



BOROUGH OF RUSHMOOR

To the Mayor and Members of the Council,

YOU ARE HEREBY SUMMONED to attend a Virtual Meeting of the Council on ***Thursday, 25th February, 2021 at 7.00 pm*** for the transaction of the business set out on the Agenda given below.

A G E N D A

1. **MINUTES –** (Pages 1 - 8)

To confirm the Minutes of the Ordinary Meeting of the Council held on 3rd December 2020 (copy attached).

2. **MAYOR'S ANNOUNCEMENTS –**

3. **STANDING ORDER 8 - QUESTIONS –**

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

4. NOTICES OF MOTION –

(1) Commonwealth and Gurkha Veterans

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

“Rushmoor Borough Council are aware of the difficulties experienced by Commonwealth and Gurkha veterans, many of whom live in Aldershot, Home of the British Army, and wish to ensure that those who are currently experiencing problems, whether financial or immigration, are not disadvantaged whilst their applications for visas are ongoing.

To that end, Council request that the Leader of the Council write to the Prime Minister, the Minister of State for Immigration, and the Parliamentary Under-Secretary of State (Minister for Defence People and Veterans) outlining the Council's support for all Commonwealth and Gurkha veterans who have served a minimum of 4 years being granted the automatic, free-of-charge right to remain in the UK and for any veteran who completes 12 years of service being automatically given British Citizenship.

Further, Council request that the Leader of the Council write to the MP for Aldershot Constituency to ask that he press the Government for a change in the legislation on visas and citizenship that affects Commonwealth and Gurkha veterans who have served Her Majesty The Queen and this country diligently and honourably.”

(2) Devereux House

To consider the following Notice of Motion which has been submitted by Cllr C.J. Stewart pursuant to Standing Order 9 (1):

“This Council notes the sad closure of Devereux House (formerly the Farnborough and Cove War Memorial Hospital), and pays tribute to the extraordinary work of its staff and volunteers in the service to our Borough over the past 100 years.

In addition, this Council notes its longstanding support for the Trust, as well as the generosity of volunteers, local charitable organisations, and the wider community over many years.

This Council affirms its commitment to endeavouring to further the legacy of the Trust, alongside its partners, and continue honouring the fallen of the First World War.”

5. MAYOR-ELECT AND DEPUTY MAYOR-ELECT 2021/22 –

At its meeting on 25th January 2021, the Licensing Audit and General Purposes Committee considered the nominations for Mayor-Elect and the Deputy Mayor-Elect for 2021/22 and made the following recommendations:

- (i) That Cllr B.A. Thomas be selected as Mayor-Elect for the Municipal Year 2021/22.

- (ii) That Cllr C.P. Grattan be selected as Deputy Mayor for the Municipal Year 2021/22.

6. RECOMMENDATIONS OF THE CABINET AND COMMITTEES –

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

1) Annual Capital Strategy 2021/22 – (Pages 9 - 22)

To receive a report from the Cabinet (copy attached – Annex 1) which recommends the approval of the Council's Capital Strategy for 2021/22, including the Prudential Indicators for capital finance. Cllr P.G. Taylor, Corporate Services Portfolio Holder, will introduce this item.

2) Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2021/22 – (Pages 23 - 56)

To receive a report from the Cabinet (copy attached – Annex 2), which recommends the approval of the Treasury Management Strategy 2021/22, the Non-Treasury Investment Strategy 2021/22 and the Minimum Revenue Provision Statement. Cllr P.G. Taylor, Corporate Services Portfolio Holder, will introduce this item.

3) Revenue Budget, Capital Programme and Council Tax Level – (Pages 57 - 110)

To receive a report from the Cabinet (copy attached – Annex 3) which recommends the approval of the Revenue Budget, Capital Programme and Council Tax Level, including a recommendation on the council tax support scheme for 2021/22. Cllr D.E. Clifford, the Leader of the Council, will introduce this item.

4) Review of Rushmoor's Polling Districts and Polling Places – (Pages 111 - 116)

To receive a report from the Licensing, Audit and General Purposes Committee, (copy attached – Annex 4), which proposes changes to the arrangements for polling districts and polling places. Cllr S.J. Masterson, Chairman of the Licensing, Audit and General Purposes Committee will introduce this item.

7. THE COUNCIL TAX 2021/22 – (Pages 117 - 118)

To fix the level of Council Tax for the financial year 2021/22 taking into account precepts of Hampshire County Council, the Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority. (A copy of the appropriate draft resolution is attached – Annex 5)

8. QUESTIONS FOR THE CABINET –

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

9. **REPORTS OF CABINET AND COMMITTEES – (Pages 119 - 146)**

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

Cabinet

8th December, 2020
19th January, 2021

Committees

Licensing, Audit and General Purposes
Development Management
Licensing, Audit and General Purposes

23rd November, 2020
20th January, 2021
25th January, 2021

10. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE AND POLICY AND PROJECT ADVISORY BOARD – (Pages 147 - 158)**

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

Policy and Project Advisory Board
Policy and Project Advisory Board
Overview and Scrutiny Committee

25th November, 2020
27th January, 2021
4th February, 2021

A.E. COLVER
Head of Democracy and Community

Council Offices
Farnborough
Hampshire GU14 7JU

Wednesday 17 February 2021

BOROUGH OF RUSHMOOR

MEETING OF THE BOROUGH COUNCIL held via Microsoft Teams and streamed live on Thursday, 3rd December, 2020 at 7.00 pm.

The Worshipful The Mayor (Cllr M.S. Choudhary (Chairman))
The Deputy Mayor (Cllr B.A. Thomas (Vice-Chairman))

Cllr Gaynor Austin
Cllr T.D. Bridgeman
Cllr Sue Carter
Cllr A.K. Chowdhury
Cllr R.M. Cooper
Cllr P.I.C. Crerar
Cllr K. Dibble
Cllr C.P. Grattan
Cllr L. Jeffers
Cllr Mara Makunura
Cllr Nadia Martin
Cllr T.W. Mitchell
Cllr K.H. Muschamp
Cllr Sophie Porter
Cllr M.L. Sheehan
Cllr P.G. Taylor

Cllr Mrs. D.B. Bedford
Cllr J.B. Canty
Cllr Sophia Choudhary
Cllr D.E. Clifford
Cllr A.H. Crawford
Cllr P.J. Cullum
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr Prabesh KC
Cllr J.H. Marsh
Cllr S.J. Masterson
Cllr Marina Munro
Cllr A.R. Newell
Cllr M.J. Roberts
Cllr C.J. Stewart
Cllr M.J. Tennant
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr A.J. Halstead and Cllr M.D. Smith.

Before the meeting was opened, the Mayor's Chaplain, Revd. George Newton, led the meeting in prayers.

28. MINUTES

It was MOVED by Cllr D.E. Clifford; SECONDED by Cllr K.H. Muschamp and

RESOLVED: That the Minutes of the Ordinary Meeting of the Council held on 8th October, 2020 (copy having been circulated previously) be taken as read, approved and signed as a correct record.

29. MAYOR'S ANNOUNCEMENTS

- (1) The Mayor reported that, with circumstances having been so different this year with Covid-19 restrictions, he was very proud that Rushmoor had permission to organise a Service of Remembrance at the Cenotaph in Municipal Gardens on Remembrance Sunday. The wreath laying service had been led by the Mayor's Chaplain and had been attended by the Deputy Lieutenant of Hampshire (Lt.

Col. Sir Mark Mans), the Garrison Commander (Lt. Col. Paddy Baines) and representatives of the Aldershot Branch of the Royal British Legion, veterans' associations, Rushmoor's Chief Inspector of Police, a representative of Hampshire Fire and Rescue Service and representatives of community organisations.

The Mayor had also represented the Borough at a wreath laying ceremony at the Military Cemetery organised by the Aldershot Garrison. Past Mayor, Cllr S.J. Masterson, had also represented the Borough at another Military wreath laying service at the Garden of Remembrance in front of the Royal Garrison Church of All Saints.

Wreaths had also been laid outside Devereux House War Memorial Home and the War Memorial outside Princes Hall.

The Farnborough Branch of the Royal British Legion had arranged for their Service of Remembrance at North Camp Methodist Church to be recorded in advance of Remembrance Sunday. The Mayor had felt honoured to be asked to record one of the readings. The Service had been made available online for viewing on Remembrance Sunday.

- (2) The Mayor advised Members that the West End Centre in Aldershot was inviting people to join in a community Christmas singalong on their doorsteps on Saturday, 19th December 2020. Everyone was encouraged to join in.

30. **STANDING ORDER 8 - QUESTIONS**

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

31. **NOTICES OF MOTION**

The Council was asked to consider two Motions which had been submitted in accordance with the provisions of Standing Order 9 (1).

(1) **Children and Food Poverty**

It was MOVED by Cllr Gaynor Austin and SECONDED by Cllr Christine Guinness - That

"This Council thanks volunteers and organisations who stepped up over the half-term period to help feed children in the Borough.

This Council resolves to support these volunteers and organisations, if necessary, in order to ensure that all local children are fed, whether term-time or not. This Council recognises the COVID-19 pandemic has increased levels of food poverty and food insecurity within the Borough.

This Council believes:

- all Rushmoor residents should have access to sufficient safe, nutritious food;

- local councils can and must play a key role in tackling food poverty.

This Council therefore commits to:

- nominate a Cabinet Member to have specific responsibility for reducing food poverty and insecurity in Rushmoor;
- work to increase the take-up of Free School Meals;
- urge the Government to enshrine its existing commitment to UN Sustainable Development Goal 2 (eradicating hunger by 2030) in legislation;
- ask the Overview and Scrutiny Committee to investigate the extent and causes of hunger in Rushmoor and make recommendations to tackle it;
- work with HCC and other partners to develop and implement a comprehensive and sustainable Food Access Plan which would look to eliminate food poverty in Rushmoor through the formalisation of an inclusive local Food Partnership.”

Speaking in support of her Motion, Cllr Gaynor Austin paid tribute to all the volunteers and businesses in Rushmoor who had been so quick to step forward and respond to Marcus Rashford’s call to feed children, normally in receipt of free school meals, over recent school holiday periods when no free school meals had been available. Cllr Austin was of the opinion that, in what was a comparatively affluent society, nobody should have to rely on vouchers or charity for food and that everyone should be able to access basic requirements for life, including safe and nutritious food.

Cllr Austin acknowledged that much work had been done in conjunction with other organisations and charities over the previous 6 – 12 months, but she felt that much of this had been scattergun in approach and that the Council did not yet know the whole extent of food poverty in the Borough. Cllr Austin wanted the Overview and Scrutiny Committee to take on this work and to make recommendations for a food action plan to eliminate food poverty in the Borough. Cllr Austin stressed that the issue was not just about foodbanks, it was about the people who did not have access to public funds, those who worked but were in work poverty and the long-term measures required to combat food poverty and how to monitor the effectiveness of such actions. Cllr Austin then called on Members to support the Motion.

In seconding the Motion, Cllr Christine Guinness referred to the pride she felt for the Rushmoor community who had joined together to make and deliver packed lunches to feed the Borough’s children in need during the recent school holiday period. Cllr Guinness stated that, according to the Trussell Trust, two million people had used foodbanks in 2019. She felt that food poverty was an on-going issue and that the Borough’s residents affected should know that there was support available.

During debate, Members referred to Marcus Rashford’s campaign for a food poverty task force, a petition for which had received over one million signatures supporting such action. Reference was also made to the Council’s Hardship Fund and the need to ensure that enough funding for this was budgeted for to support families in need during the on-going difficult times as a result of the coronavirus pandemic. During discussion, an Amendment was MOVED by Cllr A.R. Newell and SECONDED by Cllr K.H. Muschamp – That

“This Council acknowledges the role of Hampshire County Council, volunteers, supermarkets and local businesses in providing food packages for children during the half-term period.

Furthermore, this Council notes the steps being taken in the coming months to ensure that support can be provided to local residents in Rushmoor with the greatest need, including:

- the Supporting Communities Strategy and Action Plan to tackle deprivation and inequalities in Rushmoor;
- the progression of a plan to establish a Rushmoor Food Partnership to provide a community store;
- Hampshire County Council’s Food Voucher Scheme to support vulnerable children, young people and families during the Christmas holidays; and
- Hampshire County Council’s Discretionary Grant Fund for Schools to support families facing financial hardship.”

Cllr Newell referred to projects that were being put in place to work with partners to tackle the effects of poverty and deprivation under the priority areas of young people and resilience, mental and physical health, economic hardship and connecting communities and reducing isolation.

During debate on the Amendment, the view was expressed that the examination of food poverty issues needed to be extended to include heating, income, jobs and a whole range of other issues and how the Council needed to respond to people in need of help as a result of the effects of the pandemic and unemployment figures set to rise.

In seconding the Amendment, Cllr Muschamp referred to some of the funding proposals being proposed by Hampshire County Council to provide support to organisations to deliver services to those in need of help.

After further debate, the Amendment was put to the meeting. There voted FOR: 24; AGAINST: 0; ABSTAIN: 11 and the Amendment was declared **CARRIED**.

It was then MOVED by Cllr K. Dibble and SECONDED by Cllr A.H. Crawford that the Substantive Motion be amended by adding the following bullet points from the original Motion to the Substantive Motion:

“This Council therefore commits to:

- nominate a Cabinet Member to have specific responsibility for reducing food poverty and insecurity in Rushmoor;
- work to increase the take-up of Free School Meals;
- ask the Overview and Scrutiny Committee to investigate the extent and causes of hunger at Rushmoor and make recommendations to tackle it;
- work with HCC and other partners to develop and implement a comprehensive and sustainable Food Access Plan which would look to eliminate food poverty in Rushmoor through the formalisation of an inclusive local Food Partnership.”

The Amendment to the substantive motion was put to the meeting. There voted FOR: 9; AGAINST: 25; ABSTAIN: 1 and the Amendment was **DECLARED LOST**.

The Substantive Motion was put to the meeting. There voted FOR: 32; AGAINST:0; ABSTAIN: 1 and the Substantive Motion was **DECLARED CARRIED** whereupon it was

RESOLVED: That this Council acknowledges the role of Hampshire County Council, volunteers, supermarkets and local businesses in providing food packages for children during the half-term period.

Furthermore, this Council notes the steps being taken in the coming months to ensure that support can be provided to local residents in Rushmoor with the greatest need, including:

- the Supporting Communities Strategy and Action Plan to tackle deprivation and inequalities in Rushmoor;
- the progression of a plan to establish a Rushmoor Food Partnership to provide a community store;
- Hampshire County Council's Food Voucher Scheme to support vulnerable children, young people and families during the Christmas holidays; and
- Hampshire County Council's Discretionary Grant Fund for Schools to support families facing financial hardship."

(2) Citizens Advice Rushmoor

It was **MOVED** by Cllr C.J. Stewart and **SECONDED** by Cllr Veronica Graham-Green – That

"This Council congratulates Citizens Advice Rushmoor for eighty years of service and support to the residents of Aldershot and Farnborough since the establishment of the first Citizens Advice branch in Aldershot in 1940.

Additionally, this Council affirms its commitment to this long and close partnership with Citizens Advice Rushmoor, and puts on record its thanks for the advice, support and advocacy given and available to all residents including members of our armed forces in the Borough."

Speaking in support of his Motion, Cllr Stewart stated that, through this Motion, he hoped the Council could acknowledge and pay thanks for the tremendous work of Citizens Advice Rushmoor, which was celebrating its 80th anniversary in 2020. Thanks was due for all the work Citizens Advice Rushmoor had done to support the residents of the Borough. The Council also needed to reaffirm its commitment to a continued, long and close partnership with this incredibly valuable local Service.

Cllr Stewart advised that the Citizens Advice service in Rushmoor had begun in the midst of World War II, in September 1940 in Aldershot – the Home of the British Army. There had been many changes since then, with the birth of Farnborough Citizens Advice in 1964, as well as the incorporation of the Heathlands Citizens

Advice service in the early 2000s – set up initially as an outreach service – which was now providing advice and assistance to users of local mental health services and their carers. Cllr Stewart advised Members that the team at Rushmoor Citizens Advice comprised around 30 staff, as well as over 100 volunteers who had helped over 9,000 people in 2019 with nearly 30,000 different problems, such as debt, housing, benefits and employment issues. These volunteers gave their time and expertise which could be valued in 2019-20 at £700,000.

Cllr Stewart advised Members of the truly remarkable value and impact of the work of Citizens Advice Rushmoor. In 2020, the coronavirus pandemic had necessitated significant changes to the way the service worked, with a move away from drop-ins, face-to-face interviews and staff in the office to remote working, supported by digital and video technology. The speed and effectiveness of this change had ensured an incredible continuity of service and had demonstrated the significant capability of the team. In looking forward, Cllr Stewart was confident that the service would continue to focus on supporting, training and recruiting volunteers, learning lessons from the pandemic (being more flexible, increasing access, and helping more people), continuing to collaborate with its partners and working to reach the most vulnerable in the Borough's community in its commitment to putting clients' needs at the heart of everything it did.

In seconding the Motion, Cllr Veronica Graham-Green spoke about the origins of a citizens' advice service in the UK. In 1924, the Betterton Report on Public Assistance had recommended that advice centres should be set up to offer members of the public advice to help them with their problems. By the 1930s the National Council for Social Service had looked at how to meet the needs of the civilian population in war time and had concluded that Citizens Advice Bureaux should be established throughout the country, particularly in the large cities and industrial areas where social disorganisation could be acute. By 4th September 1939, the day after World War II had been declared, there were 200 bureaux situated in London and the larger cities and towns throughout the country. Advisers dealt with problems relating to the loss of ration books, homelessness and evacuation and also helped to locate missing relatives and prisoners of war. It was noted that debt quickly became a key issue as income reduced due to call-ups.

Members were advised that, by 1942, there had been 1074 bureaux. After the War, Government funding had been cut which caused a 50% reduction in branches and this had not been restored until 1960. The Rent Act of 1957 had caused a surge in cases and, by the mid-1960s, 25% of the 1.25 million cases had related to housing. In later years, key things such as Consumer Protection, the effects of major recessions and benefit changes would all contribute to the caseload. In 1973 the National Association of Citizens Advice Bureaux received a government development grant to extend its network. In 1999 the first online advice guide had been launched to give people access online 24 hours a day and, in 2002, a government grant of £20 million enabled the roll-out of e-government services to Citizens Advice Bureaux service clients. There had been a name change to Citizens Advice in 2003 and in 2012/13 there were more than two million cases face-to-face or by phone and more than twelve million online.

Cllr Graham-Green paid tribute to the stirring work of the late Councillor Frank Rust who had been a Trustee on the Board of Rushmoor Citizens Advice. She wished Cllr Nadia Martin well as she had taken on the role of Trustee on the Board. Cllr Stewart was also a Trustee on the Board and had been a volunteer while a student. As part of her work with youth, Cllr Sue Carter was trying to encourage young people to volunteer.

During discussion, Members spoke in support of the work of Rushmoor Citizens Advice and re-affirmed the Council's commitment to the service. Congratulations were also extended to the organisation on its 80th anniversary.

The Motion was then put to the meeting. There voted FOR: 35; AGAINST: 0; ABSTAINED: 0 and the Motion was **DECLARED CARRIED unanimously**.

32. **QUESTIONS FOR THE CABINET**

The Mayor reported that two questions had been submitted by Cllr M.J. Roberts for response by Members of the Cabinet. The first question was about the economy and post-Covid recovery.

In response, the Leader of the Council (Cllr D.E. Clifford) paid tribute to the hard work being done by members of staff at the Council during the pandemic. In particular he mentioned the Finance team which had worked over the Easter Bank Holiday to pay over £14 million to over 1000 businesses in the Borough, which was in addition to the £23 million relief on business rates as well as furlough payments. He also paid tribute to the partnership work with Rushmoor Citizens Advice and Rushmoor Voluntary Services. Reference was also made to Government Ministers being regularly in touch with Rushmoor's Chief Executive and himself and that information was regularly being fed back to the Government and to Hampshire County Council on local issues during the pandemic.

The second question was for the Deputy Leader of the Council (Cllr K.H. Muschamp) and was in regard to the climate change emergency.

In response, Cllr Muschamp outlined a number of schemes the Council was progressing, including: a food waste scheme; linking new ways of working to climate change principles; developing energy management proposals for council-owned buildings; pursuing funding opportunities for green homes and energy reduction measures; solar schemes for households; joining an EV pilot scheme; working with the Council's biodiversity officer to encourage biodiversity schemes in the Borough. The Council was working on its Climate Change Plan and actions that could be delivered over the following twelve months.

33. **REPORTS OF CABINET AND COMMITTEES**

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

Cabinet	29th September 2020
Cabinet	13th October 2020
Cabinet	10th November 2020

Licensing, Audit and General Purposes	28th September 2020
Development Management	14th October 2020
Development Management	11th November 2020

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

RESOLVED: That the Reports of the meetings of the Policy and Project Advisory Board held on 7th October 2020 and the meeting of the Overview and Scrutiny Committee held on 22nd October 2020 be received.

The meeting closed at 9.40 pm.

ANNEX 1

COUNCIL MEETING – 25 FEBRUARY 2021

AGENDA ITEM NO. 6 (1)

ANNUAL CAPITAL STRATEGY 2021/22

A report from the meeting of Cabinet held on 16 February 2021

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.

4 RECOMMENDATIONS

- 4.1 The Council is recommended to approve the Capital Strategy for 2021/22 to 2023/24 and Prudential Indicators for 2021/22 at Appendix A.

P G TALYOR
PORTFOLIO HOLDER CORPORATE SERVICES

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.

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COUNCIL MEETING – 25 FEBRUARY 2021**AGENDA ITEM NO. 6 (2)****ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2021/22**

A report from the meeting of Cabinet held on 16th February 2021

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.
- 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 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.

4 RECOMMENDATIONS

- 4.1 The Council is recommended to approve:
- (i) Treasury Management Strategy 2020/21, Annual Borrowing Strategy 2020/21 attached at Appendix A;
 - (ii) Annual Non-Treasury Investment Strategy attached 2021/22 at Appendix B; and
 - (iii) Minimum Revenue Provision (MRP) Statement set out in Appendix C.

P G TALYOR
PORTFOLIO HOLDER CORPORATE SERVICES

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
Artingclose 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
Artingclose 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
Artingclose 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
Artingclose 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
Artingclose 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
Artingclose 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
Artingclose 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%

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

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ANNEX 3

COUNCIL MEETING – 25 FEBRUARY 2021

AGENDA ITEM NO. 6 (3)

REVENUE BUDGET, CAPITAL PROGRAMME, AND COUNCIL TAX LEVEL

A report from the meeting of Cabinet held on 16 February 2021

1. COUNCIL REPORT

- 1.1 On 16 February 2021, Cabinet considered report FIN2106 and agreed recommendations on the budget and Council Tax requirement for 2021/22, subject to any amendments in the final Local Government Finance Settlement, or the operation of the collection fund, particularly in respect of the Business Rates Retention Scheme. Any changes associated with the delegation arrangements (which were agreed at Council on the 20th January 2014), or the final settlement figures, would be made by the Executive Head of Finance, in consultation with the Leader of the Council and the portfolio holder for Corporate Services.
- 1.2 The Final Local Government Finance Settlement was published on 04 an approved following a debate in Parliament on 10 February 2021. There were no material changes to the settlement figures from those previously advised to Cabinet.
- 1.3 The estimated General Fund Balance at the close of 2021/22 of £2.0m and the Stability and Resilience Reserve balance of £4.550m remains as previously approved by Cabinet for recommendation to Council.
- 1.4 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%.
- 1.5 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.
- 1.6 The Cabinet report is reproduced below in its entirety for completeness (Appendix B).

2. BUDGET REPORT SUMMARY

- 2.1 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.
- 2.2 Significant risk remains around the continue impact on the Council's finances from Covid-19.
- 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 £0.484m) 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
 - Collection Fund deficit positions on Council Tax and Business Rates over and above that already estimated and included within the MTFS forecasts.
- 2.3 The Council's Medium Term Financial Forecast and budget proposals were the subject of a presentation to all members on 18 January 2021. Whilst the Medium-Term Financial Forecast has been updated as part of the budget preparation, the broad assumptions contained within the budget remain the same and are consistent with the agreed Financial Strategy.
- 2.4 It is proposed that the Council increases Council Tax by the maximum permissible level (up to 2% or £5, whichever is higher) for a Band D property. This would increase Rushmoor Borough Council's Band D rate by £5 (just under 10p per week) from £209.42 to £214.42
- 2.5 Council approved to increase the amount of Council Tax Empty Property Premium charged for long-term empty properties at their meeting on 21 February 2019 (Report No: FIN1907). Members are reminded that from 01 April 2022 the following premium charges apply
- 100 per cent for properties which have been empty for up to five years
 - 200 per cent for properties which have been empty for between five and 10 years
 - 300 per cent for properties which have been empty for at least 10 years.

- 2.6 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
- 2.7 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 with an allocation of £0.489m of Covid expenditure support, continuation of the Sales, Fees & Charges compensation scheme for Q1 2021/22, indicative funding allocation in respect of Local Council Tax Support.
 - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)

Balanced Budget Requirement and Savings Programme

- 2.8 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).
- 2.9 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. 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. This is set out in the tables below.

Table C1 – 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)

Funding Gap forecast in MTFS	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Draft Revenue Budget (before Savings)	13,125	13,301	14,423	15,103
TOTAL Funding	11,855	9,561	9,616	10,175
Funding Gap	1,270	3,739	4,807	4,928
Savings identified	(256)	(605)	(751)	(751)
Residual Funding Gap After Savings	1,014	3,134	4,056	4,177
Use of Stability & Resilience Reserve	(1,014)	(3,134)	(4,056)	(4,177)
Stability & Resilience Reserve Y/E Balance	4,550	1,416	(2,641)	(6,818)

2.10 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years.

2.11 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.

2.12 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
- 2.13 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 so 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.
- 2.14 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.
- 2.15 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”*
- 2.16 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.
- 2.17 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.

Balances and Reserves

- 2.18 The Council’s financial position is supported by its balances and reserves. The Budget Strategy sets 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, changes to Government Funding). However, these reserves should not be utilised to fund normal, on-going service provision.
- 2.19 The Commercial Property 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

- 2.20 The 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.
- 2.21 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
- 2.22 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.
- 2.23 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.
- 2.24 No changes are planned to other reserves.

PWLB Lending Terms and Capital Programme

- 2.25 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.
- 2.26 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.
- 2.27 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.

- 2.28 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. This means that
- 2.29 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.
- 2.30 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(CAB) 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.
- 2.31 Projections for capital expenditure for Housing Matters are included within the programme. This will enable the Council to provide service loans to its wholly owned housing company, Rushmoor Homes. The business plan for Rushmoor Homes was approved by Council on 20 February 2020 and agreed the sale of 12 Arthur Street and 154 Ship Lane to the Housing Company at market value (i.e., applicable to the private rental sector). These transactions will be completed in March 2021.
- 2.32 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.
- 2.33 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).

3. CORPORATE GOVERNANCE

- 3.1 The Executive Head of Finance, as the Council's Section 151 Officer, has made a statement in compliance with Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of the Council's reserves. This is included with the Cabinet Report in Appendix A.

4. CONCLUSIONS

- 4.1 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.

- 4.2 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.
- 4.3 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.
- 4.4 The Council will need to continue to take steps to manage and address the funding gap identified over the MTFS period
- 4.5 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.
- 4.6 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.

5. RECOMMENDATIONS

5.1 The Council is recommended to approve the following, as detailed in report FIN2106.

- i) the Executive Head of Finance's report under Section 25 of the Local Government Act 2003 as set out in Appendix A
- ii) the General Fund Revenue Budget Summary set out in Appendix B
- iii) the additional items for inclusion in the budget, set out in Appendix 2(CAB)
- iv) the Council Tax Requirement of £6,927,715 for this Council
- v) 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)
- vi) the Capital Programme, set out in Appendix 3(CAB)
- vii) the Strategy for the Flexible use of Capital Receipts set out in Appendix 4(CAB)
- viii) the proposed transfers to and from earmarked reserves in 2021/22 and the holding of reserves as set out in the Cabinet report (Appendix B)

5.2 The Council is recommended to approve the following, as detailed in report FIN2030

- i) Following the review of Council Tax Support by the Task and Finish Group, recommend to full Council that the current scheme for working age customer continue for 2021/22 with the usual alignment to Housing Benefit Rates. This does not require consultation.
- ii) In light of the impact of the Covid-19 pandemic, a fundamental review of the Council Tax Support scheme be deferred until 2021/22.

Cr. D E Clifford
Leader of the Council

STATEMENT OF THE CHIEF FINANCIAL OFFICER

- 1.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set on:
- the robustness of the estimates included in the budget
 - and the adequacy of the financial reserves in the budget
- 1.2 The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).
- 1.3 The Council's Revenue Budget, Medium Term Financial Strategy and Capital Programme have been prepared with reference to the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on prudential property investment. As Section 151 Officer, I have also had regard to CIPFA's Financial Resilience Index and the CIPFA Financial Management Code (FM Code).
- 1.4 An update to the CIPFA Resilience Index is due towards the end of February 2021. Rushmoor's highest risk on the Index for the last year of data available (2018/19) concerned Business Rates Growth above Baseline (i.e., the difference between the baseline funding and the level of business rates income).
- 1.5 Measures concerning Gross External Debt and Interest Payable (on the external debt) were scored slight above the average for all District and Borough Councils (but below average for nearest neighbours). Other Index measures were generally classified as Lower Risk when compared to nearest neighbours.
- 1.6 Whilst it is not anticipated there will be any significant changes to the Index, measures around Gross External Debt and Interest Payable can be expected to increase. The cost of servicing this debt is adequately provided for within the revenue budget and over the medium-term plan period.
- 1.7 Paragraphs 5.4 to 5.6 of the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet (FIN2106) outlined the compliance requirements of the CIPFA FM Code. CIPFA have provided clarification on compliance with the Financial Management Code to reflect Covid pressures. CIPFA has concluded that while the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel.
- Robustness of Estimates
- 1.8 The budget setting process at Rushmoor Borough Council has been operating effectively over many years and is based on a standstill approach in cash terms, with inflationary provision only made for specified expenditure (e.g., Pay Award, contracts with agreed uplift mechanism).

APPENDIX A

- 1.9 Service areas are then required to undertake a review of service revenue budgets and produce detailed estimates for the forthcoming financial year. Proposed changes to service budgets are carefully reviewed, with consideration of savings and unavoidable budget pressures by the Executive Leadership Team (ELT).
- 1.10 A similar process exists for capital expenditure plans with services submitting capital bids annually in September to include projects in the Council's capital programme. These are collated and reviewed 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.
- 1.11 Financial management remains robust as demonstrated by the quarterly budget monitoring reports to Cabinet and the outturn position.
- 1.12 It is important that the council is able to balance the budget over the medium term in a sustainable and manageable way through a combination of income, sensible and prudent use of reserves and a robust savings programme.
- 1.13 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.
- 1.14 There is a risk associated with delivery of savings and this will be addressed within the programme in terms of timing and delivery. Should savings not materialise at the level or within the timeframe assumed this will increase the pressure on the Council balances and reserves. The Council will need to identify the specific risks within the savings programme and take steps to minimise this risk.
- 1.15 The basis on which the budget for 2021/22 and the MTFS have been prepared has been set out clearly in this report. I am satisfied that the budgets for the General Fund and the Capital Programme have been based on sound and reasonable assumptions.

Risk

- 1.16 As indicated in the reports to Cabinet and Council, 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.

APPENDIX A

- 1.17 In common with many local authorities, the significant changes to local government finance since 2010 have changed the profile of risk faced by the Council. The reduction in Government Funding and changes in government policy are perhaps the most significant.
- 1.18 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
- 1.19 Alongside these funding and other service and strategic risks, the continued impact on the Council from Covid-19 presents a further significant risk. 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 £0.484m) 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
- 1.20 The Council has been able to mitigate some of the immediate financial impacts from Covid-19 and has, through use of reserves and a detailed recovery programme, been able to continue to invest in its key priorities including Town Centre Regeneration. However, the overall financial resilience of the Council has been weakened due to the impact from Covid-19.
- 1.21 Some risk remains around the economic and financial impact of the deal agreed with the European Union in December 2020. There remains considerable uncertainty over the MTFS period around the impact this will have on both the national and local economy as the implications from the deal become evident over time.

Adequacy of the Reserves

- 1.22 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.
- 1.23 A number of earmarked reserves are held for specific purposes and to mitigate risk across the Council's budgets. Paragraphs 5.13 to 5.25 of the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet (FIN2106) set out the detailed position on the Council's balances and reserves.
- 1.24 It is acknowledged that the impact of Covid-19 on the Council's budgets has placed pressure on the Stability and Resilience reserve in the short-term with planned deployment of the reserve in 2020/21 and 2021/22 of £1.3m. However, it is not sustainable or prudent to rely on the Stability and Resilience reserve over the medium-term.
- 1.25 The Council has actively increased the level of balances and reserves it holds over the preceding years in recognition of the risks outlined earlier in the report. This does provide the Council with options and flexibility in its approach to addressing the financial challenges over the medium-term.
- 1.26 The level of balances and reserves maintained by the Council is positive when compared to other District and Borough Councils. The projected General Fund balance of £2m represents 15.5% of the Council's Net Revenue Expenditure (NRE) for 2021/22. The projected Stability and Resilience Reserve balance of £4.550m, which is held to mitigate short-term fluctuations in funding and expenditure, represents 35.3% of NRE for 2021/22.
- 1.27 Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget.
- 1.28 In conclusion, I am satisfied that the budget is robust and is supported by adequate reserves.

David Stanley
Executive Head of Finance and Section 151 Officer

17 February 2021

1. CABINET REPORT 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(CAB), 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(CAB)

- 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

Funding Gap forecast in MTFS	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
Draft Revenue Budget (before Savings)	13,125	13,301	14,423	15,103
TOTAL Funding	11,855	9,561	9,616	10,175
Funding Gap	1,270	3,739	4,807	4,928
Savings identified	(256)	(605)	(751)	(751)
Residual Funding Gap After Savings	1,014	3,134	4,056	4,177
Use of Stability & Resilience Reserve	(1,014)	(3,134)	(4,056)	(4,177)
Stability & Resilience Reserve Y/E Balance	4,550	1,416	(2,641)	(6,818)

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

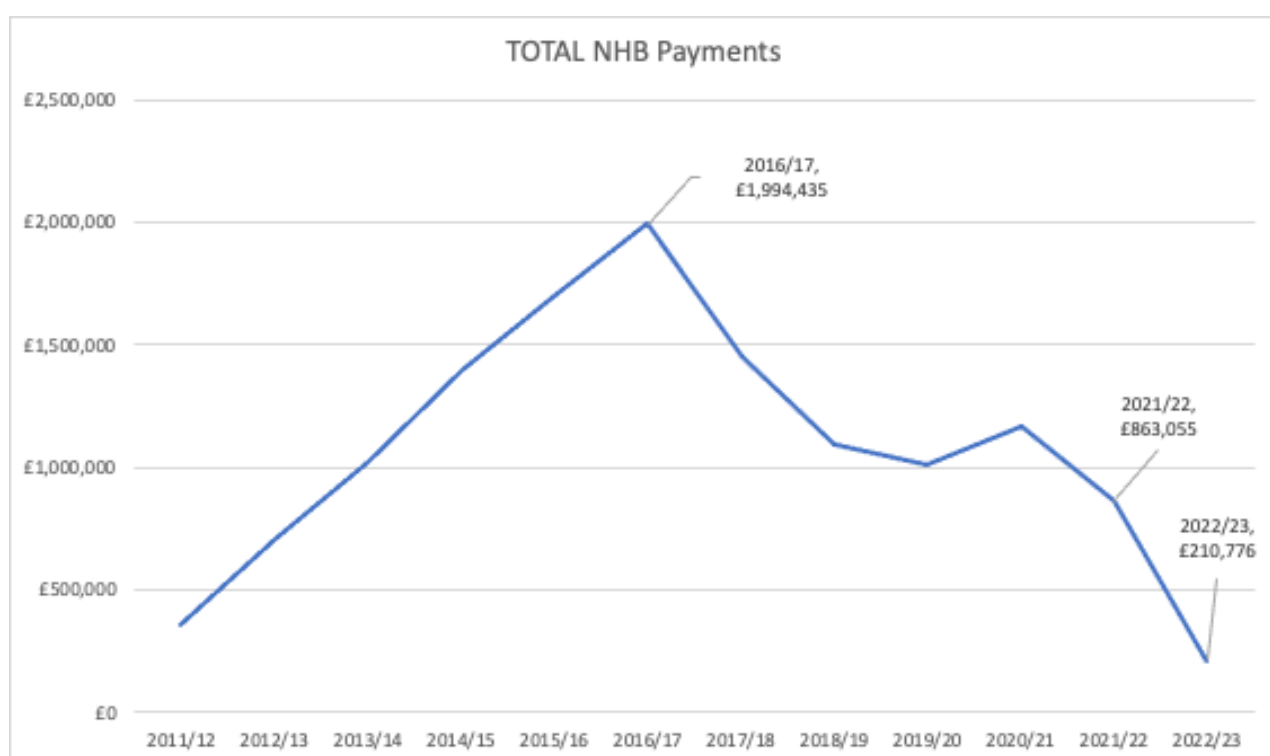
£3.574m in 2021/22. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation and reliefs. The draft forecast for business rates included in this report is lower than last year and includes an estimated decline 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(CAB) 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)
Corportate 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 £0.484m) 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)

Report Author:

David Stanley, Executive Head of Finance, david.stanley@rushmoor.gov.uk 01252 398440

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(CAB)

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

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	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			
	Regeneration Projects						
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			
	Activation Aldershot Projects						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	387,000		500,000			
	Voyager House						
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
	Housing Schemes - Government Grants						
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

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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

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

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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
	ALDRSHOT 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	Boulsters 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

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2 of 2					Anticipated Payments				
Project Number	Project	Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	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			

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

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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 Dvlpmnt (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

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1 of 1		Actual payments 2019/20	Original Estimate 2020/21	Revised Estimate 2020/21	Anticipated Payments			
Project Number	Project				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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ANNEX 4

COUNCIL MEETING – 25TH FEBRUARY 2021

AGENDA ITEM NO. 6 (4)

REVIEW OF RUSHMOOR'S POLLING DISTRICTS AND
POLLING PLACES

Report from a meeting of the Licensing, Audit and General Purposes Committee held on 25th January, 2021.

SUMMARY AND RECOMMENDATION

The Council has been undertaking a review of its polling districts and polling places, and the Elections Group and other Members of the Council have been involved in progressing the review process. The purpose of this Report is to recommend changes to the arrangements for polling districts and polling places.

In addition, some temporary arrangements for polling places and stations are being planned for the elections in May 2021 as set out in paragraphs 3.3 and 3.4.

The Council is recommended to approve the proposed permanent changes to polling districts and polling places as set out in paragraph 3.2 of this Report.

1. BACKGROUND

- 1.1 The Representation of the People Act 1983 places a duty on the Council to divide the Borough into polling districts for the purposes of Parliamentary elections and to designate a polling place for each district. The arrangements are generally used for other elections and there is a requirement to keep these arrangements under review. The Electoral Administration Act 2006 requires that regular reviews are undertaken. It has been the Council's practice to assess its polling places and districts on an annual basis to reflect experience and local changes.
- 1.2 In carrying out the review, consideration has been given to a range of issues with specific regard to the criteria of:
- using existing polling places where possible
 - accessibility for electors
 - avoiding the use of mobile stations/temporary structures
 - ensuring the facilities meet the requirements of a range of electoral events

2. REVIEW PROCESS

2.1 The stages in the review process were as follows:

- Notification of the review primarily through the Council's website and online media.
- Consultation process with stakeholders and the local community.
- Preliminary consideration by the Elections Group.
- Discussion with ward Members where issues were raised through the consultation to consider the issues and to finalise proposed polling districts and places.
- Review meeting by the Elections Group on 13th January 2021
- Consideration by the Licensing, Audit and General Purposes Committee and the Council in February 2021.

3. SCHEDULE OF POLLING DISTRICTS AND POLLING PLACES

3.1 Attached to this Report is a schedule setting out the polling places. The schedule largely meets the criteria established at the start of the review process and the number of permanent changes proposed is minimal. The Elections Group proposed two new polling places, and to create a new second polling district in St John's Ward in accordance with the attached plan.

3.2 The Licensing, Audit and General Purposes Committee supported the changes, and it is proposed that a new polling district be added to St John's Ward and that two new permanent polling places be established at:

- Parsonage Farm Nursery and Infant School (St Johns Ward)
- Elim Pentecostal Church Hall (North Town Ward)

3.3 The Elections Group also considered that, due to Ascension Church Hall (Rowhill Ward) not being available in 2021, a temporary arrangement should be put in place. Further to this, plans have been made to use the Field Centre at Rowhill Nature Reserve, and the Aldershot Traction Club. The intention would be to revert to using Ascension Church Hall in 2022.

3.4 Since the meeting of the Licensing, Audit and General Purposes Committee, the government has issued a delivery plan for the May 2021 elections which discourages the use of schools as polling stations where it would result in closure and recommends the use of alternative venue. Further to this, the Elections Team is looking at whether there are possible alternative temporary arrangements for the eight schools currently used at polling stations.

4. FINANCIAL IMPLICATIONS

4.1 If the Council approves the recommendations, the number of polling places will increase by one. The financial implications of this are minimal and have been provided for through the budgeting process for the elections.

- 4.2 Where there are changes, there will be a small one-off cost of providing some additional publicity of the new venues to electors. There will also be some minor changes to be made to the Electoral Register and these will be picked up for March 2021.

5. **CONCLUSIONS**

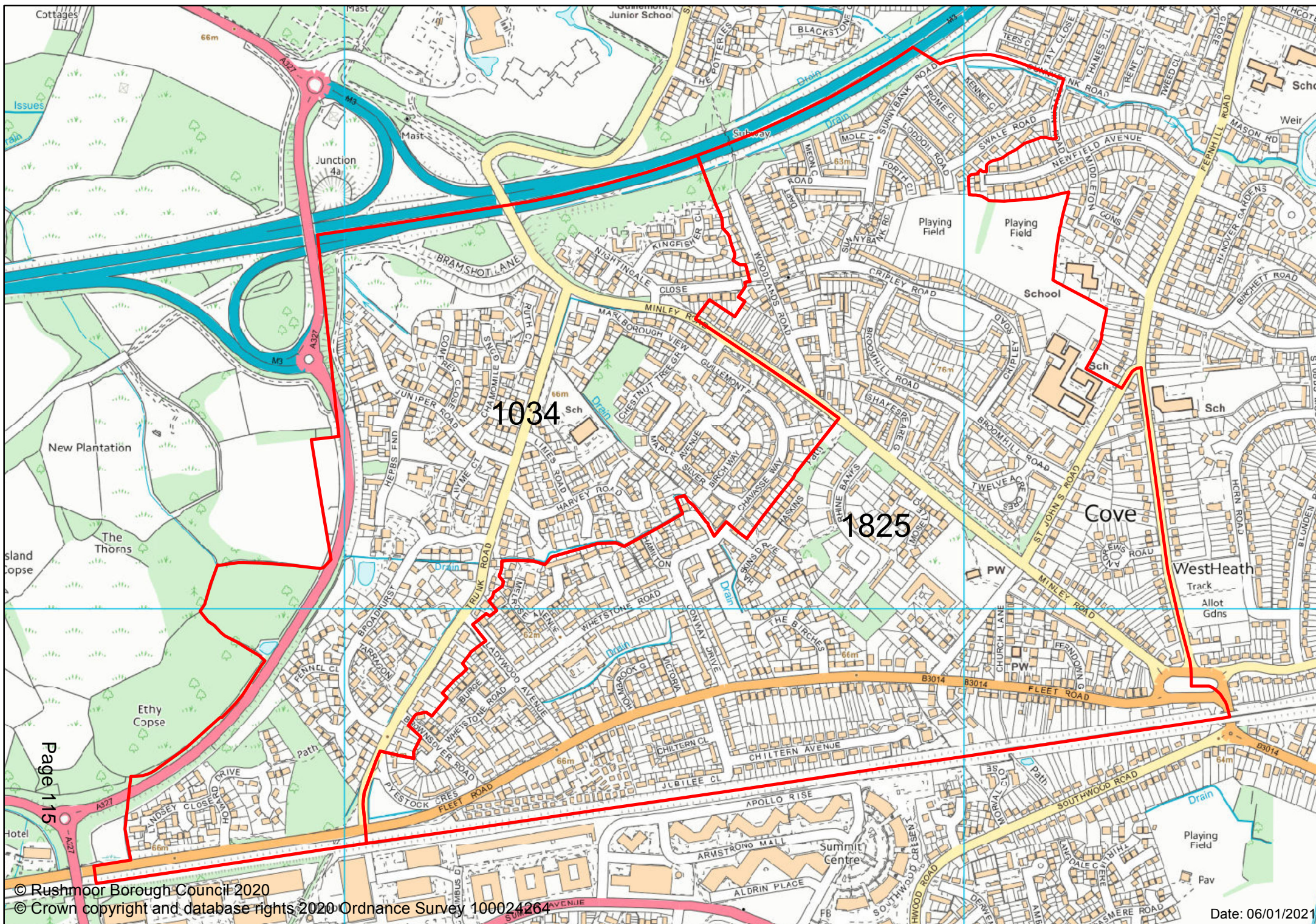
- 5.1 The Council is required to carry out a review of polling districts and polling places periodically and this review has been a useful exercise to check the suitability of the existing arrangements. In some wards there were few alternatives to the existing places and the exercise has shown that the arrangements are generally fit for purpose.
- 5.2 The Elections Group will keep the arrangements under review and consider whether any adjustments need to be made for 2022.

S.J. MASTERSON
CHAIRMAN OF LICENSING, AUDIT AND
GENERAL PURPOSES COMMITTEE

Polling Districts and Polling Places

NOTE: TEMPORARY ARRANGEMENTS ARE BEING PUT IN PLACE TO DELIVER COVID SAFE ELECTIONS 2021. A REVIEW OF TEMPORARY ALTERNATIVE OPTIONS FOR SCHOOLS IS UNDERWAY.

Polling District	Ward	Polling Place	Consultation Comments	Proposals (No Change/alternative)
AA	Aldershot Park	Park Primary School	Parents of children attending the school and the school governing board have requested the use of another building.	No change – On further investigation and following consideration with the ward councillors it has been agreed that there is currently no alternative to Park School.
AB	Aldershot Park	Aldershot Methodist Church	None	No change
CA	Cherrywood	Church of the Good Shepherd	None	No change
CB	Cherrywood	Grange Community Junior School	None	No change
CSA	Cove & Southwood	Southwood Infant School	None	No change
CSB	Cove & Southwood	St Christopher's Church	None	No change
EA	Empress	North Farnborough Infant School	None	No change
EB	Empress	Our Lady & St. Dominic Church Hall	Thinking of the increase in properties around Farnborough Airport consideration should be given to having an additional polling place at the Council Offices.	No change – After discussions with the ward councillors this will not progress forward at the current time
FA	Fernhill	Guillemont Junior School	None	No change
FB	Fernhill	Fernhill Primary School	Request from the school to find an alternative venue for polling day.	No change – Consultation undertaken with the ward councillors. The only suitable alternative was All Saints Church Hall but this is unable to accommodate elections on the scheduled days
KA	Knellwood	Farnborough Bowling Club	Request to find an alternative venue as it was considered unsuitable and near another polling station in the ward	No change – Following consultation with the ward councillors, it was agreed that the existing arrangements are most suitable.
KB	Knellwood	St Peters Parish Centre	None	No change
KC	Knellwood	Mobile - King George V Playing Fields	None	No change
MA	Manor Park	St Josephs R.C. Primary School	None	No change
MB	Manor Park	2nd Aldershot Scout Group	None	No change
NA	North Town	Alderwood Junior School	Parents of children attending the school have requested using another building.	Change – Elim Pentecostal Church on Holly Road was a suggested alternative and on further investigation and consultation with the ward councillors this venue is considered well suited as a venue for elections. Parking will be reviewed after the elections.
NB	North Town	North Town Community Base	None	No change – This polling place will need to be reviewed at some stage when the next phase of the North Town redevelopment is underway
RA	Rowhill	Ascension Church Hall	None	No change. However, the Hall is not available for 2021 so a temporary solution is being put in place
RB	Rowhill	4th Aldershot Scout Hq	None	No change
SJA	St Johns	St John's Church Hall	Request from ward councillors to split the ward into two polling districts and use Parsonage Farm Nursery and Infant School at the other location.	Change - Parsonage Farm Nursery and Infant School has agreed to the use the building for elections and this will have no impact on the school as it is separate. St Johns will be divided into two polling districts in accordance with the attached plan.
SMA	St Marks	Our Lady Help of Christians	Request from ward councillor to consider allocating an additional polling place as the ward is widely spread.	No change – At present there is no other well situated buildings to accommodate those on the Queens Gate development or enough electors registered in the military accommodation to justify a polling place there. The arrangements will be kept under review
WA	Wellington	Princes Hall	Thinking of the increase in properties on the Wellesley development consideration to be given into an additional venue.	No change – At present there is no suitable venue for use as a second polling place. The arrangements will be monitored in coming years as more properties are built.
WHA	Westheath	Blunden Hall	None	No change
WHB	Westheath	Manor Infant School	None	No change



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ANNEX 5

COUNCIL MEETING – 25 FEBRUARY 2021

AGENDA ITEM NO. 7

COUNCIL TAX RESOLUTION 2021/22

1. That it be noted that the Council calculated the amount of 32,309.09 as its Council Tax Base for the year 2021/22 in accordance with Section 31B(3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (the 'Act').
2. That the following amounts be calculated by the Council for the year 2021/22 in accordance with Sections 31 and Sections 34 to 36 of the Act:
 - (a) £85,708,962 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act
 - (b) £78,781,247 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c). £6,927,715 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year
 - (c) £214.42 being the amount at 2(c) above, all divided by the amount at 1 above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(d)

Valuation Band	Rushmoor Borough Council
A	£142.95
B	£166.77
C	£190.60
D	£214.42
E	£262.07
F	£309.72
G	£357.37
H	£428.84

being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation

band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

- 3 That it be noted that for the year 2021/22 Hampshire County Council, the Police and Crime Commissioner for Hampshire, and Hampshire and Isle of Wight Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Authority	Precept Amount
Hampshire County Council (HCC)	£43,631,811
Police and Crime Commissioner for Hampshire (PCCH)	£7,316,716
Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA)	£2,275,529

Valuation Band	HCC	PCCH	HIWFRA
A	£900.30	£150.97	£46.95
B	£1,050.35	£176.14	£54.78
C	£1,200.40	£201.30	£62.60
D	£1,350.45	£226.46	£70.43
E	£1,650.55	£276.78	£86.08
F	£1,950.65	£327.11	£101.73
G	£2,250.75	£377.43	£117.38
H	£2,700.90	£452.92	£140.86

4. That, having calculated the aggregate in each case of the amounts at 2(e) and 3 above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2021/22 for each of the categories of dwellings shown below:

Valuation Band	TOTAL
A	£1,241.17
B	£1,448.04
C	£1,654.90
D	£1,861.76
E	£2,275.48
F	£2,689.21
G	£3,102.93
H	£3,723.52

5. That the Council determines that the Council's basic amount of Council Tax for 2021/22 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

CABINET

Meeting held remotely on Tuesday, 8th December, 2020 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 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

An apology for absence was submitted on behalf of Councillor Marina Munro.

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 **21st December, 2020**.

36. MINUTES –

The Minutes of the meeting of the Cabinet held on 10th November, 2020 were confirmed by the Chairman.

37. REVENUE BUDGET MONITORING AND FORECASTING 2020/21 - QUARTER 2 – (Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2031, which set out the anticipated financial position for 2020/21, based on the monitoring exercise carried out during October and November, 2020. Members were informed that the Covid-19 pandemic had continued to have a widespread impact on local authority budgets, particularly in relation to a significant loss of income from services. In Rushmoor, the greatest impacts had been seen in relation to car parking income, planning fees and income from events and performances at the Princes Hall, Aldershot. It was reported that the Council had agreed to defer interest payments on loans to provide cashflow support to Farnborough International Limited, following the cancellation of the 2020 Airshow. Since this time, Barclays, as primary creditor, had proposed to capitalise interest in line with the Intercreditor Agreement. This would mean that, unless a compromise could be agreed with Barclays, the Council would not receive the deferred interest until 2026 at the earliest. Included in the other information contained in the Report were the risks and uncertainties faced by the Council at this time.

The Cabinet RESOLVED that

- (i) the latest revenue forecasts and financial impact from Covid-19, as set out in Report No. FIN2031, be noted; and
- (ii) the establishment of a Local Elections reserve, noting the reserve movement proposed to support the General Fund in 2020/21, be approved.

38. CAPITAL PROGRAMME MONITORING AND FORECASTING 2020/21 - QUARTER 2 –

(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet received Report No. FIN2029, which provided the latest forecast regarding the Council's Capital Programme for 2020/21, based on the monitoring exercise carried out during September, 2020. The Report advised that the Capital Programme for 2020/21, allowing for slippages from the previous financial year and additional approvals, totalled £56,299,000. It was noted that projects of major financial significance to the Council in the Capital Programme included the Aldershot Town Centre Integration and Union Street developments, the Farnborough Civic Quarter development, the replacement of cremators at the Rushmoor Crematorium, the conversion of Voyager House, the establishment of a housing company and the further acquisition of investment properties. It was explained that, of the approved capital budget of £56.3 million, only £33.3 million was forecast to be spent by the end of 2020/21. It was reported that the variance and increase in approved budget since its approval at the Council meeting on 20th February, 2020 were due to delays in capital projects being completed in the 2019/20 financial year.

The Cabinet RESOLVED that

- (i) the latest Capital Programme monitoring position, as set out in Tables 1 and 2 of Report No. FIN2029, be noted;
- (ii) the virement of £15,000 budget from Telephony Call Centre Upgrade to Ice Programme – Modernising Corporate and Service Systems be approved;
- (iii) the virement of £40,000 budget from App development of Love Rushmoor to Ice Programme – Modernising Corporate and Service Systems be approved; and
- (iv) the additional capital funding requests, as set out in paragraph 3.9 of the Report, be approved.

39. MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2024/25 - UPDATE –

(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet received Report No. FIN2032, which set out an outdate on the key factors influencing the preparation of the Council's 2021/22 budget. The Report also provided an update on the financial position of the Council and set out how Members would be kept informed of changes in the forecast over the medium term for financial planning purposes.

Members were informed that the Council, along with many other local authorities, continued to face significant financial challenges over the medium term. Risks and uncertainties, particularly around Brexit, Covid-19 and the global economy made it difficult for the Council to accurately predict its medium term financial position. The Report set out details of the 2021/22 Spending Review by the Government and the prospects for local government funding in 2021/22. The Cabinet was informed that all of the factors listed in the Report would make the budget setting process difficult

this year but Members were assured that, despite these pressures, it would be possible to set a balanced budget. The Cabinet expressed gratitude to Council officers that had contributed to the Council continuing to provide its core services in unprecedented circumstances.

The Cabinet NOTED the impact from Covid-19 on the financial planning process and associated risks and uncertainties, as set out in Section 7 of Report No. FIN2032.

40. **COUNCIL TAX SUPPORT SCHEME 2021/22 –**

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

The Cabinet considered Report No. FIN2030, which set out the work carried out by the Council's Council Tax Support Task and Finish Group in respect of potential changes to the Council Tax Support Scheme. The Chairman welcomed Cllr Mrs. D.B. Bedford, Chairman of the Council Tax Support Task and Finish Group, who was attending to report on the Group's recommendations.

The Council Tax Support Task and Finish Group had met on 2nd March, 2020 and 6th October, 2020 to consider its recommendations to the Cabinet. The Group had considered the on-going impact of Covid-19 and had paid specific attention to a number of matters during its deliberations and these were set out in paragraph 2 of the Report. Having considered all relevant factors, the Group recommended that no changes should be made to the Council Tax Support Scheme for 2021/22. This would mean that the minimum contribution would remain at 12%. Additionally, it was recommended that the fundamental review of the Scheme, that had been previously agreed to commence in 2020, should be deferred until 2021/22.

The Cabinet expressed gratitude to the Council Tax Support Task and Finish Group for its work in producing these recommendations.

The Cabinet

- (i) **RECOMMENDED TO THE COUNCIL** that the current Council Tax Support Scheme for working age customers be retained for 2021/22, with the usual alignment to Housing Benefit Rates; and
- (ii) **RESOLVED** that:
 - (a) in light of the impact of the Covid-19 pandemic, the deferral until 2021/22 of the fundamental review of the Council Tax Support Scheme be approved;
 - (b) the use of any remaining funds from the Covid-19 Council Tax Hardship Fund to continue to support recipients of Council Tax Support, alongside the Council's own Exceptional Hardship Fund, be approved;

- (c) the deliberations and considerations of the Council Tax Support Task and Finish Group in arriving at its recommendations, as set out in Report No. FIN2030, be noted; and
- (d) the Council Tax Support Task and Finish Group's views on Hardship Funds and Government funding in 2021/22, as set out in paragraphs 1.12 and 1.13 of the Report, be noted.

41. **RENEWAL OF BUILDING CONTROL PARTNERSHIP –**
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH2036, which set out a proposal to renew the Hart and Rushmoor Building Control Partnership as a shared service between the two authorities to discharge the statutory building control functions for both areas until 31st March, 2025.

Members were reminded that Hart District Council and Rushmoor Borough Council had formed the Partnership in July, 2015. Since this time, the Partnership had performed well and now held an estimated 70% of local building control work. The Report set out how fees and costs had been split previously. It was proposed that, in future, the split would be proportionate to the amount of work carried out for each authority. The Report made reference to renewing the Partnership until 31st March 2026 but it was explained that Hart District Council had only received agreement for the period to 31st March, 2025. For this reason, agreement was now being sought for the same period. The Cabinet expressed strong support for the continuation of the Partnership and acknowledged the high quality of work carried out by the Partnership since its formation.

The Cabinet RESOLVED that the renewal of the Hart and Rushmoor Building Control Partnership, to provide a shared building control service until 31st March, 2025, unless terminated earlier in accordance with the provisions of the agreed deed, be approved.

42. **APPLICATION FOR RENT RELIEF BY ALDERSHOT TOWN FOOTBALL CLUB –**
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. RP2017, which set out details of an application by Aldershot Town Football Club Limited for relief from rental payments due to the impact of the Covid-19 pandemic and the Club's inability to raise income.

Members were informed that the Club had been prohibited from playing games in front of crowds from March, 2020 until the end of the second national lockdown on 2nd December, 2020. It was reported that the Club was now allowed a prescribed number of spectators at home games, subject to strict Covid-secure requirements. Further discussions were taking place in respect of what this meant for the Club's ability to pay rent. In expressing support for the approval of the application for rent relief, Members made reference to the considerable amount of work that the Club and the Chairman, in particular, did in the local community. This was considered to be a reasonable step to help to support the Club at this difficult time.

The Cabinet RESOLVED that the granting of rent relief to Aldershot Town Football Club Limited, for the financial year 2020/21 or until such time as the Club would be able to operate and raise income through gate receipts, be approved.

The Meeting closed at 8.01 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

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

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 23rd November, 2020 at the via Microsoft Teams and streamed live at 7.00 pm.

Voting Members

Cllr S.J. Masterson (Chairman)
Cllr Mara Makunura (Vice-Chairman)

Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr A.H. Crawford
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr Prabesh KC
Cllr Jacqui Vosper

15. MINUTES

The Minutes of the meeting held on 28th September, 2020 were approved and would be signed by the Chairman at a later date.

16. STATEMENT OF ACCOUNTS AND AUDIT RESULTS 2018/19

The Executive Head of Finance reported that the Letter of Representation and the Statement of Accounts for 2018/19 had been signed off on 23rd November, 2020, in accordance with the delegated authority given to the Chairman and Executive Head of Finance by the Committee at its meeting on 28th September, 2020.

17. EXTERNAL AUDIT PLAN - 2019/20 ANNUAL ACCOUNTS

The Chairman welcomed Maria Grindley (Associate Partner, Ernst & Young (EY)) and Justine Thorpe (Audit Manager, EY) to the meeting. The Committee received a copy of EY's Audit Planning Report for the 2019/20 audit, which provided a basis on which to review the proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Audit Plan summarised the auditor's initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks. It was noted that the Audit Plan would cover the work that was planned to provide the Council with:

- an audit opinion on whether the financial statements gave a true and fair view of the financial position as at 31st March 2020 and of the income and expenditure for the year then ended; and
- a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The audit would also take into account several key inputs, including:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all of these inputs.

During discussion, EY representatives answered questions regarding the EY audit team's resourcing and availability to carry out the audit by the proposed deadline of 25 January, 2021; liquidity levels; and the going concern standard.

The Executive Head of Finance highlighted the change in deadlines as a result of Covid-19 and that the draft Accounts for 2019/20 had been prepared by the amended deadline of end August, 2020.

The Chief Executive advised the Committee that he was planning to write to the Senior Partner with Public Sector responsibility at EY to outline his concerns about both the delay in signing off the 2018/19 Accounts and the likelihood of deadlines for 2019/20 also being missed.

RESOLVED: That the Audit Planning report by Ernst & Young for the year ended 31st March, 2020 be noted.

18. **ANNUAL GOVERNANCE STATEMENT - UPDATE**

The Committee considered the Audit Manager's Report No. AUD20/09 which described the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which had been presented to the Committee in July, 2020.

During discussion, the Audit Manager and Executive Head of Finance responded to questions on Risk Management responsibility, timing of report preparation, and the health and safety of staff working from home

RESOLVED: That the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement, be noted.

The meeting closed at 7.40 pm.

CLLR S.J. MASTERSON (CHAIRMAN)

DEVELOPMENT MANAGEMENT COMMITTEE

Meeting held on Wednesday, 20th January, 2021 at 7.00 pm held via Microsoft Teams and streamed live.

Voting Members:

Cllr J.H. Marsh (Chairman)
Cllr C.J. Stewart (Vice-Chairman)

Cllr Mrs. D.B. Bedford
Cllr J.B. Canty
Cllr R.M. Cooper
Cllr P.I.C. Crerar
Cllr P.J. Cullum
Cllr K. Dibble
Cllr C.P. Grattan
Cllr Nadia Martin
Cllr B.A. Thomas

Non-Voting Member:

Cllr Marina Munro (Planning and Economy Portfolio Holder) (ex officio)

52. DECLARATIONS OF INTEREST

Having regard to the Members' Code of Conduct, the following declaration of interest was made:

Member	Application No. and Address	Interest	Reason
Cllr P.I.C. Crerar	20/00785/FULPP (Development Site, Land at 'The Haven', No. 19 York Crescent, Aldershot)	Personal	

53. MINUTES

Subject to an amendment to the second sentence of the second paragraph of Minute No. 49 (Application No. 20/00700/COU – Parkside Centre, No. 57 Guildford Road, Aldershot) to read "A majority of the Committee ...", the Minutes of the meeting held on 11th November, 2020 were approved and signed by the Chairman.

54. **PLANNING APPLICATIONS**

RESOLVED: That

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

20/00916/RBCRG3 Aldershot Park Crematorium, Guildford Road,
Aldershot

- (ii) planning permission/consent be refused in respect of the following applications, as set out in Appendix “B” attached hereto for the reasons mentioned therein:

- * 20/00149/FULPP Units 2A and 3, Blackwater Shopping Park, No. 12
Farnborough Gate, Farnborough
- * 20/00785/FULPP Development Site, Land at ‘The Haven’, No. 19 York
Crescent, Aldershot

- (iii) the applications dealt with by the Head of Economy, Planning and Strategic Housing, where necessary in consultation with the Chairman, in accordance with the Council’s Scheme of Delegation, more particularly specified in Section “D” of the Head of Economy, Planning and Strategic Housing’s Report No. EPSH2102, be noted;

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

- 20/00856/FULPP Land to the rear of Nos. 26-40 Cove Road,
Farnborough
- * 20/00400/FULPP Land at former Lafarge site, Hollybush Lane,
Farnborough;

- * The Head of Economy, Planning and Strategic Housing’s Report No. EPSH2102 in respect of these applications was amended at the meeting

55. **REPRESENTATION BY THE PUBLIC**

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

Application No.	Address	Representation	In support of or against the application
20/00149/FULPP	Units 2A and 3 Blackwater Shopping Park, No. 12 Farnborough Gate, Farnborough	Mr. C. Tookey	Against
		Mr. D. Pannell	In support
20/00785/FULPP	Development Site, Land at 'The Haven', No. 19 York Crescent, Aldershot	Mr. H. Pietrzak	Against
		Ms. C. Grant	In support

56. **APPEALS PROGRESS REPORT**

(1) **New Appeals**

Address	Description
The Chestnuts, No. 34 Church Circle, Farnborough	Against the refusal of planning permission for the formation of a dormer window to the front of the garage roof to facilitate a habitable room. It was noted that this appeal would be dealt with by means of the written procedure.
No. 244 Farnborough Road, Farnborough	Against the refusal of planning permission for the erection of a three-storey building comprising flexible use of either A1/A2 use on ground floor with two two-bedroom residential units to the upper floors and associated parking. It was noted that this appeal would be dealt with by means of the written procedure.
Land adjacent to No. 1 Pickford Street, Aldershot	Against the refusal of planning permission for the erection of a five-storey building to comprise fourteen two-bedroom flats with associated parking for No. 1 Pickford Street, Enterprise House, Nos. 84-86 Victoria Road and the proposed development. It was noted that this appeal would be dealt with by means of the written procedure.

No. 16 Churchill
Avenue, Aldershot

Against the refusal of planning permission for alterations and extensions to the existing dwelling to form two three-bedroom semi-detached dwellings and one three-bedroom detached dwelling house with parking and additional dropped kerb. It was noted that this appeal would be dealt with by means of the written procedure.

(2) **Appeal Decision**

Application / Enforcement Case No.	Description	Decision
19/00151/BOUND	Appeals (A and B) by two separate parties against an enforcement notice issued on 6th July 2020 requiring the removal of a partially open-sided outbuilding and the reduction in height of a front boundary fence and gates to one metre at No. 162 Fleet Road, Farnborough; and	Dismissed
20/00056/FUL	Against the refusal of planning permission for the retention of a two metres high timber fence with access front gate to the front of the property and covered car port (Appeal C) at No. 162 Fleet Road, Farnborough	Dismissed

RESOLVED: That the Head of Economy, Planning and Strategic Housing's Report No. EPSH2103 be noted.

The meeting closed at 8.50 pm.

CLLR J.H. MARSH (CHAIRMAN)

**DEVELOPMENT MANAGEMENT COMMITTEE
20TH JANUARY 2021**

APPENDIX "A"

Application No. & Date Valid: 20/00916/RBCRG3

8th December 2020

Proposal: Erection of single storey extension and containerised cremator within the rear service yard for a temporary period at **Aldershot Park Crematorium, Guildford Road, Aldershot, Hampshire**

Applicant: Mr Graham King, c/o Rushmoor Borough Council

- 1 The building hereby permitted shall be removed and the land restored to its former condition on or before 2 years and 6 months from the date of this permission.

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

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

4705-1001 C1

19-2009 13

19-2009 12

19-2009-11

19-2009-10

8124-0001 P2

Details within noise report 5007-1600-1001

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

- 3 The external walls of the extension hereby permitted [excluding the containerised cremator] shall be finished in materials of a similar colour and type as those of the existing building. The development shall be completed and retained in accordance with the details so approved.

Reason - To ensure satisfactory external appearance.

APPENDIX "B"

Application No. 20/00149/FULPP
& Date Valid:

24th February 2020

Proposal:

Refurbishment and amalgamation of existing Units 2A & 3 Blackwater Shopping Park, including removal of existing mezzanine floors, revised car parking and servicing arrangements; relief from Condition No. 4 of planning permission 93/00016/FUL dated 10 January 1994 to allow use as a foodstore (Use Class A1) with new mezzanine floor to provide ancillary office and staff welfare facilities, ancillary storage and plant machinery areas; use of part of new foodstore unit as self-contained mixed retail and cafe/restaurant use (Use Classes A1/A3); relief from Condition No. 17 of planning permission 93/00016/FUL dated 10 January 1994 to allow extended servicing hours for the new foodstore unit of 0600 to 2300 hours Monday to Saturday (including Bank Holidays) and 0700 to 2000 hours on Sundays; loss of existing parking spaces to front of proposed foodstore to provide new paved area with trolley storage bays and cycle parking; installation of new customer entrances to new units; widening of site vehicular access to Farnborough Gate road to provide twin exit lanes; and associated works (re-submission of withdrawn application 19/00517/FULPP) at

Units 2A and 3, Blackwater Shopping Park, No. 12 Farnborough Gate, Farnborough

Applicant:

Lothbury Property Trust Company Ltd

Reasons:

- 1 It is considered that there is a sequentially preferable suitable and available town centre location which could accommodate the proposed development. Development in this out of town location would therefore be contrary to the objective of regenerating Farnborough town centre and would adversely impact upon the vitality and viability of the town centres within the Borough. As such the proposal conflicts with Policies SS1, SS2, SP1, SP2 and LN7 of the adopted New Rushmoor Local Plan (2014-2032), the advice contained in the National Planning Policy Framework and the objectives of the Supplementary Planning Documents on Farnborough Town Centre (July 2007) and accompanying Prospectus.
- 2 The proposal fails to make the appropriate financial contributions for the implementation and monitoring of a Travel Plan. The proposals thereby fail to meet the requirements of Policy IN2 of the adopted New Rushmoor Local Plan (2014-2032).

Proposal: Erection of 1 x 4-bedroom detached and 2 x 4-bedroom semi-detached dwellinghouses with associated access, parking, refuse storage, landscaping and ancillary works at
Development Site, Land at 'The Haven' 19 York Crescent, Aldershot, Hampshire

Applicant:

Mr S and H Sandhu

Reasons:

- 1 The proposal has failed to demonstrate through adequate surveys of the application land and appropriate proposals for mitigation and management measures, that there would be no adverse impact on protected wildlife species and biodiversity having regard to the requirements of adopted Rushmoor Local Plan (2014-2032) Policies NE2 and NE4.
- 2 The proposals fail to provide adequate details of surface water drainage measures for the proposed development to take account of the significant additional hard-surfaced area that is proposed contrary to adopted Rushmoor Local Plan (2014-2032) Policy NE8.
- 3 In the absence of a s106 Planning Obligation, the proposed development fails to make provision to address the likely significant impact of the additional residential units on the objectives and nature conservation interests of the Thames Basin Heaths Special Protection Area. The proposals are thereby contrary to the requirements of retained South East Plan Policy NRM6 and adopted Rushmoor Local Plan (2014- 2032) Policies NE1 and NE4.
- 4 In the absence of a s106 Planning Obligation, the proposal fails to make provision for public open space in accordance with the requirements of Policy DE6 of the adopted Rushmoor Local Plan (2014 to 2032).

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 25th January, 2021 via Microsoft Teams and streamed live at 7.00 pm.

Voting Members

Cllr S.J. Masterson (Chairman)
Cllr Mara Makunura (Vice-Chairman)

Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr A.H. Crawford
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr Prabesh KC.

19. MINUTES

The Minutes of the meeting held on 23rd November, 2020 were approved and would be signed by the Chairman at a later date.

20. SELECTION OF MAYOR AND DEPUTY MAYOR 2021/2022

The Chief Executive reported on the outcome of the selection process for the Mayor-Elect and the Deputy Mayor-Elect for 2021/22. The appropriate Members on the seniority list had been contacted and Cllr C.P. Grattan was the next Member able to accept the nomination for Deputy Mayor. Through normal progression, Cllr B.A. Thomas, currently Deputy Mayor, would progress to the position of Mayor for 2021/22.

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

- (i) Cllr B.A. Thomas be appointed as Mayor-Elect for the 2021/22 Municipal Year; and
- (ii) Cllr C.P. Grattan be appointed as Deputy Mayor-Elect for the 2021/22 Municipal Year.

21. REVIEW OF RUSHMOOR'S POLLING DISTRICTS AND POLLING PLACES

The Committee considered the Head of Democracy and Community's Report No. DCS2102, which recommended changes to the arrangements for polling districts

and places following a review that had been undertaken by the Elections Group and other Members of the Council.

The Committee was advised that, in carrying out the review, consideration had been given to a range of issues with specific regard to the criteria of:

- using existing polling places where possible
- accessibility for electors
- avoiding the use of mobile stations/temporary structures
- ensuring the facilities meet the requirements of a range of electoral events

The stages of the review process were as follows:

- notification of the review primarily through the Council's website and online media
- consultation process with stakeholders and the local community
- preliminary consideration by the Elections Group
- discussion with Ward Members where issues were raised through the consultation to consider the issues and to finalise proposed polling districts and places
- review meeting by the Elections Group on 13th January 2021
- recommendation to the Licensing, Audit and General Purposes Committee (25th January 2021) and the Council on 25th February 2021.

The Report set out a schedule of all the polling places in the Borough, which largely met the criteria established at the start of the review process and the number of changes proposed was minimal. Following consideration by the Elections Group, it was proposed that there should be two new polling places: Parsonage Farm Nursery and Infant School (St. John's Ward) and Elim Pentecostal Church Hall (North Town Ward). The Group was also recommending a change to the polling district of St John's Ward.

The Elections Group had also been advised that Ascension Church Hall (Rowhill Ward) would not be available for use in 2021 and consideration was being given to the use of a temporary arrangement, and this was likely to be the Aldershot Traction Club.

The Head of Democracy and Community advised the Committee that, in Wellington Ward, the Elections Group had agreed that consideration should be given in the future to an additional polling place in Wellesley when the population there increased. The Committee noted that Princes Hall was currently in use as a vaccination centre and, after consideration by the Elections Group of possible other polling place locations, it had been agreed that another location would be used within Princes Hall for a polling place.

RESOLVED: That the Council be **RECOMMENDED TO APPROVE** the proposed changes to polling districts and polling places, as set out in the Head of Democracy and Community's Report No. DCS2102.

22. UPDATE ON THE LOCAL GOVERNMENT ASSOCIATION MODEL CODE AND DRAFT NEW CODE OF CONDUCT FOR MEMBERS

The Committee considered the Monitoring Officer's Report No. LEG2101, which recommended the approval of a draft new Code of Conduct for Councillors for a six-week period of consultation with Councillors, members of the public, community organisations and neighbouring authorities. Following the consultation exercise, a final draft new Code would then be considered by the Committee on 29th March 2021 for recommendation for adoption by the full Council at the meeting on 22nd April 2021.

The Report advised Members that the current Code of Conduct for Councillors required updating and being consulted upon in line with the best practice recommendations of the Committee on Standards in Public Life following their report into Ethical Standards in Local Government. A new Model Councillor Code of Conduct had been produced by the Local Government Association, designed to protect a councillor's democratic role, encourage good conduct and safeguard the public's trust in local government. The new draft Code also sought to reassure members of the public that those they elected would be accountable in meeting the behaviours set out in the Seven Principles of Public Life and taking decisions in a fair and transparent way.

Rushmoor's draft new Code of Conduct for Councillors, as set out in the Report, mirrored the Local Government Association's Model Code and had been produced for consideration and consultation in order to finalise a new Code for adoption by the Council.

The Committee was advised that the draft new Code applied to all forms of communication and interaction, including social media communications. The draft Code set out the minimum standards of conduct required of councillors with guidance on the reasons for the obligations and how they should be followed. If a councillor's conduct fell short of these standards it was made clear that, on receipt of any complaint, this might result in action being taken. The obligations included:

- treating others with respect
- not bullying or harassing anyone
- the promotion of equalities
- not attempting to compromise the impartiality of anyone working for, or on behalf of, the Council
- confidentiality
- not using knowledge gained solely as a result of being a councillor for the advancement of self or others
- not preventing anyone from getting information they were entitled to by law
- not bring role of the Council into disrepute
- not use or attempt to use the position of councillor improperly to the advantage/disadvantage of themselves or others
- not misuse Council resources
- undertake training on the Code
- co-operate with any investigation under the Code

- register and disclose interests
- disclose gifts and hospitality with a value of over £50 within 28 days of receipt and register any significant gift or hospitality offered but that has been refused

In respect of the registration and disclosure of interests, the new Code maintained the legal requirement within 28 days of election or re-election to register Disclosable Pecuniary Interests in accordance with The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. There was also a requirement to register the details of other personal interests. The new Code set out a list and description of these types of interest and also the implications of the existence of such interests in relation to a councillor taking part in any discussion or decision making on a matter in which they have any interest. It was noted that the new draft Code simplified the description and impact of personal interests and did not contain reference to the concept of 'prejudicial interests', in so doing removing the requirement to apply an additional subjective test.

RESOLVED: That

- (i) the draft new Code (as set out in the Report) be agreed for public consultation;
- (ii) approval be given to a six-week period of consultation on the draft new Code with Councillors, members of the public, community organisations and neighbouring authorities;
- (iii) following the period of public consultation, a report be brought to the Committee with a final new draft Code for consideration and recommendation to the Council for adoption, if appropriate.

23. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2101, which provided: an overview of the work carried out by Internal Audit for quarter 3 of 2020/21; an update on the overall progress towards the 2020/21 audit plan; a schedule of work expected to be delivered in Quarter 4; and, an update on counter-fraud work carried out to December 2020.

In respect of the audit assurance opinion given on Alderwood Leisure, the Head of Democracy and Community informed the Committee that action was taking place, with some considerable progress having been made, on many of the issues raised in the audit. He had recommended that a follow-up audit should be carried out on Alderwood Leisure.

During discussion, Members raised questions regarding: the use of the facilities at Alderwood Leisure; pressure on staffing resources within Internal Audit; use of staffing resources from Wokingham Borough Council; the need to build in resilience within the Council's staffing resource; and, the effect of home working on delivering projects and targets.

RESOLVED: That the Audit Manager's Report No. AUD2101 be noted.

24. STATEMENT OF ACCOUNTS 2019/20 - UPDATE

The Committee received the Executive Head of Finance's Report No. FIN2102, which gave an update on audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the meeting on 23rd November 2020.

Members were reminded that, as reported to the meeting on 23rd November 2020, the Council's external auditor opinion was not due to be received until after the statutory deadline, with a commitment to work towards an opinion being available for this meeting. The Committee was advised that there were 265 public bodies that had not received an auditor opinion by 30th November, 2020, which equated to around 55%. This figure had been 43% in 2018/19.

The Report advised that officers and Ernst and Young had worked through a number of audit issues since November with a number of audit areas completed. However, there remained a number of outstanding queries in relation to asset valuations which needed to be resolved before an opinion could be given. It was likely that the Council would need to respond to Ernst and Young on any valuation differences and whether these gave rise to an adjustment to the financial statements. Members were also informed that the Council would also have to provide Ernst and Young with an updated impact on the Council's finances from Covid-19 and any Post Balance Sheet Event given the ongoing risk Covid-19 posed to the Council's financial standing. It was noted that, in order to complete the accounts and audit opinion process, the Statement of Accounts would need to include a detailed Disclosure Note that addressed going concern. A Disclosure Note would be drafted with an updated forward projection of the Council's reserves and balances and a projection of the Council's cashflow and liquidity for the next 12-18 months as well as a forward projection of reserve deployment over the Medium Term Financial Strategy period.

The Committee was advised that, at a meeting with Ernst and Young on 14th January 2021, it had been agreed that the current audit work would be paused until mid-February. This would allow the Finance Team to complete work on the 2021/22 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of the Committee on 29th March 2021. Members were reassured that the additional time take was not due to errors, omissions or matters concerning the quality of the final accounts.

RESOLVED: That the Executive Head of Finance's Report No. FIN2102 be noted.

25. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2020/21

The Committee received the Executive Head of Finance's Report No. FIN2033, which set out the main activities of the Treasury Management and non-Treasury Investment Operations during the first half of 2020/21. The report was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

It was noted that the Council's treasury team continued to concentrate on the security of investments with due regard for the returns available. Increased levels of borrowing meant that the treasury team continually reviewed the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2020/21 financial year, short-term interest rate levels had decreased and were forecast to remain low. However, borrowing levels had increased, which raised the refinancing risk. All treasury management decisions were taken with due regard to refinancing risk.

The Committee was advised that total borrowing at 30th September 2020 was £87.0 million, which represented a decrease of £3.0 million from the 2019/20 year-end position. Year-end borrowing was forecast to be £116.7 million below estimated levels due to the timing of investment property purchases. The lower level of borrowing and lower interest rates had resulted in forecast interest cost of borrowing reducing by £0.5 million. The Council was forecast to have non-treasury investments risk exposure of £1.32 million, of which £91.6 million was funded via external loans. The return of non-treasury investments was forecast to be below estimated return for 2020/21 due to the deferral of interest on the Farnborough International Loan until 2026.

During discussion, questions were raised regarding: where the Council stood in relation to other authorities within the Arlingclose portfolio in respect of capital appreciation; the forecast proportion of gross service expenditure funded by investment activity; and, the market commentary provided by the Council's treasury management advisors (Arlingclose). The Executive Head of Finance undertook to contact Members of the Committee by email on the issues raised.

RESOLVED: That the Executive Head of Finance's Report No. FIN2033 be noted.

26. TREASURY MANAGEMENT STRATEGY 2021/22 - UPDATE

The Committee received the Executive Head of Finance's Report No. FIN2103, which advised Members of the anticipated changes to be made to the Council's Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy for 2021/22 taking into account the current economic outlook, the impact from Covid-19 and the Council's budget and medium term financial forecasts.

The Committee was advised that the significant changes to the Treasury Management Strategy would be due to the revised Public Works Loan Board Lending Terms. The new lending terms had taken effect for all Public Works Loan Board loans from 26th November 2020. The lending terms were more restrictive and would require the Council to review its capital expenditure and financing plans. However, the Government would, as a result of the reforms, lower the interest rate of Public Works Loan Board lending by 100bps (1.00%) for all new loans arranged from 26th November 2020 that had been announced by the Government in the Spending Review on 25th November 2020. The new lending terms reflected the Government's view that local authorities should not undertake capital expenditure on investments assets that would be held primarily for yield. The lending terms set out four broad areas of activity that would be supported: service spending; housing; regeneration projects; and, preventative action.

It was noted that, as a result of these changes, the Capital Strategy, Capital Programme and the Treasury Management Strategy and Annual Non-Treasury Investment Strategy would be amended to explicitly remove any capital expenditure activity that was not compliant with the new lending terms.

The Committee was also advised that the Strategy would also be amended to reflect updated forecasts for investment income (from Pooled Funds in particular), borrowing requirement and other prudential indicators. The Strategy would also need to revise the Borrowing Strategy in the light of interest rate forecasts and the changes to the Public Works Loan Board Lending Terms.

The Treasury Management Strategy would be considered by the Cabinet and Council in February 2021. However, it was likely that the Strategy would require significant updates during the 2021/22 financial year given the decisions that were likely to come forward on the Union Street and Civic Quarter regeneration schemes. Given the scale and complexity of these regeneration schemes, they would not be included in the Capital Programme and would be brought forward to the Cabinet and Council in due course upon completion of the due diligence work.

RESOLVED: That the Executive Head of Finance's Report No. FIN2103 be noted.

27. APPOINTMENTS TO OUTSIDE BODIES

RESOLVED: That the appointment of Cllr Marina Munro (Portfolio Holder for Planning and Economy) to a vacancy on the Police and Crime Commissioner Panel Hampshire Gypsy and Traveller Community Support Panel for the remainder of the 2020/21 Municipal Year be noted.

The meeting closed at 8.32 pm.

CLLR S.J. MASTERSON (CHAIRMAN)

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POLICY AND PROJECT ADVISORY BOARD

Virtual Meeting held on Wednesday, 25th November, 2020 at 7.00 pm.

Voting Members

Cllr J.B. Canty (Chairman)
Cllr P.I.C. Crerar (Vice-Chairman)
Cllr C.J. Stewart (Vice-Chairman)

Cllr Sophia Choudhary
Cllr P.J. Cullum
Cllr Prabesh KC
Cllr Nadia Martin
Cllr Sophie Porter
Cllr M.J. Roberts
Cllr B.A. Thomas

Apologies for absence were submitted on behalf of Cllr T.W. Mitchell.

21. MINUTES

The Minutes of the Meeting held on 7th October, 2020 were agreed as a correct record.

It was noted that an update relating to the Aldershot Transition Plan and current work within the town centres was appended to the work programme for reference.

22. ROWHILL MANAGEMENT PLAN

Tim Mills, Head of Economy, Planning and Strategic Housing, gave a presentation on the Rowhill Nature Reserve Habitat Management Plan 2020-2030.

It was noted that, over the previous year, the Management Plan had been developed and refreshed, in conjunction with the Rowhill Nature Reserve Society (RNRS) and other partners, to cover the Reserve's management over the following ten years. The ten-year Plan would be supported by an annual work plan.

A number of surveys had been undertaken during 2019/20 to establish what was present on the site which was made up of coppiced woodland, the Blackwater River, ditches, ponds and a bog, and meadow, scrub and heathland. The Surveys had also identified a number of species present on the site, including:

- Badgers
- Bats (5 species)
- Birds (24 species)
- Reptiles, a small population due to make up of the site

- Amphibians, not varied at present but will be encourage more through habitat management
- Invertebrates – not varied at present but a rare species of spider, the Pirate Spider, had been found
- Flora/Woodland – a rich variety was present due to the varied terrain of the site

Members were informed on the vision for the Reserve, as follows:

“The vision for Rowhill Nature Reserve is to create a sanctuary for wildlife, allowing free open access for people to experience wildlife in a well-managed setting and to fulfil its function as a SANG.”

To support the vision there were a number of objectives, in particular:

- Maintaining and enhancing the woodland/heathland/grassland
- Managing the bog and enhancing the ditch and pond areas
- Monitoring the species present and any effects caused by the Management Plan
- Complying with health and safety requirements and other statutes
- Management of paths and signage, including disable access
- Management of non-native species, such as Rhododendron, Cherry Laurel and Variegated Yellow Arch Angel

The Board discussed the Plan and raised a number issues around boundaries, fly-tipping, the path network and signage. In response, it was noted that even though the Reserve lay within both Rushmoor and Waverley the site was owned and, therefore, the responsibility of Rushmoor. The site was designated a Site of Alternative Natural Greenspace (SANG) and Rushmoor benefitted from the housing that was developed and the subsequent funding which helped to maintain the site because of this. With regard to fly-tipping, it was noted that education was the best way of dealing with the issue, Rowhill visited schools and community groups and addressed fly-tipping issues and the Council supported this work on a wider scale. It was noted that incidents of other antisocial behaviour were few on the site and were dealt with individually.

The path network and signage improvements were welcomed but it was felt important to ensure disabled access was available without compromising the natural terrain of the site. The signage could be more informative and give a positive message regarding looking after the site

A discussion was also held on the data held on visitors to the Reserve, it was proposed that counters would be installed around the site to measure the number of people visiting and the RNRS collated data which was reported in their quarterly reports.

The Chairman thanked Mr. Mills and his team for the work put in to produce the Plan and asked Members to ensure that any further comments should be provided in writing to Mr. Mills within the following week for consideration before the Plan was formally approved.

23. SUPPORTING COMMUNITIES STRATEGY AND PLAN

The Board welcomed Andrew Colver, Head of Democracy and Community, Emma Lamb, Community and Partnerships Manager and Tony McGovern, Supporting Families/Strategy Coordinator, who were in attendance to give a presentation on the draft Supporting Communities Strategy and Plan, which aimed to address deprivation and inequalities in Rushmoor.

Rushmoor had had areas of deprivation for many years but, during this time, some areas have dropped out and others had been maintained within the Indices of Multiple Deprivation (IMD). Work has taken place over the years to help address these issues but change takes time. The latest IMD data had been reported to the Board in January, 2020. At that time, specific areas for action had been identified and the Action Plan sought to address those areas.

The Board was given an overview of the background to the development of the Plan. There had been a strong partnership working approach to develop the Plan and this had led to a better understanding of the work of different local groups and access to funding that would not have been accessible to the Council alone. Key Council services had also been involved alongside Member involvement and engagement. Through the work with partners, four priority areas had been identified, two of which focused on specific deprivation factors and two were Borough wide issues. The Plan would initially focus on these four areas but would be reviewed annually as priorities might change over time.

The four priority areas were:

- Physical and Mental Health, including, smoking obesity self-harm, mental health issues within schools
- Economic Hardship including, youth unemployment, impacts of COVID
- Young People – cuts across all priorities and includes opportunities and aspirations for the younger population of the Borough
- Connecting Communities including, reducing loneliness, the digital divide and isolation

A number of projects had been identified within the four priorities, some would be Council led and some led by partners. It was important to recognise that this was a partnership plan and there was a combined desire from all involved to work together to deliver change for the community and produce a Plan that was achievable, with local projects that would work and hopefully make a difference. The Plan was adaptable and data would be considered regularly so adjustments could be made to the work to fit community needs. The Plan would be resourced through the Council's Community and Partnerships team, a range of partners and funding streams. The Council had a reserve fund of £100,000 and proposals within the Plan highlighted how some of those funds could be used. These included unemployment and skills development work for young people, work with the Clinical Commissioning Group (CCG) on addressing health and inequalities and pump priming local projects.

The Board were asked to share their views on the draft Plan and further comments would be accepted over the following two weeks to inform the Report being prepared for the Cabinet meeting on 19th January, 2021. Additional consultation/engagement had also taken place with partners, the Portfolio Holder for Community, Strategy and Partnerships and the COVID-19 Cabinet Champion.

Members discussed the Plan and a number of comments were made to help inform the final document and the Report being prepared for the Cabinet. These included:

- Further engagement with the private sector (small medium large employers in the area), Faith groups around their work relating to food provision, befriending, young people and help for the vulnerable etc.
- Testing to be applied to projects i.e. is something already being done, can we support it, do we have capacity to do/support
- Evaluation of the success/relevance of the projects - are they doing what was intended and making a difference to the right people?
- Ensure Plan adaptable to address changes in need
- Emphasis on the Council being there to facilitate and enable and not just do
- Initiatives to address core issues around debt/access to food/housing etc. resulting in stress/self-harm/addiction etc.
- Role of Ward Members - especially in most deprived areas
- Military Families – engagement
- Ensure projects affect the most people in the shortest time and ensure value for money
- Reflect the need for English Language Training in the BAME community
- Careers advice in schools
- Mentoring for the self-employed
- Barriers in training
- Purchasing of goods and services locally to economically support local business

Mr. Colver, thanked Members for their contributions and welcomed written responses, in addition to those already submitted by the Chairman. The importance of being realistic was stressed and some comments would be considered going forward as the Plan developed and needs changed.

24. **WORK PROGRAMME**

The Committee **NOTED** the current work programme.

The meeting closed at 9.28 pm.

CLLR J.B. CANTY (CHAIRMAN)

POLICY AND PROJECT ADVISORY BOARD

Virtual meeting held on Wednesday, 27th January, 2021 at the at 7.00 pm.

Voting Members

Cllr J.B. Canty (Chairman)
Cllr P.I.C. Crerar (Vice-Chairman)
Cllr C.J. Stewart (Vice-Chairman)

Cllr Sophia Choudhary
Cllr Prabesh KC
Cllr Nadia Martin
Cllr T.W. Mitchell
Cllr Sophie Porter
Cllr M.J. Roberts
Cllr B.A. Thomas

Apologies for absence were submitted on behalf of Cllr P.J. Cullum.

25. MINUTES

The Minutes of the Meeting held on 25th November, 2020 were agreed as a correct record.

26. ITEM WITHDRAWN - SOUTHWOOD WOODLAND MANAGEMENT PLAN

The Board was advised that this item had been withdrawn from the agenda and would be considered at a future meeting of the Board (date to be determined). In the meantime, any comments or questions on the Southwood Woodland Management Plan should be referred to Tim Mills, Head of Economy, Planning and Strategic Housing.

27. WORK PROGRAMME

The Board **NOTED** the current Work Programme and were updated on a number of items:

- Elections Working Group – The recommendations of the Election Working Group on the Polling Station Review were approved by the Licensing, Audit and General Purposes Committee on 25th January, 2021. Thanks were given to the Elections Team and the Members who had engaged in the process.
- Supporting Communities Strategy – it was noted that the Strategy had been approved by the Cabinet at its meeting on 19th January, 2021.
- Black Lives Matter – The Local Government association (LGA) Peer Review Challenge had taken place the previous week and the findings were due to be

reported to the Council on 28th January, 2021. The Board would be considering the findings, in more detail, at the March 2021 meeting.

The meeting closed at 7.15 pm.

CLLR J.B. CANTY (CHAIRMAN)

OVERVIEW AND SCRUTINY COMMITTEE

Virtual Meeting held on Thursday, 4th February, 2021 at 7.00 pm.

Voting Members

Cllr M.D. Smith (Chairman)
Cllr Mrs. D.B. Bedford (Vice-Chairman)
Cllr Veronica Graham-Green (Vice-Chairman)

Cllr Gaynor Austin
Cllr T.D. Bridgeman
Cllr Sue Carter
Cllr R.M. Cooper
Cllr Christine Guinness
Cllr L. Jeffers
Cllr Mara Makunura
Cllr S.J. Masterson

25. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 22nd October, 2020 were agreed as a correct record.

26. ALDERSHOT TOWN FOOTBALL CLUB

Mr. Shahid Azeem, Chairman, Aldershot Town Football Club, attended the meeting to give the Club's response to the representations made by the Aldershot Town Football Club Supporters' Trust at the Committee's meeting on 3rd September 2020 and to update on the current position in relation to the Club's operations.

Mr. Andrew Colver, Head of Democracy and Community, reminded Members of the background to the item. It was noted that at the Committee's meeting in September, 2020, three members of the Supporters' Trust had raised some issues, in particular relating to the conclusion of a new lease on the site of the Club in line with a number of principles that had previously been agreed by the Cabinet, the approach to engagement between the Club and the Supporters' Trust and future development options for the site. Following the meeting a report had been made to the Major Projects and Property Portfolio Holder.

It was agreed that the item would be considered in two parts, firstly Mr Azeem would respond to the issues raised by the Supporters' Trust, this would then be followed by an update on the current position of the Club.

Mr. Azeem thanked the Council for the support given to the Club over the years since he took over as Chairman in 2013. It was noted that, through working with the Council, planning applications were soon to be submitted for the regeneration of the Football Club site and, should these be granted, the long term lease on the site

should also be granted. It was noted that the lease, once agreed, would be in the name of the Aldershot Town Football Club. In response to the Supporters' Trust comments regarding the redevelopment of the site, Mr. Azeem explained that a redevelopment company had been established to oversee the development plans for the site, this allowed for any financial issues, which might occur, not to impact on the operation of the Club. It was also acknowledged that the EBB Stadium was no longer fit for purpose, due to the presence of asbestos, and through the redevelopment of the site, a seven day a week operation could be established, which would provide a basis to secure a sustainable future for the Club.

At the September, 2020 meeting, it had been reported that the Supporters' Trust had been temporarily suspended from the Football Supporters Association (FSA). As a result, measures had been put in place by the FSA, most of which had been addressed, with the exception of diversity awareness training for the trustees, due to COVID-19 restrictions. Mr. Azeem advised that since that time, a letter of apology acknowledging the Trust's errors which resulted in its suspension, had been written by the Supporters' Trust to the FSA and Mr. Azeem asked that this letter be made public.

One of the purposes of the Trust had been to raise funds to contribute to players' wages ('Cash for Shots'). In the past twelve months no contributions had been made by the Trust, and Mr. Azeem urged the Trust to write to its Members advising that their contributions were not being used for the intended purpose and what the monies were being used for.

It was noted that a new supporters club, 'In with a Shot!', had been established as a result of the issues with the Supporters' Trust. In with a Shot, had achieved a membership of in excess of 160 fans in the previous twelve months and had gained approval from the FSA, which the Supporters' Trust no longer had. In with a Shot had also donated £8,000 to the Club as a contribution to the players' wages.

Mr. Azeem then advised of the Club's attempts since 2013 to involve the Supporters' Trust in the running of the Club, all of which had been rejected, resulting in financial losses for the Club and some negative publicity. These offers included a seat on the Board with an equal share in the Club, the opportunity to take over the sole running of the Club and a seat on the Board for the Trusts' Chairman. These rejections has ultimately resulted in the Club no longer engaging with the Trust on the everyday running and decision making of the Club.

In response to the representations made regarding the financial status of the Club, Mr. Azeem advised most clubs in similar leagues were making significant losses and the majority were in a worse financial position than Aldershot. It was noted that match day income wasn't sufficient to sustain a club, commercial sponsorship, goodwill of the local authority and the financial input from directors were what allowed clubs to survive. It was noted that the Clubs' Directors had invested over £1million to support the Club over the past seven years, through the purchasing of shares, settlements of loans from the previous administration and to resolve cash flow issues to pay wages, HMRC and creditors. It was noted that the Club was not aware of any personal financial difficulties of any of its Directors.

In response to the comments raised regarding free tickets for children accompanied by a full paying adult, this promotion had been stopped due to COVID-19 restrictions on crowds and in turn restricted gate numbers. It was noted that this offer would be reinstated when it was safe to do so.

Mr. Azeem then responded to the issue of working with local businesses and supporting the community. It was noted that all the Club's major sponsors had been active since 2013 when he had become Chairman of the Club. Links with the community were also well established. Activities included fundraising for local charities, engagement with the Armed Forces Covenant, work with the military and Nepali communities and assistance with the local response to the coronavirus pandemic. The Club had also secured the Defence Employer Recognition Scheme Silver Award. In addition, the Club had previously been awarded Community Business of the Year by Hampshire County Council and the previous year the Inspired Business Award for Work in the Community.

The Committee discussed Mr. Azeem's presentation and was fully supportive of the response given and the work of the Club. A request was made for the letter, written by the Supporters' Trust to the FSA stating the errors of the Trust, should be published on the Council website. In response to a query, it was noted that the Trust was still in existence, but the Club would no-longer be engaging with them, and no claim would be made on any remaining funds in the Trust's accounts by the Club.

Mr. Azeem then gave an update on current operations at the Club. The 2020 season had been extended and the Club had been supported by the Government through the furlough scheme. Over the summer period, due to the uncertainty of the new season and when it would commence, the Club had worked on new protocols with the aim to start playing again in October, 2020. Players' contracts had been adjusted to start one month before the first official game in October, 2020. A clause had also been included in the players' contracts that should another lockdown be enforced resulting in the closure of the Club, players would not be paid.

The Department for Digital, Culture, Media and Sport (DCMS) had provided grants up to December, 2020, to support football clubs. However, in January, 2021, DCMS made a decision to cease the grant provision and instead provide loans to be paid back on favourable terms. Mr. Azeem advised that the Club had made the decision not to take out more loans and, without the support of the Government and no ticket sales, it faced a significant financial challenge. It was noted that the Club would continue to lobby Government during this difficult time, but would also rely on its huge resilience to continue to provide a sustainable Club for the community.

The Chairman thanked Mr. Azeem for his presentation and expressed the Council's support for the Club and the work it was doing within the community. It was suggested that the Aldershot Town Football Club would remain on the Committee's Work Plan and further updates could be provided by the Club in the future.

NOTE: Cllr T.D Bridgeman and Cllr Sue Carter declared personal but non prejudicial interests in this item. Cllr Bridgeman in respect of his ownership of a share in Aldershot Town Football Club, and Cllr Carter in respect of her status as a Trustee

for the Shots foundation. In accordance with the Members' Code of Conduct, both remained in the meeting during the discussion.

27. **PERFORMANCE MONITORING APPROACH**

Rachel Barker, Assistant Chief Executive, was in attendance to report on the work which had been taking place to revise the current performance management arrangements. It was noted that the new system was being developed and this report would give a brief on the work undertaken and help shape performance reporting in the future.

A review had been undertaken on how the Council collected and reported on progress against the Council's Business Plan projects and wider performance reporting. A three-tier reporting framework had been developed and implemented at the end of Quarter 2 in 2020/21 consisting of:

- Key Performance Indicator Dashboard – production of a graphical Key Performance Indicator dashboard initially every quarter but more frequent going forward. Comparable against previous years data. There would be an option for it to be automated in the future giving real time information
- Summary Project Progress Report – builds on previous information provided but would focus on exception reporting. It would provide a snapshot for the previous quarter detailing projects not on budget or schedule. A RAG status would be used but only red and amber would appear in this report
- Detailed Project Progress Report – Full report on all projects within the Business Plan. To be published on the Council's website at end of each quarter. It would show more detail including risk, timelines, project manager detail etc.

It was advised that currently Quarter 3 was in the process of being finalised and would be presented at the March, 2021 meeting of the Committee. Moving forward to 2021/22, the assumption would be to see Quarterly reporting to the Committee, this could focus on specific areas or the whole report and timings of meetings would be adjusted to fit more effectively with the quarterly reporting.

In response to a query regarding indexing the Detailed Project Progress Report, it was noted that this could be looked into for easier navigation of the document.

It was agreed that the full documents would be considered at the Progress Group Meeting prior to the Committee's meeting in March, 2021, to scope what would be presented to the full Committee.

The Committee **ENDORSED** the new approach.

28. **WORK PLAN**

The current Work Plan was **NOTED** and an update was provided as follows.

Cllr D. B. Bedford gave an update on the work of the Register Providers Task and Finish Group. It was noted that a recent meeting had taken place with Southern

Housing who were now responsible for The Crescent, Southwood and Mills House, North Town. Members had been pleased with the outcomes of the meeting and the work carried out since taking on these properties.

The Group's next meeting was scheduled with A2 Dominion. It was noted that there had been a number of issues raised that it was hoped would be resolved following the meeting.

It was requested that a system similar to the pilot scheme set up by VIVID, to allow Members emails to be addressed separately, could be provided by each of the Housing Associations operating in the Borough. Members agreed that the system had worked well with VIVID and rolling it out would be beneficial – this would be raised for discussion with the local Housing Associations.

Mr. Colver advised that a meeting of the Educational Improvement Group would be taking place on 23rd February, 2021, at which County Councillor Roz Chadd would be present. The meeting would consider the impacts of COVID-19 and other related matters.

Arrangements for the next meeting of the Highways Task and Finish Group with Hampshire County Council had proved difficult. However, it was expected that a date would be arranged in the next few weeks.

Mr Colver advised on the proposed items for the next meeting on 25th March, these were:

- Cabinet Champions activities – to receive a report from the three Cabinet Champions, Cllrs Sue Carter, Peter Cullum and Jacqui Vosper on their activities during the 2020/21 Municipal Year
- Air pollution – to receive a report from Environmental Health Officers on Air Pollution

An item on the current work of the Housing Options Service was requested, taking into account the impacts of COVID-19 and unemployment levels. It was suggested that this could be picked up at the next Progress Group meeting.

The meeting closed at 8.18 pm.

CLLR M.D. SMITH (CHAIRMAN)

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