lime (NHL) mortar, after any cementitious mortar has been raked out. This will ensure the longevity of the historic built fabric;
 - Due consideration should be given to the sustainability of the repair or replacement.
 - Reversibility is an important consideration as better alternative may become available in the future;
 - Historic external detailing should be retained or, where damaged beyond repair, replaced on a like-for-like basis. This includes (but is not limited to): the texture and colour of render;

size and colour of bricks used, and the bond in which they are laid; hung tiles; and chimneystacks;

- The reinstatement of historic features that have been lost is favourable;
- The repair and replacement of windows can have a notable effect on the character and special interest of the conservation area, both positively and negatively. The aim should always be to retain historic windows wherever they survive, carrying out refurbishment work where needed to make sure they remain usable. Timber frames are preferable over uPVC on the public realm elevations.

Positive & Negative Attributes

5.6. The following section details proposed actions to address some of the principal positive and negative features identified as part of the Character Appraisal process in Aldershot Military Town in order to ensure the continued protection and enhancement of the conservation area.

5.7. The conservation area analysis identified the following positive features which are important to preserve the character of the area and give it lasting value:

- Trees in both the public and private domain;
- Traditional boundaries such as walls, railings and hedges adjacent to highways;
- The distinctive and historic configuration of roads;
- Front gardens, green spaces and open areas;
- Historic features of buildings, such as string courses, barge boards, chimney stacks etc
- Design of new development is of good design and appropriate materials

5.8. Some aspects of the conservation area are identified as having been eroded and / or have the potential to be eroded by negative changes such as those detailed below:

- Installation of satellite dishes visible from the public domain and existing ones no longer in use which should be removed;
- The loss of traditional boundary features; walls, railings and hedges;
- Hard surfacing of front gardens;
- The replacement of original windows in a manner not in keeping with the style and age of the property;
- The removal of trees;
- Boundary fencing in areas of the new development fronting significant heritage spaces;
- Repairs or extensions using materials that do not have a similar appearance to that of the original buildings;
- Installation of roof lights or solar panels that would protrude more than 50mm from the roof slope on elevations which front a highway;
- Wheelie bins visible from the highway rather than in concealed storage.

Development Management and Article 4 Direction

5.9. Conservation areas have greater planning controls over development due to their status. This restricts changes to the external appearance of any building within the conservation area as well as preventing buildings within a conservation area from being demolished. Further information is available in the [Rushmoor Conservation Areas Overview Document](#) and on our [conservation area](#) webpage. However, permitted development rights allow for certain types of

alterations without the need for planning permission. Many of these alterations can have an unintended negative impact on the character or appearance of the area.

- 5.10. Further protection of the key features of the conservation area could be accomplished by introducing an Article 4 direction. The purpose of serving an Article 4 direction within or in areas adjacent to a conservation area is to encourage the retention and good stewardship of high-quality architectural features and to preserve and enhance its character and appearance.
- 5.11. An Article 4 direction has been introduced to cover specific phases of the Wellesley development to protect the character of the conservation area and its setting by requiring property owners to make a planning application for carrying out certain works to their properties. The [Article 4 direction](#) covers the following works to dwelling houses:
- the replacement, improvement or other alteration of windows;
 - the conversion of garages to form a habitable room;
 - the provision of a hard surface to the front of a property;
 - the installation or replacement of satellite dishes or aerials;
 - the erection, maintenance or alteration of a gate, fence, wall or other boundary treatment fronting a property.
- 5.12. It is not the intention of conservation area designation to prevent new development. Instead, it puts in place a process whereby any proposals are more thoroughly studied to ensure that the special interest of the conservation area is protected and opportunities to improve its character are identified. New development can range from entire new buildings to the introduction of new features, however small, on existing buildings. New development within the setting of the conservation area (within, views into and out of) should also be carefully managed as it has the potential to detract from its character and special interest.
- 5.13. In summary any change to the conservation area should seek to:
- Preserve its historical features;
 - Enhance, where possible, its special interest;
 - Positively contribute to its established character; and
 - Be of high quality.

Implementation and Monitoring

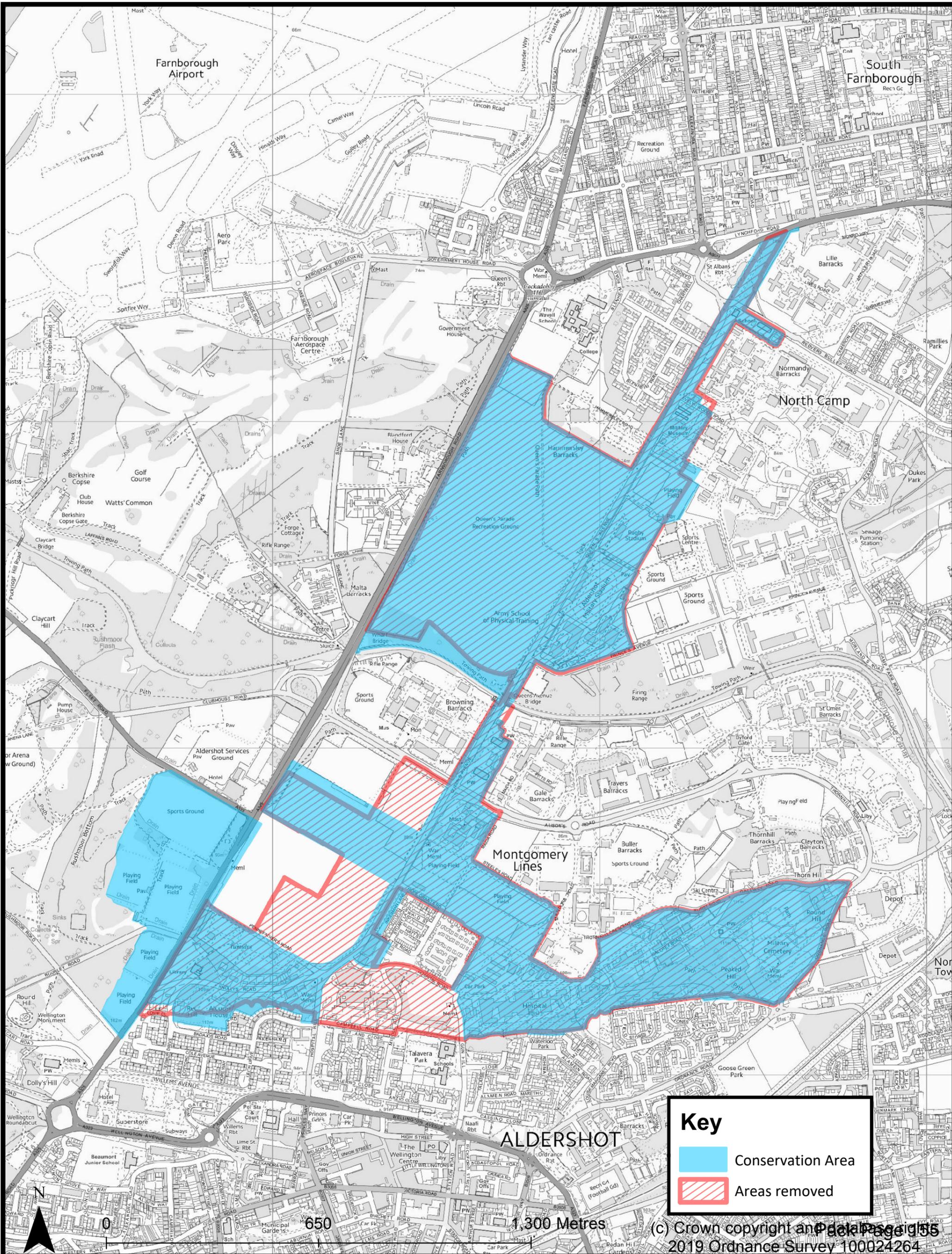
- 5.14. Progress on the implementation of the management plan and the extent to which planning policies in the Local Plan are complied with or effective in delivering community aspirations for conservation areas will be monitored through the council's authority monitoring report.
- 5.15. These assessments can then be used to review and, if necessary, modify the planning policies as part of the local plan review. They can also be used to review and, if necessary, modify this character appraisal and management plan as part of the ongoing review of the Borough's conservation areas.

6. Appendix A – Areas removed from the Conservation Area

Areas de-designated

- A.1 Conservation areas are intended to recognise areas of historic or architectural character. The location of the boundary for a conservation area is a qualitative decision relating to character. It is essential for the protection of conservation areas that only areas which are a heritage asset are designated so that the concept of conservation is not devalued (NPPF, Paragraph 186).
- A.2 During the public consultation on the draft Conservation Area Appraisal and Management Plan that was undertaken between January and March 2020, it was proposed to amend the conservation area to remove the following:
- Former Ministry of Defence (MOD) land that has subsequently been cleared and redeveloped
 - Aldershot Centre for Health
 - Early Years Centre
 - Army Careers Centre
 - 20th Century military housing in Lowe Close.
- A.3 The map overleaf identifies the areas that were removed from the Conservation Area following the adoption of this document.

Aldershot Military Town Conservation Area



Key

- Conservation Area
- Areas removed

Aldershot Military Conservation Area Management Plan and Character Appraisal

Consultation Statement

Persons consulted as part of the Consultation

The draft Aldershot Military Conservation Area Appraisal and Management Plan was subject to six weeks' public consultation between the 31st January 2020 and the 13th March 2020. Copies of the draft document were made available to view at the following locations during opening hours:

- Rushmoor Borough Council Offices
- Aldershot Library
- Farnborough Library

The documents were promoted via a press release (Appendix 1), which two local media outlets utilised (Appendix 2). The consultation was also advertised extensively on the Council's website (Appendix 3). In addition, posters publicising the online consultation were displayed at around 40 locations in local parks and community noticeboards (Appendix 4), and leaflets were delivered to all occupied residential properties within the Wellesley development at the time of the consultation (Appendix 5).

Representations were invited via email or via post.

Consultation emails

The Council notified all those registered on the Rushmoor Local Plan consultation database. The database covers a wide range of stakeholders including local residents, businesses, statutory bodies such as Historic England and civic groups such as the Farnborough Society and Aldershot Civic Society. In total, there are approximately 155 contacts on the database, and all were contacted via email requesting their comments on the documents (see Appendix 6).

Documents available on the Council's website

Copies of the draft documents were made available to view and/or download on the Council's website at <https://www.rushmoor.gov.uk/planningpolicyconsultations>

Consultation events

Two public consultation events were carried out on the 25th and the 26th February 2020. One of these events was within the Cargate Conservation area, and the other a 5-minute walk away from Aldershot Military Conservation area (Appendix 7).

At these two events several display boards were available for the public which provided summary information on the documents which were being consulted upon. Council officers were also available to answer any questions. The public were encouraged to complete the supplied feedback form, or to

email to policy email address with any comments. The estimated attendance for these two events was 90 people.

From the 27th February the six display boards that provided a summary information of the consultation, were exhibited in the reception of Rushmoor Borough Council.

Summary of the main issues raised and officer responses

We received six responses relating to the Aldershot Military Conservation Area Appraisal and Management Plan with most of the comments received focusing on suggested additions to the conservation area. The main issues raised are summarised below:

Issue 1 – Insufficient protection as a result of Conservation Area status

There was concern from the Aldershot Civic Society and friends of Aldershot Military Museum that areas being redeveloped as part of the current Conservation area a part of the Wellesley scheme have not been adequately protected by the current Conservation Area.

Officer Response: As part of the consented planning application for Wellesley a detailed Heritage Statement was submitted which can be accessed on our website:

<https://www.rushmoor.gov.uk/article/5856/Aldershot-Urban-Extension-AUE---design-and-heritage-documents>.

Full consideration is being given to the impact of development on the existing monuments within Wellesley, whether statutorily listed or not.

Issue 2 – Extending the Conservation Area to include the playing fields to the West of the A325

Savills on behalf of Grainger Plc note that the consultation draft character appraisal identified the importance of open spaces as a key feature of the conservation area that contributes towards the area's special character. Grainger suggest the inclusion of the playing fields west of the A325 as the land, along with the setting it provides, is an important open space feature which, when considering its position within the Wellesley development area and its history, should be afforded the same levels of protection as the neighbouring land, including the army athletic ground and pitches. In addition, they consider the land serves to protect open views to the west.

Officer response: The draft character appraisal and management plan that officers presented to Cabinet in December 2019 for approval to consult included the playing fields to the west of the A325.

Officers agree that the playing fields to the West of the A325 should be included within the conservation area boundary as the area of land in question is of historic interest, the character or appearance of which it is desirable to preserve or enhance'.

Issue 3 - Extending the Conservation Area to include Hospital Hill

The Friends of Aldershot Military Museum suggest that the conservation area be extended south down Hospital Hill to prevent this area becoming over-developed.

Officers have considered this suggestion and consider that the main historic asset in this area is the Old Union Poor House which is a listed building and has recently been refurbished and converted into residential units. The setting of this building is protected by Local Plan policy HE1 and therefore the inclusion of additional land along Hospital Hill within the Conservation Area is not recommended.

We do not consider that the area for inclusion satisfies Section 69(1) of the Planning (Listed Buildings and Conservation Areas) Act 1990, "an area of special architectural or historic interest, the character or appearance of which it is desirable to preserve or enhance".

In addition, the National Planning Policy Framework (2019) states that '*when considering the designation of conservation areas, local planning authorities should ensure that an area justifies such status because of its special architectural or historic interest, and that the concept of conservation is not devalued through the designation of areas that lack special interest*'.

Issue 4 – Extending the Conservation Area to a wider area beside Queens Avenue

The Friends of Aldershot Military Museum suggest that the conservation area should be retained as wide as possible along the length of Queen's Avenue to ensure that the vista, which includes the road, trees, and open spaces either side before any buildings, is maintained along the whole road.

Officers have reviewed the boundary and have amended it in several locations along Queens Avenue to include additional green infrastructure beside the highway (including grass verges and trees) that make a valuable contribution to the character and appearance of the conservation area. The conservation area boundary has been amended to reflect this.

Further information on the comments received and how they have been addressed is contained in Appendix 8 of this document.

Adoption

The 16th December 2019 Cabinet decision delegated to the Head of Economy Planning and Strategic Housing, in consultation with the Portfolio Holder for Planning and Economy, to make any necessary factual and/or non-substantive minor amendments to the documents prior to consultation and adoption.

The designation of the playing fields to the West of the A325 within the Aldershot Military Conservation Area is not considered to be a 'non-substantive minor amendment' and therefore the Council's Cabinet had to formally adopt the document.

The Aldershot Military Conservation Area Character Appraisal and Management Plan was adopted by the Council's Cabinet on 16th February 2021.

Council seeks views on conservation areas and locally listed heritage assets

Local people are being asked to give their views on proposed changes to two of Aldershot's conservation areas.

Rushmoor Borough Council has started a programme to review all of its conservation areas, beginning with the Cargate and Aldershot military conservation areas.

It is proposing to make a number of changes to both conservation areas and has launched a consultation to hear what people think of the plans.

The reviews are part of the council's overall aim to protect and improve the heritage and character of Aldershot and Farnborough and build on the policies in the Rushmoor Local Plan.

To run alongside the reviews, the council is also consulting on its draft Locally Listed Heritage Assets supplementary planning document (SPD). This document sets out how the council will identify buildings and structures of local importance and the procedure for adding them to its local list. The document also identifies the relevant conservation principles which apply to these buildings and structures.

Both consultations started on Friday 31 January and will run until 5pm on Friday 13 March.

In Cargate, the council is proposing to change the boundaries of the conservation area. This would remove areas that do not reflect, or add to, the historic character of the area. Overall, the conservation area would be smaller, but more focused.

The Aldershot military conservation area takes account of the redevelopment of the military town and is aimed at looking to the future. Under the proposed changes, parts of the new Wellesley development would be included and other buildings, such as the Centre for Health, Army Careers Centre, Early Years Centre and military housing, would be removed.

In both areas, the council has also made Article 4 directions. These are aimed at protecting the character and heritage of the conservation areas. They remove some permitted development rights from properties and mean that if residents want to make certain changes to their homes, they may need to get planning permission first. The directions are effective immediately but will expire in six months unless the council decides to make them permanent. A consultation on the directions runs alongside the reviews.

The consultation on the draft Locally Listed Heritage Assets SPD asks people to consider if there are any buildings or structures they would like to see added - or removed - from the local list.

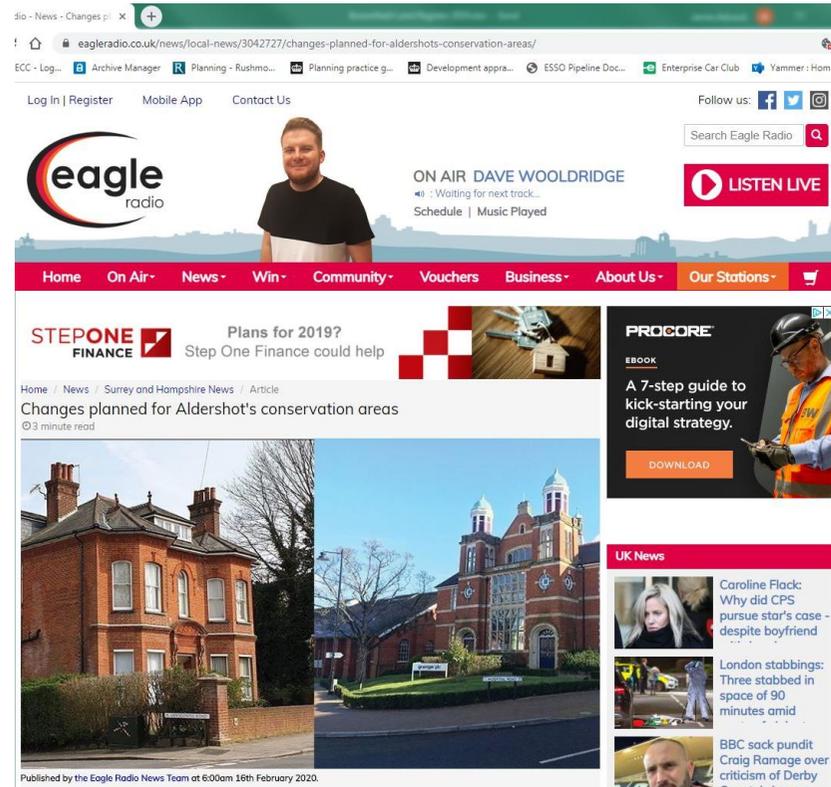
As well as finding out more and making comments on the council's website, local people will be able to give their views at two drop-in sessions. These will be:

- Cargate conservation area: Tuesday 25 February, 2.30pm to 7.30pm, at Aldershot Baptist Church, Upper Elms Road
- Aldershot military conservation area: Wednesday 26 February, 2.30pm to 7.30pm, at Princes Hall

Councillor Marina Munro, Cabinet member for Planning and Economy at Rushmoor Borough Council, said: "Our conservation areas play an important role in maintaining the heritage and character of our towns. A lot has changed since we last reviewed them and our aim is that the changes we are proposing now will continue to protect, but also improve, the nature of these areas for future generations. The draft Locally Listed Heritage Assets supplementary planning document complements this work, and we hope people will take the time to look at the proposals in the consultations and give their views."

The consultations will be available on the council's [Planning policy consultations](#) web page until Friday 13 March.

Appendix 2 – Media coverage



Left – Aldershot News and Mail front page (Wednesday 19th February)

Right – Coverage and Eagle Radio website news pages

Appendix 3 Examples of promotion on the Councils website

You are in Planning
Planning policies
The Rushmoor Local Plan
Supplementary planning documents and advice notes
Get involved in developing our planning policies
Statement of Community Involvement
Planning policy consultations
Community Infrastructure Levy and planning obligations
National, regional and county planning policy documents
Neighbourhood planning
Former local plans and policies

Planning policy consultations

We are consulting on the draft home improvements and extensions supplementary planning document (SPD).

Current consultations

Draft home improvements and extensions supplementary planning document (SPD)

The home improvements and extensions SPD provides further guidance to householders on how to deal with design and amenity issues when making home improvements such as extensions, loft conversions, building a new outbuilding or erecting a new boundary.

It is intended to help people seeking planning permission for home improvements but it also provides useful information on design and amenity where planning permission is not needed.

By 'amenity', we mean daylight, privacy, peace and quiet as well as useful features such as bin and cycle storage.

The SPD supports the implementation of [Local Plan](#) Policy DE1: Design in the Built Environment.

You can read the draft home improvements and extensions SPD and supporting documents below.

You can find where to view hard copies of the documents in the statement of matters and availability.

- [Draft home improvements and extensions SPD \(446kb\)](#)
- [Statement of matters and availability \(116kb\)](#)
- [Strategic environmental assessment \(SEA\) / habitats regulations assessment \(HRA\) screening assessment \(271kb\)](#)

Have your say

Online survey

Our [online survey about our draft home improvements and extensions SPD](#) will only take a few minutes and includes questions about how useful and clear you find the SPD.

You can also send us your comments in any of the following ways.

By email

planningpolicy@rushmoor.gov.uk

By post

Planning Policy
Rushmoor Borough Council
Council Offices
Farnborough Road
Farnborough
Hants
GU14 7JU

Closing date for comments

The closing date for comments is 5pm on Friday 6 December.

Related documents

- [Draft home improvements and extensions SPD \(446kb\)](#)
- [Reg 12 Statement of matters and availability \(116kb\)](#)
- [Home Improvements and extensions SPD - SEA HRA screening final \(271kb\)](#)

▶ [Help with PDF documents](#)

Related links

▶ [Do I need planning permission?](#)

Contacts

Planning policy
planningpolicy@rushmoor.gov.uk
Tel: 01252 398735
▶ [View full details](#)

Share this page

- [Facebook](#)
- [Twitter](#)
- [LinkedIn](#)
- [Reddit](#)
- [Tumblr](#)

Conservation area reviews

We'd like your views on the Cargate and Aldershot military conservation areas.

▶ Read more about Conservation area reviews



- Conservation area reviews
- Our vacancies
- Southwood Country Park
- Aldershot and Farnborough

Latest news

Payment problems
We are having problems with our payment system today ...

Council seeks views on conservation areas and locally listed heritage assets
Local people are being asked to give their views on ...

▶ See all news stories

In my area

Please enter your details below to find information about your area

Enter house number
Enter postcode **Search**

▶ Don't know your postcode?

Do it online

Pay for it	Council tax	Parking fine	Planning fees
	Apply for it		
Report it	Garden waste recycling	Business rates	Invoices

▶ See all online services

< Previous Next >

Top tasks

- ▶ Bin collections
- ▶ Planning
- ▶ Looking for a home
- ▶ Council tax
- ▶ Leisure facilities
- ▶ Registering to vote
- ▶ Jobs
- ▶ नेपालीमा जानकारी

Contact us

Appendix 4 – Poster

**Protecting and improving
our local heritage**
We want your views

- Tell us what you think about our proposed changes to Aldershot's Cargate and military conservation areas
- Put forward a building to be added to our list of local heritage assets

Visit our public drop-in sessions:

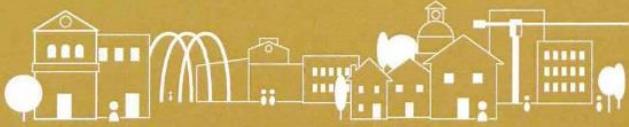
- **Cargate conservation area**
Aldershot Baptist Church, Upper Elms Road - Tuesday 25 February, 2.30pm to 7.30pm
- **Aldershot military conservation area**
Princes Hall - Wednesday 26 February, 2.30pm to 7.30pm

Find out more at: www.rushmoor.gov.uk/planningpolicyconsultations

Closing date for comments: Friday 13 March, 5pm

RUSHMOOR
BOROUGH COUNCIL

Appendix 5 – Leaflet



Protecting and improving our local heritage

We want your views



We're reviewing the Cargate and Aldershot military conservation areas and we'd like your thoughts

Under our proposals:

- The **Cargate conservation area** would be smaller than at present, taking out parts of it that don't reflect its historic character
- The **Aldershot military conservation area** looks to the future and so would include parts of the new Wellesley development
- Both areas would be covered by an **Article 4** direction. This means you may need planning permission to carry out certain work on your home.

RUSHMOOR
BOROUGH COUNCIL



We're also updating our list of local heritage assets

These are buildings and structures that we will seek to protect.

You can ask us to add a building, including your home, to the list if you think it's of local importance. You can also ask us to remove buildings from the list.

Give your views

We'd like to invite you to visit our public drop-in sessions:

- **Cargate conservation area**
Aldershot Baptist Church, Upper Elms Road
Tuesday 25 February, 2.30pm to 7.30pm
- **Aldershot military conservation area**
Princes Hall - Wednesday 26 February, 2.30pm to 7.30pm

You can also find out more and give your views on our website:
www.rushmoor.gov.uk/planningpolicyconsultations

Closing date for comments: Friday 13 March, 5pm

Council Offices,
Farnborough Road,
Farnborough,
Hants, GU14 7JU

www.rushmoor.gov.uk
01252 398 399
customerservices@rushmoor.gov.uk

[@rushmoorcouncil](https://twitter.com/rushmoorcouncil)
[Rushmoor Borough Council](https://www.facebook.com/RushmoorBoroughCouncil)
February 2020

Appendix 6 - Email to Consultees

Rushmoor: Planning Policy and Heritage Consultations (Statutory)

 Rushmoor Council Planning Policy
To
Bcc



 Reg 12 Statement of Matters and availability.pdf
119 KB

 Reply  Reply All  Forward 

Fri 31/01/2020 15:30

Dear Sir / Madam,

We are contacting you as you have previously asked to be notified of planning policy consultations undertaken by Rushmoor Borough Council.

The Council is currently consulting on the following planning policy and conservation documents for a period of six weeks:

- Locally Listed Heritage Assets SPD
- Conservation Area Overview Document

- Cargate and Aldershot Military Conservation Area Appraisals and Management Plans
- Draft Article 4 Directions for the above two Conservation Areas

You can view the documents and find more information online at <https://www.rushmoor.gov.uk/planningpolicyconsultations>. Hard copies are available at Aldershot and Farnborough libraries as well as the council offices, during opening hours.

The closing date for receipt of comments is **5pm on Friday 13 March 2020**.

Please respond via email planningpolicy@rushmoor.gov.uk or write to us at the following address:

Planning Policy and Conservation
Rushmoor Borough Council
Council Offices
Farnborough Road
Farnborough
Hampshire
GU14 7JU

Yours faithfully,

The Planning Policy and Conservation Team

Planning Policy | Rushmoor Borough Council | Council Offices | Farnborough Road | Farnborough | Hampshire | GU14 7JU

DDI: 01252 398735 | e: bethany.griffin@rushmoor.gov.uk | w: www.rushmoor.gov.uk

 Please consider the environment - do you really need to print this email?

Appendix 7 - Consultation Event Photos



Top left: Cargate Consultation Event at the Baptist Church

Top right: static display at Rushmoor Borough Council offices

Bottom left: Banners set up at Princes Hall, Aldershot.

Appendix 8– Summary of Comments on the Aldershot Military Conservation Area Character Appraisal and Management Plan and the Councils response

Respondent	Summary of comments	Officer Response
Alex Crawford	As part of the consultation the Board of the Wellesley Residents Trust, appointed by Rushmoor Borough Council, should have been consulted. Especially due to the fundamental changes such as removing Cambridge Military Hospital from the conservation area.	<p>The Wellesley Residents Trust have not requested to be notified of planning policy consultations, all statutory consultees and consultees who have requested to be notified were emailed notification of the start of the consultation period. Grainger Plc were kept informed of the proposal to amend the conservation area boundary and extensive consultation with Borough Councillors occurred prior to the launch of the consultation.</p> <p>The Cambridge Military Hospital will remain within the conservation area. The Aldershot Centre for Health building has been removed from the conservation area.</p>
Aldershot Civic Society	<p>Taking a pragmatic view, we accept that the values protected by the existing conservation areas have been eroded, leading RBC to propose removing certain parts of the conservation areas, and in the main agree with the proposed removals for this reason.</p> <p>Fully support the detailed submission made by the Friends of Aldershot Military Museum (detailed below).</p>	<p>General support for reviewing the Conservation Area noted.</p> <p>Response to Friends of Aldershot Military Museum detailed below.</p>
Friends of Aldershot Military Museum	The areas being removed from the conservation area have been developed by Granger and have lost their historic character, and have therefore not been successfully protected by the designation.	Unfortunately, we are unable to change development which has already taken place.

Respondent	Summary of comments	Officer Response
	<p>Society believe that the conservation area should be wider along Queens Avenue to prevent development encroaching on the important view down the road.</p> <p>The Ramsden Wall Memorial, plaque for the opening of Montgomery lines and the IRA bomb victims memorial are important to retain within the conservation to protect their setting. Although the area south of Hospital Road has been completely developed, there is still the RAMC South African War memorial and the Gordon Oak which need their setting protected.</p> <p>Support additions to the conservation area North of Basingstoke canal.</p> <p>Suggest that conservation area is extended south down hospital hill to prevent this area becoming over-developed.</p>	<p>Having reviewed the boundary we agree that the conservation area boundary could be amended in a number of locations along Queens Avenue to include additional green infrastructure beside the highway (including grass verges and trees) that make a valuable contribution to the character and appearance of the conservation area. The conservation area boundary has been amended to reflect this.</p> <p>As part of the consented planning application for Wellesley a detailed Heritage Statement was submitted which can be accessed on our website: https://www.rushmoor.gov.uk/article/5856/Aldershot-Urban-Extension-AUE---design-and-heritage-documents.</p> <p>Full consideration is being given to the impact of development on the existing monuments within Wellesley, whether statutorily listed or not.</p> <p>Support Noted.</p> <p>Having reviewed the suggested inclusion, the main historic asset is the Old Union Poor House that is locally listed and has recently been refurbished and converted. The setting of this building is protected by Local Plan policy HE1. We do not consider that the area suggested for inclusion satisfy Section 69(1) of the Planning (Listed Buildings and Conservation Areas) Act 1990, "an area of special architectural or</p>

Respondent	Summary of comments	Officer Response
		historic interest, the character or appearance of which it is desirable to preserve or enhance”.
Hart District Council	No Comments	Noted
Savills on behalf of Grainger Plc	<p>Savills on behalf of Grainger Plc responded that in principle agree to the alterations to the boundaries, however it is suggested that the boundary is extended to include the sports pitches west to the A325 as the consultation draft character appraisal identified the importance of open spaces as a key feature of the conservation area that contributes towards the area’s special character.</p> <p>Consider that the playing fields west of the A325 should be included within the conservation area as the land, along with the setting it provides, is an important open space feature which, when considering its position within the Wellesey development area and its history, should be afforded the same levels of protection as the neighbouring land, including the army athletic ground and pitches. In addition, they consider the land serves to protect open views to the west.</p> <p>This area has to be retained as sports pitches as per the parameter submitted in support of outline application 12/00958/OUT.</p>	<p>Support for the appraisal is noted.</p> <p>The draft character appraisal and management plan that officers presented to Cabinet in December 2019 for approval to consult included the playing fields to the west of the A325.</p> <p>Officers agree that the playing fields to the West of the A325 should be included within the conservation area boundary as the area of land in question is of historic interest, the character or appearance of which it is desirable to preserve or enhance’.</p>
Tony Jarett	The army careers office is quite an historic building. Before the army took it over it was a military tailors and had been there for years. Please consider placing it in the conservation area.	The building in isolation does not warrant the retention of the wider area within the Conservation Area. However, the building will be considered for inclusion on the Local List of Heritage Assets.



13 March 2020

Planning Policy
Rushmoor Borough Council
Council Offices
Farnborough Road
Farnborough
Hampshire
GU14 7JU

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savills.com

Dear Sir/Madam

ALDERSHOT MILITARY CONSERVATION AREA APPRAISAL AND MANAGEMENT PLAN CONSULTATION

I write on behalf of Grainger Plc in relation to the current Aldershot Military Conservation Area Appraisal and Management Plan.

In principle, Grainger Plc support the proposed alterations to the Conservation Area boundary and fully agree with the importance of ensuring the long term protection of the area's current character and historical significance.

That said, having reviewed the consultation documents, it is suggested that the boundary is extended to include the sports pitches west of Farnborough Road, located between Fleet Road and Rushmoor Road. This land includes the sports pitches currently used by the Rushmoor Saints.

Paragraph 1.2 of the revised conservation area appraisal states *'it is the combination of factors such as buildings, walls, trees, hedges, open spaces, views and historic settlement patterns that create a sense of place that give the area its special character'*

Further to this, paragraph 4.8 notes the importance of open spaces as a key feature of a conservation area, and emphasises the importance of the army athletic ground and pitches forming a significant area of open space within the proposed conservation area boundary, which provide key viewpoints across to the Basingstoke Canal.

The land use parameters plans submitted in support of outline application 12/00958/OUT identifies the retention of the sports pitches west of Farnborough Road for formal open spaces, play and sports provision. The use of the land, along with the setting it provides to the adjacent conservation area, is an important open space feature which, when considering its position within the Wellesey development area and its history, should be afforded the same levels of protection as the neighbouring land, including the the army athletic ground and pitches. In addition, it serves to protect open views to the west.

It is therefore requested that the conservation area boundary as proposed is extended to include the recreation ground/sports pitches located between Fleet Road and Rushmoor Road.

If you require any further information please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink that reads "Bryony Stala". The signature is written in a cursive, flowing style.

Bryony Stala
Savills Planning