



# BOROUGH OF RUSHMOOR

To the Mayor and Members of the Council,

**YOU ARE HEREBY SUMMONED** to attend a Meeting of the Council to be held at the Council Offices, Farnborough on **Thursday, 24th February, 2022 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 2nd December 2021 (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. **RECOMMENDATIONS OF THE CABINET AND COMMITTEES –**

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

1) **Annual Capital Strategy 2022/23 – (Pages 9 - 22)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 1) which recommends the approval of the Council's Capital Strategy for 2022/23. Cllr Sue Carter, Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

2) **Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2022/23 – (Pages 23 - 56)**

To receive a report from the Corporate Governance, Audit and Standards Committee (copy attached – Annex 2) which recommends the approval of the Treasury Management Strategy 2022/23 and Non-Treasury Investment Strategy 2022/23. Cllr Sue Carter, Chairman of the Corporate Governance, Audit and Standards Committee will introduce this item.

3) **Revenue Budget, Capital Programme and Council Tax Level – (Pages 57 - 126)**

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 2022/23. Cllr P.G. Taylor, Corporate Services Portfolio Holder will introduce this item.

4) **Council Business Plan Update 2022-2025 – (Pages 127 - 148)**

To receive a report from the Cabinet (copy attached – Annex 4) which recommends the approval of updates to the Council's three year Council Plan. Cllr Adrian Newell, Democracy, Strategy and Partnerships Portfolio Holder, will introduce this item.

5) **Rushmoor Homes Limited - Business Plan Update 2022-2027 – (Pages 149 - 182)**

To receive a report from the Cabinet (copy attached – Annex 5) which sets out a five-year business plan for the Council's local housing company, Rushmoor Homes Limited, for approval. Cllr D.E. Clifford, Leader of the Council, will introduce this item.

#### 5. **THE COUNCIL TAX 2022/23 – (Pages 183 - 186)**

To fix the level of Council Tax for the financial year 2022/23 taking into account precepts of Hampshire County Council, the Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority. (A copy of the appropriate draft resolution is attached – Annex 6).

6. **QUESTIONS FOR THE CABINET –**

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

7. **REPORTS OF CABINET AND COMMITTEES – (Pages 187 - 230)**

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

<b>Cabinet</b>	14th December, 2021 18th January 2022 8th February, 2022
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**Committees**

Corporate Governance, Audit and Standards	22nd November, 2021
Development Management	8th December, 2021
Development Management	19th January, 2022
Corporate Governance, Audit and Standards	24th January, 2022

8. **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE AND POLICY AND PROJECT ADVISORY BOARD – (Pages 231 - 246)**

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

Policy and Project Advisory Board	24th November 2021
Overview and Scrutiny Committee	9th December 2021
Policy and Project Advisory Board	26th January 2022

A.E. COLVER  
Head of Democracy and Community

Council Offices  
Farnborough  
Hampshire GU14 7JU

Wednesday 16 February 2022

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# BOROUGH OF RUSHMOOR

**MEETING OF THE BOROUGH COUNCIL** held at the Council Chamber, Council Offices, Farnborough on Thursday, 2nd December, 2021 at 7.00 pm.

The Worshipful The Mayor (Cllr M.S. Choudhary (Chairman))  
The Deputy Mayor (Cllr J.H. Marsh (Vice-Chairman) )

Cllr Gaynor Austin  
Cllr T.D. Bridgeman  
Cllr Sophia Choudhary  
Cllr D.E. Clifford  
Cllr P.I.C. Crerar  
Cllr K. Dibble  
Cllr L. Jeffers  
Cllr Mara Makunura  
Cllr Nadia Martin  
Cllr K.H. Muschamp  
Cllr Sophie Porter  
Cllr M.L. Sheehan  
Cllr C.J. Stewart  
Cllr M.J. Tennant  
Cllr Jacqui Vosper

Cllr Mrs. D.B. Bedford  
Cllr J.B. Canty  
Cllr A.K. Chowdhury  
Cllr R.M. Cooper  
Cllr P.J. Cullum  
Cllr A.J. Halstead  
Cllr Prabesh KC  
Cllr J.H. Marsh  
Cllr S.J. Masterson  
Cllr A.R. Newell  
Cllr M.J. Roberts  
Cllr M.D. Smith  
Cllr P.G. Taylor  
Cllr B.A. Thomas

Honorary Alderman A. Gardiner  
Honorary Alderman R.J. Kimber  
Honorary Alderman D.M. Welch

Apologies for absence were submitted on behalf of Cllr Sue Carter, Cllr Christine Guinness, Cllr T.W. Mitchell and Cllr Marina Munro.

Before the meeting was opened, the Mayor's Chaplain (Reverend Malcolm Cummins) led the Council in a period of prayers.

## 31. MINUTES

It was MOVED by Cllr K.H. Muschamp; SECONDED by Cllr A.R. Newell and

**RESOLVED:** That the Minutes of the Ordinary Meeting of the Council held on 7th October 2021 (copy having been circulated previously) be taken as read, approved and signed as a correct record.

## 32. MAYOR'S ANNOUNCEMENTS

- (1) The Mayor reported that, on 9th October 2021, he had attended the opening ceremony of the new temple at the Shiva Cultural and Community Centre in Aldershot, which he felt was an excellent new facility for the whole community.

- (2) The Mayor thanked his Charity Committee for organising a Charity Quiz Night on 12th November 2021, which had raised £283 for the Mayor's charities. He also thanked Mr Ian Harrison for being an outstanding quiz master for the event.
- (3) On 14th November 2021, the Mayor and the Deputy Mayor had attended several wreath laying services and Services of Remembrance around the Borough. The Mayor thanked all Councillors and officers who had attended services.
- (4) The Mayor reported that he had attended the official opening of the Heritage Trails in Princes Gardens, Aldershot on 20th November 2021 and had presented a special award to Mr Paul Vickers to recognise his dedication to remember the history of the area.
- (5) The Mayor advised Members that he had attended the St Andrew's Tide Service at the Garrison Church of St Andrew on 28th November 2021.
- (6) The Mayor reported that he had attended an Advent Carol Service on the evening of 28th November 2021 at Farnborough Hill School.
- (7) The Mayor reminded Members that the annual Community Carol Services event – organised jointly by Rushmoor, HQ Aldershot Garrison, Aldershot Town Football Club, KBR Aspire Defence and Grainger – would take place on 8th December 2021 at the Cathedral Church of St Michael and St George and the Garrison Church of St Andrew.
- (8) The Mayor reminded Members that the Mayoress' Afternoon Tea event would take place on 10th December 2021 at 2pm.

### **33. THE RUSHMOOR COMMUNITY AWARD 2021**

The Mayor introduced the Rushmoor Community Award for 2021, which was an award that recognised local people who had made a significant contribution to the community over a long period of time. In what had been exceptional circumstances in 2021, the Council had agreed to present the Award to two people – Beryl Yeomans and Judi Page – in recognition of their significant volunteering activities over many years.

The Mayor announced that that evening the Community Award would be presented to Beryl Yeomans. The second award was a posthumous award and would be presented to the family of Judi Page at a separate, private event. Judi Page had been nominated to receive the Award as she had spent several years providing mental health support in the area. She had set up the first Wellbeing Centre in Aldershot and had then helped to set up the Safe Haven mental health support centre in Aldershot. Judi had also opened and run The Young Persons Safe Haven and then The Oasis. Her work had been pioneering and Teresa May MP had visited Aldershot to meet with Judi about the projects.

The Mayor then said it was his absolute pleasure to address Members on a very special lady – Beryl Yeomans – who had been nominated to receive the Community Award for 2021 in recognition of her voluntary effort and hard work serving the community. Beryl had in some way had a positive impact on most people in the local community over the previous 70 plus years – both directly and indirectly.

Beryl had been part of the 1st Cove Scout Group since its conception in 1948. Beryl had worked tirelessly every week delivering a very active programme to young Cubs between the ages of 8 and 10½. The Mayor stated that he understood that Beryl commanded respect from everyone in the Group, both children and adults, upholding the true values and spirit of Scouting. Beryl had the perfect combination of compassion, humour and authority when working with children. The Mayor had been advised that all the children in the Group loved Beryl and hung on to her every word.

In addition to Scouting, Beryl had been a swimming teacher at Rushmoor Youth Swimming Club for 47 years, teaching children invaluable and essential swimming skills. Beryl had retired from this role earlier in the year at the tender age of 87.

Shaping countless young lives through her selfless service in Scouting and other voluntary work, Beryl had installed lifelong skills in the Borough's future generations – the skills of values, ethics, loyalty, discipline and self-respect as well as respect for others. The Mayor stated that Beryl had given an incredible amount of time to the community over an outstanding 70 plus years and was a most worthy recipient of the Rushmoor Community Award for 2021.

Beryl was invited to step forward to receive the Award and expressed her thanks to the Council for this Award.

#### **34. STANDING ORDER 8 - QUESTIONS**

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

#### **35. RECOMMENDATIONS OF THE CABINET**

##### **(1) Funding Contribution for Tices Meadow**

The Portfolio Holder for Corporate Services (Cllr P.G. Taylor) introduced the Report of the Cabinet meeting held on 19th October 2021, which sought approval of a contribution of up to £50,000 towards the purchase of Tices Meadow by Surrey County Council, to be funded from anticipated capital receipts.

It was **MOVED** by Cllr P.G. Taylor; **SECONDED** by Cllr D.E. Clifford – That the Council agree a contribution of up to £50,000 to Surrey County Council for the purchase of Tices Meadow, to be funded from anticipated capital receipts.

There voted **FOR: 32; AGAINST: 0; ABSTAINED: 0** and the Recommendation was **DECLARED CARRIED**

## (2) **Southwood Country Park – Business Case for Re-purposing Existing Buildings**

The Portfolio Holder for Major Projects and Property (Cllr. M.J. Tennant) introduced the Report of the Cabinet meeting held on 16th November 2021, which sought approval for £901,000 to be added to the Capital Programme for the Southwood Country Park Visitor Centre and Café, noting the capital financing implications set out in paragraph 4.14 of the Report.

During discussion, it was **MOVED** by Cllr K. Dibble; **SECONDED** by Cllr T.D. Bridgeman that the Recommendation should be amended as follows:

“That

- (i) this Council is recommended to approve £461,000 to be added to the Capital Programme for the Southwood Country Park Visitor Centre; and
- (ii) the Policy and Project Advisory Board undertake a review of the café business case and consider alternative catering options.”

Following discussion, the Amendment was put to the Meeting.

On a Recorded Vote, there voted **FOR**: Cllrs Gaynor Austin, T.D. Bridgeman, K. Dibble, A.J. Halstead, Nadia Martin, Sophie Porter, M.J. Roberts and Sarah Spall (8); **AGAINST**: Cllrs Jessica Auton, Mrs. D.B. Bedford, J. Belbase, J.B. Canty, M.S. Choudhary, Sophia Choudhary, A.K. Chowdhury, D.E. Clifford, R.M Cooper, P.I.C. Crerar, P.J. Cullum, M. Hope, L. Jeffers, Prabesh KC, Mara Makunura, S.J. Masterson, K.H. Muschamp, A.R. Newell, M.L. Sheehan, M.D. Smith, C.J Stewart, P.G. Taylor, M.J. Tennant, N. Thapa, Jacqui Vosper and the Deputy Mayor (Cllr J.H. Marsh) (26); **ABSTAINED**: The Mayor (Cllr. B.A. Thomas) (1) and the Amendment was **DECLARED LOST**.

Following further discussion on the Substantive Motion, the original Recommendation was put to the Meeting. On a recorded vote, there voted **FOR**: Cllrs Jessica Auton, Mrs. D.B. Bedford, J. Belbase, J.B. Canty, M.S. Choudhary, Sophia Choudhary, A.K. Chowdhury, D.E. Clifford, R.M Cooper, P.I.C. Crerar, P.J. Cullum, M. Hope, L. Jeffers, Prabesh KC, Mara Makunura, S.J. Masterson, K.H. Muschamp, A.R. Newell, M.L. Sheehan, M.D. Smith, C.J Stewart, P.G. Taylor, M.J. Tennant, N. Thapa, Jacqui Vosper and the Deputy Mayor (Cllr J.H. Marsh) (26); **AGAINST**: (0); **ABSTAINED**: Cllrs Gaynor Austin, T.D. Bridgeman, K. Dibble, A.J. Halstead, Nadia Martin, Sophie Porter, M.J. Roberts, Sarah Spall and the Mayor (Cllr B.A. Thomas) (9) and the Recommendation was **DECLARED CARRIED**.

## 36. **QUESTIONS FOR THE CABINET**

The Mayor reported that six questions had been submitted for response by Members of the Cabinet.

The first question had been submitted by Cllr K. Dibble for response by the Major Projects and Property Portfolio Holder regarding whether Aldershot Town Football

Club owed the Council any money and, if so, how much and was the Club meeting agreed payment dates and value

In response, Cllr M.J. Tennant stated that the Club's outstanding rent had originally been £19,705 but that the current balance was £17,000 following two payments that had been made under the payment plan that had been agreed with the Club. The monthly payments were £1,000 until the debt was cleared. It was felt that this would give the Club time to recover from the impacts of the pandemic. Cllr Tennant confirmed that the Club's rates payments were up to date.

Cllr Tennant stated that the break-even gate attendance for the Club was not directly known by the Council but, in accordance with the requirements of the rent relief decision, officers would be looking at the financial performance of the Club on a quarterly basis. It was further confirmed that this would be reviewed with the Club.

The second question had been submitted by Cllr M.J. Roberts for the Democracy, Strategy and Partnerships Portfolio Holder (Cllr A.R. Newell) regarding poverty in the Borough.

In response, Cllr Newell stated that he was not aware that the figures quoted by Cllr Roberts in his question regarding deliveries by the Trussell Trust nationally reflected the situation in Rushmoor. He reported that the Council had been working in partnership with Hampshire County Council and many organisations and individuals in the community and voluntary sectors to provide help to those people who had needed support over the previous 18 months. The Council continued to work in partnership to help those in need and, over the winter period, working with Hampshire County Council, further support was being offered, including free school meals, Citizens Advice referrals and exceptional housing support.

Cllr Newell also confirmed that the Community Grub Hub would be opening to the public in the period up to Christmas to provide further support and it was proposed that the Hub's service would be developed much more in 2022 through its Community Interest Company. Cllr Newell referred to the fact that the Council was continuing to deliver its Supporting Communities Action Plan and was developing this work with partners such as Hampshire County Council, the Clinical Commissioning Group, Rushmoor Voluntary Services and Citizens Advice as the Council sought to respond to, and recover from, the pandemic.

The third question had been submitted by Cllr Sophie Porter for response by the Operational Services Portfolio Holder regarding the use of Napier Gardens car park for a Covid Testing Centre and the covid safety implications of those attending the Testing Centre and using ticket machines.

In response, Cllr Sheehan referred to the 30p parking charge for the Napier Gardens car park and the value that this represented, especially when compared to parking charges at local hospitals. He also referred to the covid safety measures in place at the car park to keep users of the testing centre as safe as was possible.

The fourth question had been submitted by Cllr Gaynor Austin for response by the Major Projects and Property Portfolio Holder (Cllr M.J.Tennant) on the redevelopment of Aldershot Town Centre and what consideration had been given to ensuring that infrastructures and services were more environmentally accessible, user friendly and inclusive of all people's needs, including those with disabilities.

In response, Cllr Tennant stated that, in order to address changes in level/topography across the whole site, the Union Yard Scheme would provide a platform lift from the High Street up to the Makers Yard as well as offering at grade, level thresholds from Short Street/Lower Nelson Street and Union Street to optimise access for all users. Internal layouts of the commercial units would factor in accessibility (in terms of door thresholds, widths and internal circulation). Within the residential development of the scheme, a number of the units had been designed to be fully adaptable to accommodate the needs of the occupier. The student accommodation would provide eight fully accessible units which had been designed to meet the needs of the occupier (e.g. providing appropriate circulation space internally for wheelchair users).

The fifth question had been submitted by Cllr M.J. Roberts for response by the Democracy, Community and Partnerships Portfolio Holder (Cllr A.R. Newell) regarding what representations the Council was making to Hampshire County Council regarding its response to the Health and Social Care Bill.

In response, Cllr Newell stated that the question did not fall within the Council's executive arrangements, which was a requirement of a Cabinet question. However, Cllr Newell acknowledged that there were currently issues in adult social care and that there had been an impact in North East Hampshire. He confirmed that Hampshire County Council was very aware of this and were taking action to improve the services in Rushmoor with support from the Council, local Primary Care Networks and the voluntary sector and gave an example of such work.

Cllr Gaynor Austin asked the sixth question of the Deputy Leader of the Council and Customer Experience and Improvement Portfolio Holder (Cllr K.H. Muschamp) regarding who represented the Council on the Farnborough Aerodrome Consultative Committee and when did the representatives feed back to the Council.

In response, Cllr Muschamp stated that the Council's representatives were Cllr Paul Taylor and Cllr Maurice Sheehan and that they regularly attended the meetings of the Consultative Committee. Cllr Muschamp also confirmed that they gave feedback to Members of the Cabinet and officers after the meetings, as they felt appropriate. Their feedback complemented the liaison the Council regularly had with the Airport operator.

### **37. REPORTS OF CABINET AND COMMITTEES**

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

Cabinet	19th October 2021
Cabinet	16th November 2021
Corporate Governance, Standards and Audit Committee	27th September 2021
Development Management Committee	13th October 2021
Development Management Committee	10th November 2021

38. **REPORT OF OVERVIEW AND SCRUTINY COMMITTEE**

**RESOLVED:** That the Report of the Overview and Scrutiny Committee meeting held on 28th October 2021 be noted.

The meeting closed at 9.10 pm.

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**COUNCIL MEETING – 24TH FEBRUARY 2022****AGENDA ITEM NO. 4 (1)****ANNUAL CAPITAL STRATEGY 2022/23**

A report from the meeting of Corporate Governance, Audit and Standards Committee held on 15 February 2022

**1 INTRODUCTION**

- 1.1 This report sets out the proposed Capital Strategy for the year 2022/23, including the Prudential indicators for capital finance for 2022/23.
- 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.

**2 PURPOSE**

- 2.1 The purpose of the Capital Strategy is to give an overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2.2 The purpose of investment management operations is to ensure that all investment decisions that are made primarily to generate a profit have a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.
- 2.3 The second main function of the Capital Strategy is to set the Prudential indicators for affordable, prudent and sustainable capital investment.
- 2.4 Appendix 1 sets out the Capital Strategy for 2022/23 to 2024/25 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 has incurred prudential borrowing of £102m in relation to its capital expenditure. Further borrowing to support the financing of its approved capital programme in 2021/22 will also be required. It therefore commences the year 2022/23 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 In November 2020 the Public Works and Loan Board (PWLB) issued new Lending Terms that were subject to further clarification in August 2021. This makes it a condition of access to the PWLB funding that Local Authorities have no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure has been incurred on the acquisition of such assets since November 2020 and the Council does not plan to incur expenditure on investment assets primarily for yield within the capital programme. The s151 Officer is required on application to the PWLB to submit strategic capital and financial plans covering a 3-year period.
- 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 2022/23 to 2024/25 and Prudential Indicators for 2022/23 at Appendix 1.

S CARTER  
CHAIR CORPORATE GOVERNANCE, AUDIT AND STANDARDS  
COMMITTEE

**CAPITAL STRATEGY 2022/23****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.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report

**2 CAPITAL EXPENDITURE AND FINANCING**

- 2.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £20,000 (land and buildings) and £10,000 (plant, vehicles and equipment) are not capitalised and are charged to revenue in year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred
- 2.2 In 2022/23, the Council is planning capital expenditure of £37m as summarised below:

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

	<b>2020/21 Actual</b>	<b>2021/22 Forecast **</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
General Fund services	22.3	31.1	37.0	31.3	3.7
<b>TOTAL</b>	22.3	31.1	37.0	31.3	3.7

\*\* The forecast for 2021/22 is based the revised capital programme for 2021/22 and maintains capital expenditure budgets for the major Regeneration schemes at the original budget level. The P2 monitoring

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*position as reported to Cabinet in January 2022 indicated a forecast spend of £14.6m.*

- 2.3 The main General Fund capital projects in 2022/23 includes Regeneration activity across 2 main sites - Union Yard (Aldershot) and Farnborough Civic Quarter. The capital programme for 2022/23 includes a further £23m of regeneration expenditure.
- 2.4 In November 2020 the Public Works and Loan Board (PWLB) issued new Lending Terms that were subject to further clarification in August 2021. This makes it a condition of access to the PWLB funding that Local Authorities have no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure has been incurred on the acquisition of such assets since November 2020 and the Council does not plan to incur expenditure on investment assets primarily for yield within the capital programme.
- 2.5 The Council's capital programme is predominantly financed through prudential borrowing. The Council has adopted a strategy to generate capital receipts to mitigate the current financing position given forecast level of prudential borrowing set out in the Treasury Management Strategy.
- 2.6 Several assets have been identified for disposal (subject to market appraisal) that would generate future capital receipts. The Council's Regeneration scheme in Farnborough (Civic Quarter) will require an approach to financing that will bring in capital receipts to provide funding for the infrastructure requirements and to facilitate and cash flow the wider site development.
- 2.7 Whilst the Council has undertaken an initial assessment of the potential capital receipts, there is considerable uncertainty around the timing and value and have not been included in the projections for capital receipts.
- 2.8 **Governance:** For service led capital projects Service managers prepare working papers to include projects in the Council's capital programme in line with the budget development timeline. The Finance service calculate the financing cost (which can be nil if the project is fully externally financed) so that the full cost of the project is understood. Larger property and regeneration projects are managed through the Council's regeneration and Property and Major Works programmes. These projects undergo scrutiny and review by the Project Board at different stages (e.g. feasibility, design, planning, due diligence) and costs and financing are reviewed by the finance service. All projects to be recommended for inclusion in the Capital programme appraised by the Executive Team before being included in the draft budget. The final capital programme is then presented to Cabinet early February and to Full Council in late February each year. Variation to capital bids and new capital bids can be received during the year, usually

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on the basis of a business case or in relation to urgent and unforeseen works.

- For full details of the Council's Capital Programme, including the project appraisals undertaken, see: Appendix 3, FIN2210 Revenue Budget, Capital Programme and Council Tax, as presented to Cabinet on 08 February 2022.

2.9 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

**Table 2: Capital financing in £ millions**

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
External sources	2.1	4.5	8.6	1.1	1.1
Own resources	2.5	0.4	1.0	0.0	0.0
Debt	17.7	26.2	27.4	30.2	2.6
<b>TOTAL</b>	<b>22.3</b>	<b>31.1</b>	<b>37.0</b>	<b>31.3</b>	<b>3.7</b>

2.10 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

**Table 3: Replacement of debt finance in £ millions**

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Own resources	1.9	2.5	2.7	3.0	3.0

- The Council's full Minimum Revenue Provision statement is available in Appendix 3, FIN2212 Annual Treasury Management Strategy and Non-Treasury Investment Strategy

2.11 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts

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used to replace debt. The CFR is expected to increase to £167m during 2022/23. 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**

	2020/21 Actual	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
General Fund services	121.8	145.8	170.3	197.4	196.6
MRP	-1.8	-2.5	-2.7	-3.0	-3.0
IFRIC 4 Lease Adjustment	-0.4	-0.4	-0.4	-0.4	-0.4
<b>TOTAL CFR</b>	<b>119.5</b>	<b>142.9</b>	<b>167.2</b>	<b>194.0</b>	<b>193.2</b>

2.12 **Asset management:** The Council uses experienced asset managers (currently Lambert Smith Hampton Investment Management (LSHIM)) to provide services to support the Council's property portfolio. A new property management system will go live during 2022 and will support the delivery of the Council's asset management plan which is currently being prepared. The plan will help ensure that the Council's capital assets are properly maintained and developed and continue to contribute effectively to the delivery of the Council's services, support the local economy or provide income in line with expectations

2.13 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects for a further 3 years until 2024/25 (subject to guidance from Government). 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. Paragraphs 2.5 to 2.7 reference the Council's position around capital receipts.

**Table 5: Capital receipts in £ millions**

	2020/21 Actual	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Asset sales	0	1.3	0.0	0.0	0.0
<b>TOTAL</b>	<b>0</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- The Council's Flexible Use of Capital Receipts Policy is available here: Appendix 4, FIN2210 Revenue Budget, Capital Programme and Council Tax, as presented to Cabinet on 08 February 2022

### 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 £102.0m borrowing at an average interest rate of 0.19% and £41.8m treasury investments at an average rate of 2.45%.
- 3.3 **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 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5% to 2.5%).
- 3.4 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	2020/21 Actual	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt (incl. leases)	102.0	128.2	155.7	185.8	188.5
Capital Financing Requirement	119.4	142.9	167.2	194.0	193.2
Difference	17.4	14.6	11.5	8.1	4.7



3.5 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.

3.6 **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 £114.3m and is forecast to rise to £174.6m over the next three years.

**Table 7: Borrowing and Liability Benchmark in £ millions**

	2020/21 Actual	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Outstanding borrowing	102.0	128.2	155.7	185.8	188.5
Investment minimum	-10.0	-10.0	-10.0	-10.0	-10.0
Investments held that can be redeemed	-4.8	-23.9	-23.9	-23.9	-23.9
Liability benchmark	107.2	114.3	141.8	171.9	174.6

3.7 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.

3.8 **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	143.2	170.7	200.8	203.5
Operational boundary – total external debt	138.2	165.7	195.8	198.5

- Further details on borrowing are contained in the Treasury Management Strategy – Appendix 1 FIN2212 Annual Treasury Management Strategy and Non-Treasury Investment Strategy being considered at the meeting of Corporate Governance, Audit and Standards Committee on 15 February 2022.

3.9 **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.

3.10 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**

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Near-term investments	4.8	2.0	2.0	2.0	2.0
Longer-term investments	21.9	21.9	21.9	21.9	21.9
<b>TOTAL</b>	<b>26.7</b>	<b>23.9</b>	<b>23.9</b>	<b>23.9</b>	<b>23.9</b>

3.11 **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 1 FIN2212 Annual Treasury Management Strategy and Non-Treasury Investment Strategy being considered at the meeting of Corporate Governance, Audit and Standards Committee on 15 February 2022.

- 3.12 **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 Corporate Governance, Audit and Standards Committee. CGAS committee is responsible for scrutinising treasury management decisions.

#### 4 NON-TREASURY INVESTMENTS FOR SERVICE PURPOSES

- 4.1 The Council makes investments to assist local public services, including making loans to local businesses to promote economic growth, the Council's subsidiaries that provide services. 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 2 FIN212 Annual Treasury Management Strategy and Investment Strategy being considered at the meeting of Corporate Governance, Audit and Standards Committee on 15 February 2022.

#### 5 COMMERCIAL ACTIVITIES

- 5.1 Between 2016 and 2021 in the context of central government financial support for local public services declining, the Council undertook some investment in commercial properties purely or mainly for financial gain. These investments were acquired and managed in line with the Council's Commercial property strategy. Total commercial investments for 2021/22 are forecast to be £132.1m, the portfolio providing a net return after all costs of 3.5%.

- 5.2 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures for commercial investments include level of competition, barriers to entry/exit, and future market prospects. For commercial properties, risks include quality and financial security of tenants, building quality and relevance.

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
- 5.4 With the introduction of revised PWLB lending terms the Council can confirm it has no intention to acquire investment assets primarily for yield in the current and following two financial years.
- 5.5 The Council will during 2022/23 revise its strategy to increasingly focus its commercial activities on housing and regeneration in line with the new code
- 5.5 **Governance:** Decisions on the day-to-day management of commercial investments are made by the Head of Service responsible for the Council's Property and Estates functions in line with the criteria and limits as set out in the Council's constitution. Property and most other commercial investments are also capital expenditure and will therefore also be approved as part of the capital programme approval process or as a result of a specific proposal or business case considered by the Cabinet and Council.
- Further details on Commercial Investments and limits on their use are contained in of the Investment Strategy: Appendix 2 FIN2212 Annual Treasury Management Strategy and Investment Strategy being considered at the meeting of Corporate Governance, Audit and Standards Committee on 15 February 2022.

## 6 LIABILITIES

- 6.1 In addition to debt 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.
- 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 47 and 50 of the 2020/21 Statement of Accounts:

[Rushmoor Borough Council - 2020/21 Statement of Accounts](#)

## **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**

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Financing Costs	2.4	2.8	3.9	5.3	5.8
Proportion of Net Core Revenue Stream	22.7%	26.3%	36.5%	53.1%	56.2%

Note: The indicator above shows that the proportion of financing costs to the net core revenue stream increases significantly from 2023/24. This is due to (a) the estimate of retained business rates being reduced down to the current baseline level and (b) the impact gross financing cost includes interest costs of the regeneration programme that in the construction phase are likely to be capitalised and from 2024/25 will be supported by income from the regeneration assets.

- Further details on the revenue implications of capital expenditure are contained in the 2022/23 Revenue Budget: Appendix 1, FIN2210 Revenue Budget, Capital Programme and Council Tax, as presented to Cabinet on 08 February 2022

- 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 Property and Estates Service and Regeneration teams include permanent and contract resources who are appropriately qualified and including and number of Chartered Surveyors). The Council pays for staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and RICS..
- 8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and Lambert Smith Hampton Investment Management Ltd (LSHIM) as commercial property consultants as required depending on the nature of the professional advice sought This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

**COUNCIL MEETING – 24TH FEBRUARY 2022****AGENDA ITEM NO. 4 (2)****ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2022/23**

A report from the meeting of Corporate Governance, Audit and Standards Committee held on 15 February 2022

**1 INTRODUCTION**

- 1.1 This report sets out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2022/23, including the borrowing and investment strategies and treasury management indicators for capital finance for 2022/23 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 CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions.
- 1.5 The updated Prudential Code includes the following as the focus of the substantive changes:
  - The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have

augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.

- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
  - A new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.
- 1.6 The main changes to the updated Treasury Management Code and the accompanying guidance for local authorities are as follows:
- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
  - The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
  - Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
  - The purpose and objective of each category of investments should be described within the Treasury Management Strategy.
- 1.7 The Government consulted on changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision (MRP) each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as MRP and is to make sure they can afford to repay the principal of their debt.
- 1.8 The consultation sought to address concerns the Government have around compliance by some local authorities with the duty to make prudent provision, resulting in an underpayment of MRP. Specifically, the Government have highlighted two concerns:
- Local authorities using sales from assets (capital receipts) in place of a charge to revenue. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
  - Local authorities are not charging MRP on debt related to certain assets. The evidence is that while some authorities are making MRP for commercial investments funded by borrowing, some are still not paying MRP in relation to borrowing associated with investment



assets or capital loans. The statutory guidance is clear that financing for investment assets and capital loans requires provision to be made.

## 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 Appendices (1 to 3) set out the Treasury Management Strategy, Investment Strategy and Minimal Revenue Provision Statement for 2021/22 and fulfil key legislative requirements as follows:

### Appendix 1

- The **Treasury Management Strategy** which sets out how the Council's treasury operation will support capital decisions taken during the period, the day to day treasury management and the

limitations on activity through treasury prudential indicators, in accordance with CIPFA's Code of Practice on Treasury Management and Prudential Code;

- The **Annual Borrowing Strategy** which sets out the Council's objectives for borrowing together with the approved sources of long and short-term borrowing and;
- **Annual Treasury Management Investment Strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss, in accordance with CIPFA's Code of Practice on Treasury Management.

#### Appendix 2

- The 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 3

- The Council's **Minimum Revenue Provision (MRP) Statement**, which sets out how the Council will pay for capital assets through revenue each year, as required by the Local Government Act 2003 (Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

2.8 These policies and parameters provide an approved framework within which officers undertake the day-to-day capital, treasury and non-treasury investment activities.

### **3 SCOPE**

3.1 This report covers the Council's treasury management and investment activities as set out in paragraphs 2.1 to 2.5 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 2020/21 of £12m in relation to its capital expenditure. Further borrowing to support the financing of its approved capital programme in 2022/23 will also be required. The Council therefore commences 2022/23 in a position where its investment holdings continue to remain significant (although, less than in previous financial years) but also carries significant and 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 2022/23, Annual Borrowing Strategy 2022/23 attached at Appendix 1;
  - (ii) Annual Non-Treasury Investment Strategy attached 2022/23 at Appendix 2; and
  - (iii) Minimum Revenue Provision (MRP) Statement set out in Appendix 3.

SUE CARTER  
CHAIR CORPORATE GOVERNANCE, AUDIT AND STANDARDS  
COMMITTEE

## TREASURY MANAGEMENT STRATEGY 2022/23

### 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 2**.
- 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 in November 2021, updated where relevant in February 2022)

- 2.1 **Economic background [Nov 2021]:** The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.
- 2.2 The Bank of England (BoE) held Bank Rate at 0.10% in November 2021 and maintained its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold and 6-3 to maintain the asset purchase programme. Within the announcement the MPC suggested interest rates would be increased soon, but not to the 1% level expected by financial markets. Within the

November 2021 Monetary Policy Report, the Bank expected consumer price index (CPI) inflation to peak at around 5% in April 2022 before falling back as the impact from higher energy prices fade and demand slows.

- 2.3 UK CPI for September 2021 registered 3.1% year on year, slightly down from 3.2% in the previous month. Core inflation, which excludes the more volatile components, fell to 2.9% y/y from 3.1%. The most recent labour market data for the three months to August 2021 showed the unemployment rate fell to 4.5% while the employment rate rose to 75.3%. Both measures were helped by the extension of the government's furlough scheme, but this ended in September 2021 and while this may put some pressure on the jobs market, it is not expected to be material, with the BoE forecasting unemployment will only increase modestly in Q4 2021 according to its November 2021 Monetary Policy Report but remain low overall.
- 2.4 In August 2021, the headline 3-month average annual growth rate for wages were 7.2% for total pay and 6.0% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 4.7% while regular pay was up 3.4%. These figures should be interpreted with caution, however, as pay growth is now being impacted by base effects compared to 12 months ago when earnings were first affected by the coronavirus pandemic. Moreover, there has also been a fall in the number and proportion of lower paid jobs, helping to push up the average earnings figure.
- 2.5 Gross domestic product (GDP) grew by 5.5% in the second calendar quarter of 2021, compared to a fall of -1.6% q/q in the previous three months, with the annual rate jumping to 23.6% from -6.1%. Here too, base effects from 2020 have resulted in the high Q2 2021 data. Monthly GDP estimates have shown the economy is recovering, with the economy now just 0.8% below its pre-pandemic level. Looking ahead, the BoE's November 2021 Monetary Policy Report forecasts economic growth will rise by 1.5% in Q3 2021, 1.0% in Q4 2021 with the economy expected to get back to its pre-pandemic level in Q1 2022. GDP growth is now expected to be around 5% in 2022 (revised down from 6%), before slowing to 1.5% in 2023 and 1% in 2024
- 2.6 GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.1% year-on-year in October, the fourth successive month of inflation. Core CPI inflation was 2.1% y/y in October, the third month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.
- 2.7 The US economy expanded at an annualised rate of 2.0% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two

quarters. In its November 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme. Having bought \$120 billion of bonds each month during the pandemic to keep interest rates low, the Fed confirmed that purchases will be scaled back, starting with a \$15 billion reduction in November 2021. In terms of the timing of any interest rate hikes, Fed Chair Jerome Powell said the central bank can be patient about doing so

- 2.8 **Credit outlook [Nov 2021]:** Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.
- 2.9 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.
- 2.10 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.
- 2.11 **Interest rate forecast [Feb 2022]:** The Council's treasury management adviser Arlingclose therefore expects Bank Rate to rise to 0.75% in March and 1.0% in May. Despite this expectation, risks to the forecast remain weighted to the upside for 2022, becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- 2.12 Gilt yields will remain broadly flat from current levels, which have risen sharply since mid-December 2021. Significant volatility is, however, likely which should offer tactical opportunities for borrowing and investment. The risks around the gilt yield forecasts are broadly balanced. While gilt yields may face downward pressure as Bank Rate expectations ease from current levels, the runoff of the Bank's corporate bond portfolio, and later the gilt portfolio, as it reverses QE, could impact some upward pressure on yields.
- 2.13 An updated economic and interest rate forecast provided by Arlingclose in February 2022 is included at the end of this Appendix.

- 2.14 For the purpose of setting the budget, it has been assumed that investments will be made at an average rate of 2.7%, and that new loans will be borrowed at an average rate of 0.92%, being the current blended rate for short and long term-borrowing.

### 3 LOCAL CONTEXT

- 3.1 On 31 December 2021, the Council held £102.0m of borrowing, long-term liabilities of £1.7m and £44.9m 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**

	2020/21 Actual	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt (incl. leases)	102.0	128.2	155.6	185.5	188.4
Capital Financing Requirement	119.5	142.9	167.2	194.0	193.2
Difference	17.5	14.7	11.6	8.2	4.8
Investments	26.7	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 £65m 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 2022/23 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**

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
Outstanding borrowing	102.0	128.2	155.6	185.8	188.4
Investment minimum	-10.0	-10.0	-10.0	-10.0	-10.0
Investments held that can be redeemed	-26.7	-23.9	-23.9	-23.9	-23.9
Liability benchmark	85.3	114.3	141.7	171.9	174.5

#### **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 on 31 December 2021:

- £22.2m 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**

	<b>Actual Portfolio at 31/12/21</b>	<b>Average Rate</b>
	<b>£m</b>	<b>%</b>
<b>Total External Borrowing</b>		
Borrowing from other Local Authorities	102	0.2
<b>Total Gross External Debt</b>	102	
<b>Other long-term liabilities:</b>		
Finance Leases	2.1	
<b>Total other long-term liabilities</b>	2.1	
<b>Investments</b>		
<b>Managed in-house:</b>		
Money Market Funds	22.7	0.01
<b>Managed externally:</b>		
<b>Pooled Funds:</b>		
CCLA LAMIT Property Fund	3.9	5.09
M&G Investments Strategic Corporate Bond Fund	4	2.67
UBS Multi Asset Fund	5	3.93
Kames	2	4.66
Columbia Threadneedle Investments	2	2.37
Schroder Income Maximiser Fund	5	5.6
<b>Total Investments</b>	44.6	2.0
<b>Net Debt</b>	59.5	

Table 3 illustrates the Council's investment and debt portfolio position as at 31 December 2021.

## 5 ANNUAL BORROWING STRATEGY 2022/23

- 5.1 The Council currently holds £102.0m of loans, representing no change 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 £27m in 2022/23.

## APPENDIX 1

- 5.2 Capital expenditure in 2021/22 financial year includes expenditure on the Union Yard regeneration project. Prudential borrowing will therefore be required in order to achieve overall financing. The Council will incur some further borrowing during 2022/23 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. The Council is anticipating undertaking refinancing of some of its existing debt portfolio as it becomes due and move a proportion of the debt to longer-term more stable interest rates.
- 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 2022/23 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, 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 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 2022/23

- 6.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. As at 31 December 2021 the Council's investment balance stood at £44.9m. 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:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority'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 Authority 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 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 2022/23. 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	£7m	£30m
Strategic pooled funds	n/a	£5m	£30m

- 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 2022. 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 £7 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 PRUDENTIAL 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 2022/23 is £1.25m (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 2022/23 is £1.25m (not including IFRIC 4 lease accounting interest). It is determined using the current average rate of interest on borrowing incurred for 2021/22 and taking into account recent interest rate movements and the borrowing strategy. The Council's actual borrowing at the end of 2022/23 is estimated to be in the region of £155m

**8.7 Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt.

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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.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
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 February 2022

- The post COVID global economy has entered a higher inflationary phase, driven by a combination of resurgent demand and supply bottlenecks in goods and energy markets. Geopolitics are also playing a role, driving energy prices upwards which are being passed onto consumers. Tighter labour markets due to reduced participation rates have prompted concerns about wage-driven inflation, leading central banks to tighten policy to ensure inflation expectations remain anchored.
- Global inflation is riding high. While some indicators suggest supply bottlenecks in goods markets are easing, oil and gas prices have risen significantly and threaten a more sustained level of uncomfortably high inflation than previously expected. In the UK, Ofgem has confirmed a significant rise in retail energy prices, which will maintain relatively high CPI rates throughout 2022.
- Supply constraints are also evident in the labour market. Underlying wage growth is running above pre-COVID levels despite employment being lower now than in early 2020. Evidence suggests that labour pools have diminished. Higher wage growth will be a contributory factor to sustained above-target inflation this year.
- The lower severity of Omicron means that the economic impact should be limited. The UK economy had a weak Q4 2021 due to the virus, but growth is likely to bounce back in Q1 2022.
- However, higher inflation will dampen demand. In the UK, households face a difficult outlook. Fiscal and monetary headwinds alongside a sharp reduction in real income growth will weigh on disposable income, ultimately leading to slower growth.
- The Bank of England will tighten policy further over the next few months to ensure that aggregate demand slows to reduce business pricing power and labour wage bargaining power. Markets have priced in a significant rise in Bank Rate, but we believe the MPC will be more cautious given the medium-term outlook, assessing the impact of the first round of rises rather than following the market higher.
- Bond yields have risen sharply to accommodate tighter monetary policy, including the runoff of central bank bond portfolios. The interplay between slowing growth and falling inflation, and tightening policy, will likely keep yields relatively flat.

#### **Interest Rate Forecast**

## APPENDIX 1

- The MPC will raise Bank rate further to dampen aggregate demand and reduce the risk of sustained higher inflation.
- Arlingclose therefore expects Bank Rate to rise to 0.75% in March and 1.0% in May. Despite this expectation, risks to the forecast remain weighted to the upside for 2022, becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels, which have risen sharply since mid-December 2021. Significant volatility is, however, likely which should offer tactical opportunities for borrowing and investment.
- The risks around the gilt yield forecasts are broadly balanced. While gilt yields may face downward pressure as Bank Rate expectations ease from current levels, the runoff of the Bank's corporate bond portfolio, and later the gilt portfolio, as it reverses QE, could impact some upward pressure on yields.

	Current	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.05	0.20	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.85	1.20	1.25	1.15	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.35	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Arlingclose Central Case	1.22	1.20	1.20	1.20	1.20	1.20	1.20	1.15	1.15	1.15	1.15	1.15	1.15
Downside risk	0.00	-0.20	-0.25	-0.25	-0.30	-0.35	-0.40	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.55	0.60	0.65	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Arlingclose Central Case	1.37	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Downside risk	0.00	-0.20	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Arlingclose Central Case	1.54	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Downside risk	0.00	-0.30	-0.35	-0.40	-0.40	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Arlingclose Central Case	1.22	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Downside risk	0.00	-0.30	-0.35	-0.40	-0.40	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

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

### ANNUAL NON-TREASURY INVESTMENT STRATEGY 2022/23

#### 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 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**

<b>Category of borrower</b>	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>
Local businesses	6.7	6.7	6.7
Subsidiaries and Partnerships	0.1	1.0	7.7
Employees	0.1	0.1	0.1
<b>TOTAL</b>	<b>6.9</b>	<b>7.6</b>	<b>14.5</b>

- 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 to members in the Revenue Budget Monitoring Report for P1 (FIN2115) the Council and the other funding consortium funding partners as part of the original FIL loan agreed to defer interest payments to provide cashflow support to Farnborough International Limited (FIL) following the cancellation of the 2020 Airshow. A revised Intercreditor Agreement was signed during 2021 that includes the capitalisation of interest and deferral of repayments to the public sector funding partners by 2 years. The first loan repayments will now be due in June 2026 with a further payment in June 2028. Therefore, the Council will not receive the full payment of interest covering the period from March 2020 to March 2022 until March 2024 subject to the covenant agreements within the agreement being met.

### 3 SERVICE INVESTMENTS: SHARES

- 3.1 **Contribution:** The Council invests in the shares of its subsidiary Rushmoor Homes Limited and holds a financial share in a development partnership, Rushmoor Development Partnership (RDP), as vehicles which can be used to support development in housing and regeneration and support local public services and stimulate local economic growth.
- 3.3 The Rushmoor Development Partnership (RDP) was established to assist the Council 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	2021/22 Forecast	2022/23 Estimate
Subsidiaries and Partnerships	0.6	0.6
<b>TOTAL</b>	<b>0.6</b>	<b>0.6</b>

- 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 an appropriate mechanism to undertake development. 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 and project plans from the RDP need to be agreed by the Council.
- 3.8 The Council 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 undertaken by the RDP to ensure minimisation of risk. Developments would not be agreed if there were considerations that insufficient financial return would be delivered. 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. Experience 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 has investments in local and regional commercial and residential property with the intention of making a profit that will be spent on local public services.
- 4.2 In November 2020 the Public Works and Loan Board (PWLB) issued new lending terms (subsequently clarified in August 2021) making it conditional that Local Authorities have no intention to buy investment assets primarily for yield in the current and follow two financial years. To access this facility the Council revised its capital programme and will not be acquiring any further investment assets primarily for yield.



Table 3: Property held for investment purposes in £millions

Property by type	2020/21 Carry forward	2021/22 Transactions		2022/23 estimated transactions	
		Purchase cost	Estimated Value in accounts	Purchase cost	Estimated year end Value
Mixed use	4.5	0.0	4.5	0.0	4.5
Industrial units	24.3	0.0	24.3	0.0	24.3
Retail	45.0	0.0	45.0	0.0	45.0
Offices	49.9	0.0	49.9	0.0	49.9
<b>TOTAL</b>	<b>123.7</b>	<b>0.0</b>	<b>123.7</b>	<b>0.0</b>	<b>123.7</b>

- 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 2021/22 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:
- Quarterly review of the portfolio
  - Consideration of advice from the Council's commercial property advisers by the Council's Property Investment Advisory Group (PIAG). Currently is agreed that the best course of action is to hold the majority of the assets as values will increase over the long term and most assets within the portfolio are considered sound with strong covenants/dependable income streams. Assets identified for disposal will be taken forward to market.
- 4.8 **Risk assessment:** The Council assesses the risk of loss before entering and whilst holding property investments by:
- Assessment of the relevant market sector(s) including the level of

- competition, barriers to entry/exit, future market prospects
  - Assessment of exposure to particular market segments to ensure adequate diversification
  - Use of external advisors if considered appropriate by the Executive Head of Finance
  - 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 £6.8m of loans to RHL for 2022/23 and £2.9m for 2023/24.

## 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 Strategy. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate shortfall in income. The Head of Service responsible for the Council's property and estates functions would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.
- 6.2 With the introduction the revised PWLB lending terms, the Council has no intention to purchase investment assets primarily for yield in the current and following two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to Gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in Gross service expenditure.

**Table 4: Proportionality of Investments in £ millions**

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2021/22 Estimate</b>
Gross service expenditure	58.3	61.9	64.9
Investment income	8.0	9.0	9.2
Proportion	13.8%	14.5%	14.2%

## **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 significant combined commercial experience. The assigned investment team can call on the wider expertise and resource of the parent company (Lambert Smith Hampton-LSH) that have offices throughout the UK
- 8.3 **Commercial deals:** The Council will ensure that the Cabinet, officers and agents negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
- 8.4 **Corporate governance:** Any 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	2020/21 Actual	2021/22 Forecast	2022/23 Estimate
Treasury management investments	26.7	23.9	23.9
Service investments: Loans	7.6	7.8	14.5
Service investments: Shares	0.35	0.4	0.6
Commercial investments: Property	123.7	123.7	123.7
TOTAL INVESTMENTS	158.4	155.8	162.7
Commitments to lend	0.0	9.6	2.9
TOTAL EXPOSURE	158.4	165.4	165.6

- 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**

	2020/21 Actual	2021/22 Forecast	2022/23 Estimate
Treasury management investments	0	0	0
Service investments: Loans	3.0	3.2	909
Service investments: Shares	0.35	0.4	0.6
Commercial investments: Property	90.3	90.3	90.3
TOTAL FUNDED BY BORROWING	93.7	93.9	100.8

- 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)**

<b>Investments net rate of return</b>	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Estimate</b>
Treasury management investments	3.6%	3.7%	4.0%
Service investments: Loans	1.3%	0.2%	0.2%
Service investments: Shares	0%	0%	0%
Commercial investments: Property	2.6%	3.7%	2.6%
<b>ALL INVESTMENTS</b>	<b>2.7%</b>	<b>3.3%</b>	<b>2.7%</b>

- 9.5 Treasury management returns are forecast to continue to recover in 2021/22. Service investment loan returns are forecast to remain low during 2022/23 due to the interest deferral on Farnborough International Limited loan, which the Council entered into as part of a funding consortium. Commercial property investment return is forecast to improve during 2021/22 with a decrease expected in 2022/23 due to reduced income from vacancies at the end of tenancy periods.

### MINIMUM REVENUE PROVISION STATEMENT 2022/23

- 1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- 1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 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.
- 1.4 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.
- 1.5 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.
- 1.6 Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard
- 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.

## APPENDIX 3

- 1.8 At the commencement of 2021/22 the Council had, a Capital Financing Requirement (CFR) of £119.4m in relation to a specific elements of capital expenditure incurred in the previous financial year (2020/21). The Council has incurred further amounts of capital expenditure in 2021/22 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 2021/22 will require MRP to be charged to the Council's General Fund Revenue Account in 2022/23 and future years.
- 1.9 Capital expenditure incurred during 2022/23 will not be subject to MRP charge until 2023/24.
- 1.10 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2022, the MRP budget for 2022/23 has been set at (£2.7m).
- 1.11 **Overpayments:** In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. No further overpayment is planned.

### MRP Overpayments in £ millions

Actual balance 31.03.2021	0.45
Approved overpayment 2021/22	nil
Expected balance 31.03.2022	0.45
Planned overpayment 2022/23	nil
Forecast balance 31.03.2023	0.45



## ANNEX 3

## COUNCIL MEETING – 24TH FEBRUARY 2022

## AGENDA ITEM NO. 4 (3)

## REVENUE BUDGET, CAPITAL PROGRAMME, AND COUNCIL TAX LEVEL

A report from the meeting of Cabinet held on 08 February 2022

**1. COUNCIL REPORT**

- 1.1 On 08 February 2022, Cabinet considered report FIN2210 and agreed recommendations on the budget and Council Tax requirement for 2022/23, 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 07 February 2022 and approved following a debate in Parliament on 09 February 2022. There was a minor change to the Lower Tier Services Grant allocation (£6,809 lower). There were no other changes to the settlement figures from those previously advised to Cabinet.
- 1.3 Final estimates for the level of retained business rates for 2022/23 have now been included in the 2022/23 budget and MTFs. Whilst there is an increase in the NNDR1-based estimates (£4.031m against the previous estimate of £3.500m) it is proposed to transfer the net increase of £0.513m to earmarked reserves to mitigate the continued uncertainty around business rates income.
- 1.4 An amendment has been made to the Council Tax precept for 2022/23 compared to the Cabinet recommendation to ensure the correct amount is stated and is reflected in the decision (iv) under paragraph 5.1
- 1.5 The estimated General Fund Balance at the close of 2022/23 of £2.0m. As indicated in Table 3 in the report to Cabinet, the Stability and Resilience reserve has been disaggregated to reflect the different financial risks around Business Rates (Business Rates Equalisation Reserve) and support to the MTFs (MTFS Equalisation Reserve). The impact of the changes outlined in paragraphs 1.2 and 1.3 above increases the projected balance on these reserves at the end of the financial year to £2.791m and £1.733m respectively (previously £2.500m and £1.465m).
- 1.6 Cabinet considered the report from the Council Tax Support Task and Finish Group at their meeting on 18 January 2022 ([FIN2206](#)). 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

2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.

- 1.7 Cabinet endorsed the approach set out in the report and the recommendation to commission the Council Tax Support Task and Finish Group to undertake a detailed review of the Council Tax Support Scheme in early 2022/23 to take into account the continuing impact of the Covid 19 pandemic and the increasing cost of the scheme and its local impact on scheme recipients and other local council tax payers.
- 1.8 At the meeting on 08 February Cabinet was informed that the Capital Programme as presented in the report did not include capital schemes in respect of IT and Council Office Improvements within the Customer Experience and Improvement portfolio. The amended figures were provided to the Cabinet and are reflected in Table C4 of this report.
- 1.9 Appendix 2 sets out the changes to the MTFS based on the changes above. The Cabinet report (with minor proof-read changes) is reproduced below in its entirety for completeness (Appendix 4).
- 1.10 Paragraph 4.9 of the Cabinet report included commentary around the increase in the SERCO contract. Further analysis has been undertaken with the table below providing a reconciliation of the changes to the contract cost (prior to any Savings and Transformation/CREP items):

	<b>Budget Change (£'000)</b>
<b>Reconciliation of SERCO Contract cost changes</b>	
2021/22 Original Budget for Serco Contract	4,284
2021/22 Variation in service addition item for food waste changes	200
2021/22 Cabinet Report in year for a £90k supplementary estimate for food waste changes	90
<b>2021/22 Approved Budget</b>	<b>4,574</b>
Contract uplift estimated at 5.18% for 2022/23	222
Additional property number growth estimate for 2022/23 that will require a Refuse & Recycling Service	15
Remove 2021/22 Additional Item(s) for Food Waste Changes	(290)
Replace with new calculation from the Service for the increase in contract costs following implementation of the Food Waste Service	94
Additional Bulky Waste Contractor charges (this is a demand led service so these additional costs will have a corresponding increase in an income budget which isn't shown as part of the contractor budget)	15
Additional Garden Waste Contractor charges (this is a demand led service so these additional costs will have a corresponding increase in an income budget which isn't shown as part of the contractor budget)	14
Reduction in Contractor costs as Rushmoor closed 2 public toilets in April 2021	(33)
Miscellaneous changes - (e.g. inventory changes)	(11)
<b>2022/23 Original Budget for Serco Contract</b>	<b>4,601</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.
- 2.2 The first key risk is around the nature and scope of local government funding from central government from 2023/24. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. 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.
- 2.3 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 2023/24 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. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government. 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.
- 2.4 The continued impact on the Council from pressures within the wider economy including Covid-19 and inflation. This will have an impact on income and expenditure budgets during 2022/23 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2022/23 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
  - Energy cost pressures
  - Interest rate increases in recent months and the forecast of further base rate increases during 2022 – this will have an impact on prudential borrowing costs.
- 2.5 The Council's Medium Term Financial Forecast and budget proposals were the subject of a presentation to all members during January and February 2022. 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.

- 2.6 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 £214.42 to £219.42
- 2.7 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 2023 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.
- 2.8 Given the impact from Covid-19 this is in effect a 'roll-over' settlement from 2021/22. 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 2023 with consultation expected in the Spring.
- 2.9 The provisional settlement largely confirmed the funding expectations for local government outlined in the Budget and Spending Review 2021
- Confirmation of the Council Tax referendum principle of 2% or £5 (whichever is higher) for shire districts and boroughs
  - New Homes Bonus scheme continues for a further year
  - Rural Services Delivery Grant maintained
  - Social Care Funding
  - Lower Tier Services Grant
  - New Services Grant allocations to provide additional funding for all tiers of local government
  - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)

#### Balanced Budget Requirement and Savings Programme

- 2.10 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 MTFs Equalisation reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap (prior to any savings target) of £3.542m in 2023/24, rising to £4.349m in 2024/25 and is forecast to increase further to £4.863m in 2025/26.

An indicative Savings and Income Target has been included in the second table below which illustrates the scale of the financial challenge facing the Council in future years.

**Table C1 – Medium Term Financial Forecast**

MTFS	MTFS Period					
	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Net Service Revenue Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items/Non Service Income & Expenditure	2,223	540	1,811	3,314	4,446	4,596
Provision for Inflation	0	0	100	661	1,221	1,782
<b>Portfolio + Corporate Items</b>	<b>12,350</b>	<b>13,468</b>	<b>13,531</b>	<b>15,595</b>	<b>17,038</b>	<b>17,748</b>
Additional Items & Budget Pressures	490	0	0	0	0	0
Budget Proposals	100	100	0	0	0	0
Risk items (Waste)	0	0	0	350	350	350
Savings and Transformation Plan items	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
<b>Draft Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>12,503</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>
<b>Funded by:</b>						
Council Tax *	6,928	6,928	7,196	7,434	7,675	7,921
Business Rates *	3,574	3,574	4,031	2,550	2,601	2,653
New Homes Bonus	863	863	344	0	0	0
Covid Funding	589	626	0	0	0	0
Other Funding (inc Transitional Funding assumptions)	101	101	273	609	359	0
Council Tax/NNDR Surplus or (Deficit)	(200)	(200)	(314)	(286)	0	0
<b>TOTAL Funding</b>	<b>11,855</b>	<b>11,892</b>	<b>11,530</b>	<b>10,306</b>	<b>10,635</b>	<b>10,574</b>
<b>Core (Surplus) / Deficit</b>	<b>1,014</b>	<b>1,328</b>	<b>973</b>	<b>3,542</b>	<b>4,349</b>	<b>4,863</b>

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Funding Gap forecast in MTFS</b>						
Draft Revenue Budget (before Savings)	12,939	13,568	13,531	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,530	10,306	10,635	10,574
<b>Funding Gap</b>	<b>1,084</b>	<b>1,676</b>	<b>2,001</b>	<b>5,638</b>	<b>6,753</b>	<b>7,524</b>
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
<b>Residual Funding Gap After Savings</b>	<b>1,014</b>	<b>1,328</b>	<b>473</b>	<b>1,042</b>	<b>1,349</b>	<b>1,363</b>
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(473)	(1,042)	(1,349)	(1,363)
<b>MTFS Equalisation Reserve Y/E Balance</b>		<b>2,415</b>	<b>2,233</b>	<b>1,191</b>	<b>(157)</b>	<b>(1,520)</b>

- 2.11 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Council Business Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 2.12 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.
- 2.13 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

2.14 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 and Transformation Programme (formerly CREP)

2.15 The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year.

2.16 The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed 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.

2.17 As can be seen from Table C1 in this report, the requirement to reduce costs and balance the budget are substantial. The Savings and Transformation Programme has been established to ensure sustained focus over the MTFS period. The programme is supported by a project team which reports to the Executive Leadership Team Board on a monthly basis to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group.

2.18 The aim of the programme is to achieve financial sustainability and enable service transformation within the MTFS period without significant impact on Council Plan priorities. There are 5 broad areas that the Savings and Transformation Programme will work through:

1. CREP

- Ensure delivery of 'live' savings projects
- Review remaining CREP lines of enquiry and feed into a 'savings project pipeline'
- Review un-scoped ideas generated from 2021/22 CREP workshops, assess and feed into 'savings project pipeline'

2. Efficiencies from New Ways of Working Projects (ICE)

3. Asset management and redevelopment (incl. increasing income from existing assets)

4. Fees and Charges – cost recovery principle

5. Corporate workstreams

- Procurement and spend analysis
- Insurance and risk management – approach to self-insurance to reduce cost

- Workforce planning
- Approach to in-year expenditure to promote strong financial management
- Review of joint working and shared service opportunities approach
- Stronger Financial Management – Forecasting, budget management and accountability, approach to capital financing

2.19 Table C2 below shows the outcomes to date that have been included in the MTFS. Interest income from the Housing Company (previously reported as a savings plan item from the February 2020 MTFS) is not included under CREP as this is now part of the Council's Treasury Management activities.

**Table C2 – Savings and Transformation Programme**

<b>Workstream</b>	<b>2021/22 Forecast (£'000)</b>	<b>2022/23 Forecast (£'000)</b>	<b>2023/24 Forecast (£'000)</b>	<b>2024/25 Forecast (£'000)</b>	<b>2025/26 Forecast (£'000)</b>
<b>Workstream 1</b>					
Live Savings Projects (1.1)	44	49	150	150	150
Live Savings Projects (1.2)	160	244	398	398	398
Live Savings Projects (1.3)	0	106	315	315	315
Live Savings Projects (1.4)	20	57	151	151	151
<b>Subtotal Workstream 1</b>	<b>224</b>	<b>456</b>	<b>1,014</b>	<b>1,014</b>	<b>1,014</b>
<b>Workstream 2</b>					
Live Savings Projects (2.1)	4	41	41	41	41
Live Savings Projects (2.2)	0	82	112	112	112
<b>Subtotal Workstream 2</b>	<b>4</b>	<b>123</b>	<b>153</b>	<b>153</b>	<b>153</b>
Regeneration	218	0	0	0	0
Property Assets	0	400	957	1,215	1,215
<b>TOTAL Savings &amp; Transformation Savings</b>	<b>446</b>	<b>978</b>	<b>2,124</b>	<b>2,382</b>	<b>2,382</b>
As recognised in MTFS	278	578	1,567	2,124	2,382
Difference	(168)	(400)	(557)	(258)	0

### Balances and Reserves

- 2.20 The Council's financial position is supported by its balances and reserves.
- 2.21 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 additional cost reductions and new income to ensure an adequate reserve balance is maintained.
- 2.22 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 2.23 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 £0.267m of the reserve will be utilised in 2021/22 to mitigate the impact of reduced rental income expectations.
- 2.24 A more significant drawdown from the commercial property reserve is required in 2022/23 to mitigate the impact of expected tenancy changes at Ashbourne House Guildford and Frimley Business Park. The Council will be undertaking capital expenditure on these properties to ensure vacant units can be relet in the current market and will need to fund the reduced income and costs arising from business rates and service charges on the vacant units. It is estimated that the drawdown from the reserve will be £0.974m. The Council will need to give consideration to the adequacy of this reserve in future years to ensure it can mitigate further fluctuations in income and expenditure across the corporate property portfolio.
- 2.25 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 2021/22 is £0.180m with £0.220m in 2022/23.
- 2.26 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 and include reserves that have since been depleted or reviewed. Members are reminded of the key reserve held to mitigate future liabilities around the performance of the Pension Fund.
- Pensions (confirmed transfer amounts are £0.818m in 2021/22, and a revised amount of £0.513m in 2023/24) with the MTFS assuming further increases following the next triennial review in 2023.
- 2.27 It is expected that earmarked reserves supporting the Regeneration, Property & Major Works programmes are likely to 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.

- 2.28 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 C3 – Balances and Reserves forecast**

	SOA Balance as at 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)
<b>Earmarked Reserve</b>					
COVID BRR Earmarked Reserve	10,812	265	265	265	265
Stability and Resilience Reserve	4,577				
Business Rates Equalisation Reserve	-	2,500	2,791	2,791	2,791
MTFS Equalisation Reserve	-	2,415	1,733	691	-
Negative Balance of MTFS Equalisation *					(657)
Service Improvement Fund	129	-	-	-	-
Commercial Property Reserve	1,750	1,362	388	388	388
Regeneration, Property & Major Projects	357	536	136	36	36
ICE Reserve	-	-	-	-	-
Climate Emergency Reserve ***	239	120	-	-	-
Deprivation Strategy Reserve ****	94	133	103	103	103
Pension Reserve	669	1,487	2,000	2,500	3,000
Workforce Planning Reserve	200	100	100	100	100
Treasury Earmarked Reserve	400	220	-	-	-
Covid-19/Recovery Grant reserve	393	98	98	98	98
CPE Rolling Fund	281	281	281	281	281
Budget Carry Forwards	390	-	-	-	-
All Other Earmarked Reserves (excluding SANG/s106) **	2,796	1,997	2,001	2,005	2,052
Commuted Sums/Amenity Areas	3,973	3,935	3,903	3,872	3,841
TAG Environmental Fund	96	96	96	96	96
<b>Total of all Earmarked General Fund Reserves</b>	<b>27,156</b>	<b>15,545</b>	<b>13,895</b>	<b>13,226</b>	<b>12,394</b>
<b>Excluding SANG/S106/TAG &amp; BRR</b>	<b>12,275</b>	<b>11,249</b>	<b>9,631</b>	<b>8,993</b>	<b>8,192</b>

Capital Programme 2021/22 to 2025/26

- 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 2021/22 to 2025/26 based on the principles of the current Capital Strategy. This is summarised in Table 7 below and in further detail in Appendix 3 of this report. A total capital expenditure budget of £37.008m in 2022/23 is proposed. Total expenditure decreases to £31.268m and £3.710m in 2023/24 and 2024/25 respectively, and in the final year of the current programme 2025/26 spend is estimated at £1.301m.

**Table C4 – Summary Capital Programme**

Portfolio/Scheme	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
<b>Corporate Services</b>						
Flexible Use of Capital Receipts	0	74	0	0	0	0
<b>Subtotal CS</b>	<b>0</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Customer Experience &amp; Improvement</b>						
Computer Systems	115	115	265	160	325	85
Council Offices	33	33	40	40	40	0
<b>Subtotal CE&amp;I</b>	<b>148</b>	<b>148</b>	<b>305</b>	<b>200</b>	<b>365</b>	<b>85</b>
<b>Major Projects &amp; Property</b>						
Aldershot Town Centre Projects	3,951	400	3,551	0	0	0
Civic Quarter Farnborough	19,383	19,383	2,000	0	0	0
Housing Matters	5,436	156	6,751	2,878	0	0
Property and Assets	0	320	500	12,000	0	0
Property Enhancements	90	307	651	224	0	0
Union Yard Aldershot	7,658	6,500	20,950	14,750	2,129	0
<b>Subtotal MP&amp;P</b>	<b>36,518</b>	<b>27,066</b>	<b>34,403</b>	<b>29,852</b>	<b>2,129</b>	<b>0</b>
<b>Operational Services</b>						
CCTV	400	0	400	0	0	0
Crematorium	0	949	0	0	0	0
Depots	34	34	0	0	0	0
Manor Park	49	49	0	0	0	0
Parks & Open Spaces	20	115	0	0	0	0
Southwood SANG set-up	0	158	0	0	0	0
Playground Works	0	104	0	0	0	0
Refuse/Recycling inc Food Waste	231	466	105	105	105	105
Southwood SANG Visitor Centre	0	276	685	0	0	0
Improvement Grants	1,111	1,663	1,111	1,111	1,111	1,111
<b>Subtotal OPS</b>	<b>1,844</b>	<b>3,813</b>	<b>2,301</b>	<b>1,216</b>	<b>1,216</b>	<b>1,216</b>
<b>Planning &amp; Economy</b>						
No Capital Schemes						
<b>TOTAL Capital Programme</b>	<b>38,510</b>	<b>31,102</b>	<b>37,008</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>

- 2.31 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.
- 2.32 The Capital Programme, as set out in this report, includes the forecast contract expenditure estimates for the construction and development of the Union Yard scheme that Council approved in July 2021.

- 2.33 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.
- 2.34 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.
- 2.35 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.
- 2.36 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).
- 2.37 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 C5 – Capital Financing**

<b>Capital Financing Statement</b>	<b>2021/22 Original Estimate (£'000)</b>	<b>2021/22 Revised Estimate (£'000)</b>	<b>2022/23 Estimate (£'000)</b>	<b>2023/24 Estimate (£'000)</b>	<b>2024/25 Estimate (£'000)</b>	<b>2025/26 Estimate (£'000)</b>
Revenue Contribution to Capital		0	0	0	0	0
Grants & Contributions from Other Bodies	9,238	2,844	7,520	20	20	20
Grants & Contributions - Improvement Grants	1,061	1,613	1,061	1,061	1,061	1,061
Section 106 Developers Contributions	52	52	0	0	0	0
Prudential Borrowing	28,160	26,232	27,428	30,187	2,629	220
Capital Receipts	0	361	1,000	0	0	0
<b>TOTAL Financing</b>	<b>38,510</b>	<b>31,102</b>	<b>37,008</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>

### **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 will be circulated as a separate paper.

#### **4. CONCLUSIONS**

- 4.1 Despite the uncertainties around future levels of Government Funding, the impact from Covid during 2021/22 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 £214.42 per annum to £219.42) – 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 will require the implementation of cost reduction and efficiency savings of £0.778m and utilisation of £0.973m of the MTFS Equalisation reserve in 2022/23.
- 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 will need to continue the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. As endorsed by Cabinet at their meeting on 18 January 2022, the Budget Strategy Working Group to act as consultee on the development of the programme.
- 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. Reserves held to mitigate risk (Commercial Property reserve, MTFS Equalisation reserve) are forecast to be significantly depleted during 2022/23 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks identified in this report. All reserves will be monitored and reported to Cabinet throughout 2022/23.

## **5. RECOMMENDATIONS**

5.1 The Council is recommended to approve the following, as detailed in report FIN2210.

- i) the Executive Head of Finance's report under Section 25 of the Local Government Act 2003 as set out in Appendix 1 (provided separately to this report)
- ii) the General Fund Revenue Budget Summary (as updated) set out in Appendix 2
- iii) the Savings and Transformation items for inclusion in the budget, set out in Appendix 2(CAB)
- iv) the Council Tax Requirement of £7,195,943 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £219.42 for a Band D property in 2022/23 (an increase of £5)
- vi) the Capital Programme (as updated), set out in Appendix 3
- 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 2022/23 and the holding of reserves as set out in Table C2 of this report

5.2 The Council is recommended to approve the following, as detailed in report FIN2206

- i) 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 2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.
- ii) Council Tax Support Task and Finish Group to undertake a detailed review of the Council Tax Support Scheme in early 2022/23 to take into account the continuing impact of the Covid 19 pandemic and the increasing cost of the scheme and its local impact on scheme recipients and other local council tax payers.

**Cr. D E Clifford  
Leader of the Council**

**STATEMENT OF THE CHIEF FINANCIAL OFFICER**

To be provided separately

## APPENDIX 2

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Medium Term Financial Strategy</b>						
<b>Base Budget (Shown net of Accounting Adjs and SSCs)</b>						
Corporate & Democratic Services	5,147	5,808	5,532	5,532	5,532	5,532
Customer Experience & Improvement	3,114	3,611	3,585	3,585	3,585	3,585
Major Projects & Property	(5,929)	(4,881)	(4,922)	(4,922)	(4,922)	(4,922)
Operational Services	6,069	6,626	5,785	5,785	5,785	5,785
Planning & Economy	1,228	1,265	1,390	1,390	1,390	1,390
ICE Modernisation Programme	499	499	250	250	0	0
<b>Net Expenditure</b>	<b>10,127</b>	<b>12,928</b>	<b>11,620</b>	<b>11,620</b>	<b>11,370</b>	<b>11,370</b>
<b>Corporate Items</b>						
Transfers To/From reserves	0	0	0	0	0	0
MTFS Equalisation	0	0	240	0	0	0
Treasury Reserve	(180)	(180)	(220)	0	0	0
Other Earmarked Reserves/Prior yr grants/CPE account	(273)	(741)	(28)	0	0	0
Service Improvement Fund (from)	(129)	(129)	0	0	0	0
Service Improvement Fund (to)	0	0	0	0	0	0
Commercial Property reserve	(250)	(267)	(274)	0	0	0
Commercial Property reserve (additional)	0	0	(700)	0	0	0
Regeneration, Property & Major Projects	(100)	(290)	(400)	(100)	0	0
CPE Rolling Fund	98	0	0	0	0	0
Budget Carry Forwards	0	(390)	0	0	0	0
Elections Reserve	(87)	(87)	0	0	0	0
BP: Climate Emergency	0	(119)	(120)	0	0	0
BP: Deprivation Strategy	0	(61)	(30)	0	0	0
Workforce Reserve	0	(100)	0	0	0	0
Business Rates Equalisation Reserve	0	0	291	0	0	0
Pension Reserve	818	818	513	500	500	500
Other Corporate Income & Expenditure	349	349	342	342	342	342
Minimum Revenue Provision (MRP)	2,457	2,457	2,657	2,857	3,000	3,000
Interest Payable	795	300	1,250	2,437	2,783	2,932
Investment Income	(1,090)	(1,000)	(1,250)	(1,600)	(1,600)	(1,600)
Investment Income (Interest on Service Loans to RHL)	(186)	(20)	(210)	(522)	(579)	(579)
Interest Payable (Capitalisation of Interest)	0	0	(250)	(600)	0	0
<b>Subtotal</b>	<b>2,223</b>	<b>540</b>	<b>1,811</b>	<b>3,314</b>	<b>4,446</b>	<b>4,596</b>
<b>Adjusted Budget</b>	<b>12,350</b>	<b>13,468</b>	<b>13,431</b>	<b>14,934</b>	<b>15,816</b>	<b>15,966</b>
<b>Inflationary Provision, Pension costs</b>						
Inflation (Pay) 2.00% Assumption	0	0	0	261	521	782
Inflation (Contracts/Non-Pay)	0	0	100	300	500	700
Salary Increments	0	0	0	100	200	300
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>661</b>	<b>1,221</b>	<b>1,782</b>
<b>Adjusted MTFP Position</b>	<b>12,350</b>	<b>13,468</b>	<b>13,531</b>	<b>15,595</b>	<b>17,038</b>	<b>17,748</b>
<b>Budget Proposals/Growth</b>						
2020/21 Additional Items: Variations in Service	490	0	0	0	0	0
2021/22 Budget Proposal: Covid support and recovery	100	100	0	0	0	0
RISK: HCC Waste proposals (September 2019 notification)	0	0	0	350	350	350
<b>Subtotal</b>	<b>590</b>	<b>100</b>	<b>0</b>	<b>350</b>	<b>350</b>	<b>350</b>
<b>Savings &amp; Transformation Items</b>						
Procurement Savings	(20)	(20)	0	0	0	0
Reversal of Deprivation/COMF Funded Activity	0	0	0	(80)	(80)	(80)
Savings and Transformation Team - UCR Funding	0	0	(250)	(250)	0	0
CREP - Non Asset Items	0	(278)	(578)	(1,167)	(1,167)	(1,167)
CREP - Property and Asset Items	0	0	0	(400)	(957)	(1,215)
Salaries monitoring	(50)	(50)	(200)	(200)	(200)	(200)
<b>Subtotal</b>	<b>(70)</b>	<b>(348)</b>	<b>(1,028)</b>	<b>(2,097)</b>	<b>(2,404)</b>	<b>(2,662)</b>
<b>NET Savings or Growth</b>	<b>520</b>	<b>(248)</b>	<b>(1,028)</b>	<b>(1,747)</b>	<b>(2,054)</b>	<b>(2,312)</b>
<b>Proposed Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>12,503</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>

## APPENDIX 2

Medium Term Financial Strategy	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Proposed Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>12,503</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>
<b>Funded by:</b>						
Council Tax	6,928	6,928	7,196	7,434	7,675	7,921
Business Rates Retention	3,574	3,574	4,031	2,550	2,601	2,653
Lower Tier Services Grant	101	101	109	0	0	0
Services Grant	0	0	164	0	0	0
Transitional Funding assumption (BRR + LTSG)	0	0	0	609	359	0
New Homes Bonus (Legacy)	550	550	211	0	0	0
New Homes Bonus (Year 11, Year 12)	313	313	133	0	0	0
Covid Funding (Expenditure Pressures)	489	489	0	0	0	0
Covid Funding (Sales, Fees & Charges compensation)	100	137	0	0	0	0
Business Rates Deficit 2020/21	0	(9,294)	0	0	0	0
Transfer from Business Rates Reserve	0	9,294	0	0	0	0
Collection Fund - CT	23	23	(75)	(63)	0	0
Collection Fund - NNDR	(223)	(223)	(239)	(223)	0	0
<b>TOTAL Funding</b>	<b>11,855</b>	<b>11,892</b>	<b>11,530</b>	<b>10,306</b>	<b>10,635</b>	<b>10,574</b>
<b>Core (Surplus) / Deficit</b>	<b>1,014</b>	<b>1,328</b>	<b>973</b>	<b>3,542</b>	<b>4,349</b>	<b>4,863</b>



APPENDIX 3

CAPITAL PROGRAMME SUMMARY 2021/22 TO 2025/26			All amounts are in £			
	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
			Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
<b>CAPITAL EXPENDITURE ON PORTFOLIOS</b>						
Corporate and Democratic Services	-	74,498	-	-	-	-
Customer Experience and Improvement	148,000	148,000	305,000	200,000	365,000	85,000
Major Projects and Property	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	
Operational Services	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510
Planning and Economy	-	-	-	-	-	-
Savings & Transformation/ICE Modernisation Programme	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>38,509,980</b>	<b>31,102,192</b>	<b>37,008,409</b>	<b>31,267,859</b>	<b>3,709,510</b>	<b>1,300,510</b>
<b>CAPITAL EXPENDITURE RESOURCES</b>						
Revenue Contribution to Capital - General	-	-	-	-	-	-
Revenue Contribution to Capital - Improvement Grants	-	-	-	-	-	-
<b>Total Revenue Contributions</b>	-	-	-	-	-	-
Grants & Contributions from Other Bodies (see Grants & Conds Summary page)	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
Grants & Contributions - Improvement Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
Section 106 Developers Contributions (see s106 Summary page)	51,670	51,670	0	-	-	-
	10,349,680	4,509,090	8,580,510	1,080,510	1,080,510	1,080,510
Capital Receipts & Borrowing - General Fund Schemes	28,160,300	26,593,102	28,427,899	30,187,349	2,629,000	220,000
Capital Receipts & Borrowing - Housing home improvement grant schemes	-	0	0	0	0	0
<b>Total Capital Receipts &amp; Borrowing</b>	<b>28,160,300</b>	<b>26,593,102</b>	<b>28,427,899</b>	<b>30,187,349</b>	<b>2,629,000</b>	<b>220,000</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>38,509,980</b>	<b>31,102,192</b>	<b>37,008,409</b>	<b>31,267,859</b>	<b>3,709,510</b>	<b>1,300,510</b>

APPENDIX 3

GRANTS & CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26				All amounts are in £			
Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>General Fund - Grants &amp; Contributions</b>						
6518	- Wheeled Bin Contributions (Developers & Householders)	20,000	20,000	20,000	20,000	20,000	20,000
6567	- Replacement Cremator (CAMEO)		948,564				
	- Moor Road - Recreation Ground Development (Sport England, PEBL, Landfill Tax)						
6613	- Parks and Open Spaces - Southwood Golf Course SANG Initial Setup		158,196				
6619	- Parks and Open Spaces - Heritage Trails	17,500	17,500				
	<b>Regeneration Projects</b>						
5407	- Union Yard (LEP and Housing Infrastructure Fund)	5,300,000	1,300,000	4,000,000			
	- Games Hub (LEP)						
5409	- The Galleries (Housing Infrastructure Fund)	3,400,000	400,000	3,000,000			
	<b>Activation Aldershot Projects</b>						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	500,000		500,000			
	<b>Total General Fund Grants &amp; Contributions</b>	<b>9,237,500</b>	<b>2,844,260</b>	<b>7,520,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
	<b>Housing Schemes - Government Grants</b>						
640050013	- Improvement Grants - Disabled Facilities Grants (Better Care Fund)	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
	<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>10,298,010</b>	<b>4,457,420</b>	<b>8,580,510</b>	<b>1,080,510</b>	<b>1,080,510</b>	<b>1,080,510</b>

SECTION 106 DEVELOPERS CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26				All amounts are in £			
Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>General Fund Schemes</b>						
6571	- Manor Park - Lake Improvements	49,170	49,170				
6619	- Park and Open Spaces - Heritage Trails	2,500	2,500				
	<b>TOTAL SECTION 106 DEVELOPERS CONTRIBUTIONS</b>	<b>51,670</b>	<b>51,670</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>

APPENDIX 3

CORPORATE & DEMOCRATIC SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26							All amounts are in £	
1 of 1				Anticipated Payments				
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	
	<b>FLEXIBLE CAPITAL RECEIPTS</b>							
5299	Schemes funded by unallocated Capital Receipts		74,498					
	<b>TOTAL</b>	-	<b>74,498</b>	-	-	-	-	

CUSTOMER EXPERIENCE & IMPROVEMENT PORTFOLIO CAPITAL PROGRAMME 2021/2022 TO 2025/26							All amounts are in £	
1 of 1				Anticipated Payments				
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	
	<b>COMPUTER SYSTEMS</b>							
730540012	IT Equipment Replacement (inc. Endpoint and peripheral management)	70,000	70,000	115,000	30,000	195,000	85,000	
750040224	PCI Compliance (s)	10,000	10,000					
tba	Infrastructure investment/replacement			130,000	130,000	130,000		
tba	Service Desk System replacement			20,000				
730740012	Telephony Replacement Project	35,000	35,000					
	<b>COUNCIL OFFICES</b>							
5329	Office Accommodation (s)	10,000	10,000					
5318	Improvement Programme	13,000	13,000	40,000	40,000	40,000		
5340	Electrical Generator Switch (s)	10,000	10,000					
	<b>TOTAL</b>	<b>148,000</b>	<b>148,000</b>	<b>305,000</b>	<b>200,000</b>	<b>365,000</b>	<b>85,000</b>	

APPENDIX 3

MAJOR PROJECTS AND PROPERTY PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26

All amounts are in £

Page 7 of 1

Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>ALDERSHOT TOWN CENTRE PROJECTS</b>						
5409	The Galleries Regeneration (bc) (s)	3,400,000	400,000	3,000,000			
5404	Adlershot Forecourt Improvement	550,760		550,760			
	<b>CIVIC QUARTER FARNBOROUGH</b>						
5405	Civic Quarter Farnborough Development (bc) (s)	19,383,000	17,980,000				
5405	REGENERATION - Farnborough Leisure Centre demolition		1,339,000				
5405	REGENERATION - Farnborough Leisure Centre Feasibility and design work		64,000	2,000,000			
	<b>HOUSING MATTERS</b>						
5406	Housing PRS Delivery (bc) (s)	5,436,000	156,290	6,751,139	2,878,349		
	<b>PROPERTY AND ASSETS</b>						
tba	Tices Meadow		45,000				
tba	The Meads		250,000				
tba	Hawley Lane		25,000	500,000	12,000,000		

APPENDIX 3

MAJOR PROJECTS AND PROPERTY PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26				All amounts are in £			
2 of 2				Anticipated Payments			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>PROPERTY ENHANCEMENTS</b>						
tba	Property Services Capital R&M schemes (bc)			500,000			
tba	Voyager House Fit Out		100,000				
tba	Ashbourne House			51,000	74,000		
tba	Frimley 4 Business Park Unit 4.3 Enhancement Works		117,000				
tba	Frimley 4 Business Park Unit 4.4 Enhancement Works			100,000	150,000		
5316	Devereux House Albert Road Farnborough	90,000	90,000				
	<b>UNION STREET ALDERSHOT</b>						
tba	Union Yard - Party Wall		300,000				
5407	Union Yard Aldershot Regeneration	7,657,770	6,200,000	20,950,000	14,750,000	2,129,000	
	<b>TOTAL</b>	<b>36,517,530</b>	<b>27,066,290</b>	<b>34,402,899</b>	<b>29,852,349</b>	<b>2,129,000</b>	

**APPENDIX 3**

OPERATIONAL SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26					All amounts are in £			
Page 1 of 2	Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
					Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
					6507	<b>CCTV</b> Camera and Network	400,000	
6567	<b>CREMATORIUM</b> Replacement Cremators		948,564					
6517	<b>DEPOTS</b> Hawley Lane Development Works (s)	33,670	33,670					

APPENDIX 3

OPERATIONAL SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26				All amounts are in £			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
2 of 2							
6571	<b>MANOR PARK</b> Lake Improvements (s)	49,170	49,170				
	<b>PARKS &amp; OPEN SPACES</b>						
6612	Unspecified Park Improvements		44,544				
6613	Southwood Golf Course SANG Setup		128,196				
6617	Southwood Golf Course SANG Wetland		30,000				
6618	KGV café conversion within the pavilion		50,000				
6619	Heritage Trails	20,000	20,000				
	<b>PLAYGROUND WORKS</b>						
6610	Recreation Ground Playground Renewal (bc) (s)		104,000				
	<b>REFUSE/RECYCLING</b>						
6518	Domestic Refuse - Wheeled Bins	100,000	100,000	100,000	100,000	100,000	100,000
6620	Domestic Refuse - Waste Containers and Liners	131,100	131,100	5,000	5,000	5,000	5,000
	Food Waste Vehicles		235,000				
	<b>SOUTHWOOD SANG VISITOR CENTRE</b>						
tba	Southwood SANG Feasibility		75,000				
tba	Southwood SANG Visitor Centre and Café		201,000	685,000			
	<b>IMPROVEMENT GRANTS</b>						
640050013	Disabled Facilities Grants	1,060,510	1,613,160	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
	<b>TOTAL</b>	<b>1,844,450</b>	<b>3,813,404</b>	<b>2,300,510</b>	<b>1,215,510</b>	<b>1,215,510</b>	<b>1,215,510</b>

## 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 2022/23.

## 2. BACKGROUND

- 2.1 Cabinet approved the budget framework set out in the Budget Strategy 2022/23 report on 19 October 2021 ([FIN2122](#)). Cabinet considered the prospects for the Medium-Term Financial Strategy at their meeting on 18 January 2022 ([FIN2203](#)).

- 2.2 The budget and MTFFS 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 2022/23

- 2.3 The provisional settlement for 2022/23 was announced on 16 December 2021 and given the impact from Covid-19 and the Government's focus on stability it should be seen as a 'roll-over' settlement from 2021/22. It is worth stressing that the settlement only covers the forthcoming financial year. Significant changes to local government finance have been delayed for at least further year with the Government indicating consultation will take place on their proposed change in the spring.
- 2.4 The government's consultation on the settlement closed on 13 January 2022 with the final settlement due to be confirmed shortly. 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 Budget and Spending Review 2021
- Confirmation of the Council Tax referendum principle of 2% or £5 (whichever is higher) for shire districts and boroughs
  - New Homes Bonus scheme continues for a further year
  - Rural Services Delivery Grant maintained
  - Social Care Funding
  - Lower Tier Services Grant
  - New Services Grant allocations to provide additional funding for all tiers of local government
  - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)
- 2.6 The MTFFS continues to provide a risk-based General Fund balance of £2m being the minimum expected level for total working balances.



### 3. 2021/22 BUDGET

- 3.1 The original net revenue budget for 2021/22 was £12.869m. Cabinet have considered the forecast outturn position during the year with the last forecast outturn position of £13.465m reported in the Revenue Budget Monitoring P2 2021/21 report (FIN2201) – an adverse variation of £0.353m against the revised budget of £13.076m as reported at the time.
- 3.2 The main variations across service budgets (£0.831m) are due to a shortfall in income from Sales, Fees & Charges with the level of Crematorium income being around 20% lower during the year. Covid-19 has had an ongoing impact on the Council's car parking income with both on-street and off-street car parking income under pressure.
- 3.3 Non-Service variations (£0.395m) include a net variation on Treasury Management activities (£0.495m underspend on interest payable mitigating a forecast £0.100m shortfall in investment income). An estimated shortfall in the level of savings that will be achieved in year (£0.176m) due to the delayed drawdown of funding by Rushmoor Homes. These variations are in part offset by changes to earmarked reserve transfers to mitigate the impact on the revenue budget (£0.223m).
- 3.4 The Council has received £0.137m of Covid funding in respect of the MHCLG Sales, Fees and Charges scheme (income loss) that provided support to Council in Q1 2021/22.
- 3.5 The estimates for the current year have been revised but only include minor changes from the original budget arising from the monitoring position outlined above and a revised position regarding the level of earmarked reserves required to support expenditure in relation to the impact of Covid-19 on the community and the Council's Climate Change Strategy. The revised net budget for 2021/22 is £13.220m – an increase of £0.351m over the original budget. Included within the revised estimates are impact of budgets carried forward from 2020/21 and reserve-funded changes. The change across each portfolio is summarised below, although the gross change will in many cases be matched by reserve funding. The net change in service budgets is £2.801m.
- **Corporate Services:** £0.662m increase from 2021/22 OB
  - **Customer Experience & Improvement:** £0.496m increase from 2021/22 OB
  - **Major Projects & Property:** £1.048m increase from 2021/22 OB
  - **Operational Services:** £0.557m increase from 2021/22 OB
  - **Planning & Economy:** £0.038m increase from 2021/22 OB
- 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 2022/23 Budget Book which will be available in early March 2022 following the Council's approval of the revenue and capital budgets for 2022/23.

- 3.7 Corporate Income and Expenditure budgets, including transfers from reserves and Treasury Management activities have been revised with a net reduction in budget requirement of £2.450m.
- 3.8 Whilst the revised budget indicates a reduced requirement to utilise the MTFS Equalisation reserve (previously referred to as the Stability and Resilience reserve) a degree of caution should be exercised. As reported in the P2 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 of other reserves to support the General Fund Revenue Budget is forecast to be £1.546m and will need to be kept under review over the remainder of the financial year.

#### **4. MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26**

- 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 2022/23, 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). Additional inflationary provision has been made in the budget and across the MTFS period recognising energy price rises.
- 4.3 Fees and Charges have been reviewed in accordance with the approved the methodology for the annual review of fees and charges made for Council services ([FIN1624](#)). An increase of 5.0% has been reflected in fees and charges that are increased in-line with the annual increase in the RPIX inflation rate. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.
- 4.4 The estimates for 2022/23 includes changes to service income and expenditure budgets that are summarised below. Income and cost pressures have been reviewed given the financial pressures faced by the Council. In most cases, budget estimates have only been amended where the impact is unavoidable – either through inflationary pressure (pay and contractual) or where there is a projected income shortfall.
- 4.5 In addition there is an element of investment in support services to build capacity across the Council to deliver Regeneration schemes such as Union Yard. A summary of the key budget changes is set out below. The proposed net expenditure budget across the portfolios for 2022/23 is £11.620m, a net increase of £1.493m over the Original Budget (OB) for 2021/22 (£10.127m).

- **Corporate Services:** £0.385m increase from 2021/22 to 2022/23
- **Customer Experience & Improvement:** £0.470m increase from 2021/22 to 2022/23
- **Major Projects & Property:** Increase of £1.006m from 2021/22 to 2022/23
- **Operational Services:** Decrease of £0.283m from 2021/22 to 2022/23
- **Planning & Economy:** Increase of £0.163m from 2021/22 to 2022/23

4.6 As with the Revised Estimates for 2021/22, 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 in March 2022.

#### Budget Pressures

4.7 The table below provides an overview of the material service budget changes by portfolio and a brief outline of the reason for the budget change. For the purposes of this report, a material change is considered to be a change in the net budget of +/- £50,000. There are likely to be multiple factors behind a net change in each budget line – impact of inflation, changes in income projections, virements between different cost centres within a portfolio.

Table 1 – Material Service budget changes from 2021/22 to 2022/23

Budget Pressures by Portfolio	Original Budget (£'000)	2022/23 Original Budget (£'000)	Change from 2021/22 OB (£'000)	Reason for change
<b>Corporate Services</b>				
3106: DIR RES AUDIT SUPPORT SERVICE	104,510	157,290	52,780	Additional support from Interim Audit Manager to ensure handover to Audit Manager upon return from Maternity leave
2508: COMM COMMUNITY LEISURE	318,760	400,800	82,040	£61k of increase is funded from Deprivation Reserve with £20k being funded from COMF funds
3404: EXTERNAL AUDIT & INSPECTION	46,790	86,580	39,790	Expected increase in external audit fees due to additional work/delayed audit opinion
3402: FINANCE CORPORATE FINANCE	102,440	155,060	52,620	Additional staffing cost following restructure of finance team and finance improvement plan, increase in broker fees due to increased Treasury Management activity
3401: FINANCE SUPPORT SERVICES	517,260	615,180	97,920	
3403: FINANCE TREASURY MGT, CORP POL	159,780	119,920	(39,860)	
<b>Customer Experience and Improvement</b>				
1327: CUSTOMER SERVICES UNIT	608,840	690,660	81,820	Increase relates to staff moving from CSU/ICE to IT Digital Team
1328: DEM SERVS CLIMATE CHANGE	53,220	134,290	81,070	Activities associated with the Climate Emergency Action Plan - reserve funded
3302: IT APPLICATIONS SUPPORT	615,450	717,400	101,950	Overall increase in IT costs recognises the pressure on the service with a move away from short-term contracts to permanent appointments mitigating the overall cost impact. An element of the budget was previously shown on the MTFs as a growth item and has now been allocated to the service
3300: IT MANAGEMENT	15,160	48,850	33,690	
3303: IT SERVICE DESK	234,820	229,610	(5,210)	
3304: IT TECHNICAL SERVICES	744,650	808,080	63,430	
<b>Major Projects and Property</b>				
Commercial Property Portfolio (multiple CCtrs)	(7,460,572)	(6,668,330)	792,242	Impact of tenancy changes at Frimley Business Park and Ashbourne House leading to reduced income projection for 2022/23 and associated costs arising from vacant units (Business Rates, under recovery of service charges)
Regeneration (multiple CCtrs)	443,220	532,330	89,110	Increase due to revenue budgets associated with delivering Regeneration projects across Aldershot and Farnborough
<b>Operational Services</b>				
2518: COMM PRINCES HALL	245,900	93,540	(152,360)	Improved income expectations as impact of Covid unwinds
<b>Planning and Economy</b>				
1413: ECONOMIC DEVELOPMENT	299,250	375,480	76,230	Expected delay in payment of Economic Development grant from 2021/22 to 2022/23

4.8 Whilst the table below is not exhaustive, there are a couple of additional service budget changes worth highlighting.

4.9 Inflationary provision on the SERCO contract resulted in an overall cost increase on the contract of around 5.2% (£222k across all aspects of the contract). This is significantly higher than previous year's uplifts due to the higher inflation rate in

September 2021 which forms part of the calculation. However, with the reversal of one-off budgets in respect of the roll-out of Food Waste and other cost changes between Waste collection and Recycling the net budget change across budgets with exposure to SERCO contract costs was mitigated down.

- 4.10 Members made the decision in February 2021 to bring forward the closure of Farnborough Leisure Centre and concentrate resources on Aldershot Indoor Pools and Leisure Centre and the Lido. The contract cost for 2022/23 remains within the overall cost envelope agreed by members in February 2021 with an expectation that the net subsidy for operating the Lido will reduce given changes made to the operation of the service over last season.
- 4.11 No allowance has been made in service budgets for increased energy costs. Provision has been made centrally of an additional £100k recognising the 20% to 30% increase in Gas and Electricity prices between November 2020 and November 2021. Further prices rises are expected during 2022/23 and members will be kept informed of any further cost pressures through the regular budget monitoring reports to Cabinet.
- 4.12 Other items of supplementary expenditure may be proposed during 2022/23 as the Council reacts to changing conditions or levels of demand, for example. Given the financial pressures facing the Council and the funding gap across the MTFS period, each item will be reviewed individually prior to any formal decision, in line with current financial regulations. Given the financial pressures it is anticipated that any such requests will be reviewed in the context of ongoing need for budgetary control and the need to deliver further cost reductions. Therefore, consideration will only be given 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 2022/23 of £1.380m are proposed and increase to £3.975m, £5.667m and £6.378m over the MTFS period. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned reserve transfers are set out below in more detail.

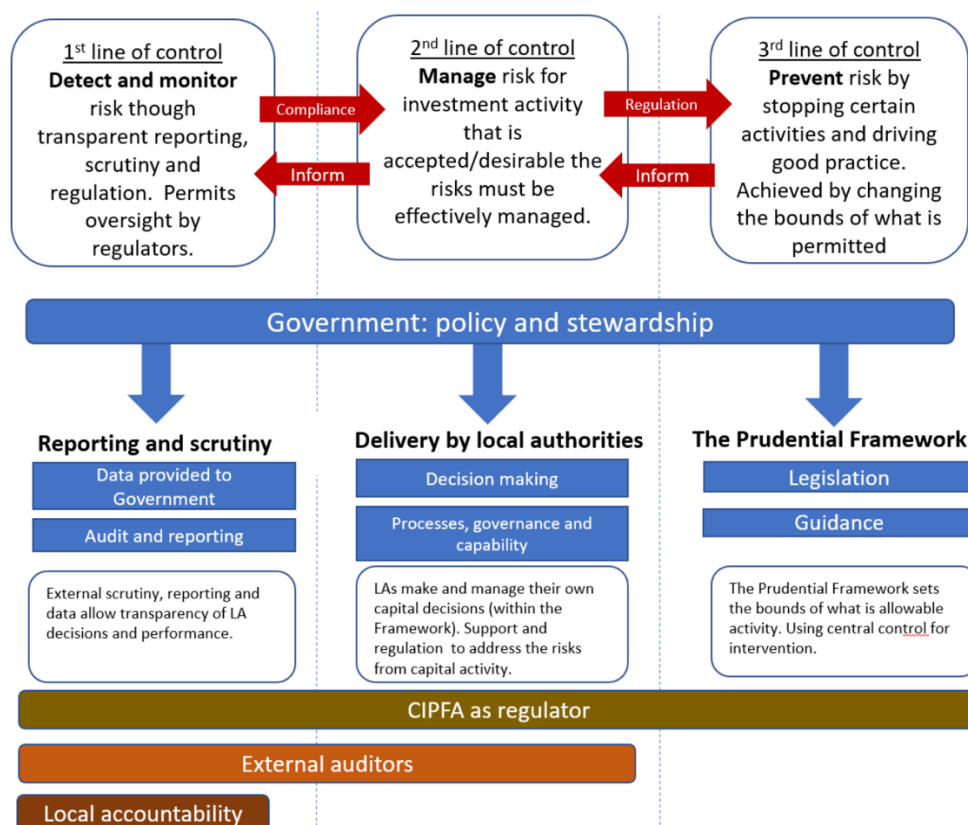
Treasury Management and PWLB Lending Terms

- 4.14 The MTFS includes an updated estimate of the additional cost of borrowing as interest rates increase. The Treasury Management Strategy for 2022/23 will be considered by Corporate Governance, Audit and Standards Committee at their meeting on 15 February 2022. This will indicate that external short-term borrowing has been taken to finance the capital programme to date. 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 thereby providing a degree of mitigation against refinancing risk. 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 provided further guidance and clarification on the revised PWLB Lending Terms in August 2021. The key points are set out below.

- Any investment asset acquired after 26th November 2020 would result in the authority not being able to access PWLB in that financial year or being able to use the PWLB to refinance the transaction at any point in the future
- authorities should provide details of capital plans, regardless of funding source, covering the whole current financial year and subsequent two financial years
- Individual projects and schemes may have characteristics of several different categories. In these cases, the section 151 officer or equivalent of the authority should use their professional judgment to assess the main objective of the investment and consider which category is the best fit.
- an asset that is held primarily to generate income which is used to support wider service spending, but serves no direct policy purpose, should not be categorised as service delivery
- authorities cannot use receipts from primarily for yield assets to buy further primarily for yield assets
- Capital expenditure to maintain existing properties or in order to increase their value where the local authority is planning to sell the property is permitted

4.16 The Government also set out their views on the local authority capital finance framework. Whilst the Government have recognised the importance of local government capital investment, they are concerned at the risks some local authorities have taken around investment in commercial property.

**Figure 1: Three-lines of control model for strengthening the capital system**



- 4.17 In December 2021 CIPFA confirmed changes to its Prudential Code on Capital Finance and Treasury Management Code of Practice following a consultation in the Autumn. The new codes will have a soft launch of its provisions for the 2022/23 financial year. Where possible, local authorities should make their best endeavours to adhere to their provisions and not undertake any new investments which would not be consistent with the changes. The codes will be fully implemented in the 2023/24 financial year. Authorities therefore do not have to amend or revise any treasury or capital strategies for 2022/23 to incorporate the additional disclosure requirements for investment categories and new indicators. The main changes to the Codes are summarised below.
- 4.18 **Prudential Code** – The updated code includes the following as the focus of the substantive changes:
- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
  - Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
  - A new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.
- 4.19 **Treasury Management Code** – The main changes to the Treasury Management code are as follows:
- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
  - The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
  - Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
  - The purpose and objective of each category of investments should be described within the Treasury Management Strategy
- 4.20 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”*.
- 4.21 The MTFs includes estimates of the borrowing costs arising from the financing of the capital programme.
- 4.22 Arlingclose expect the Bank base rate to increase in the short-term above the current 0.25% (as set in December 2021) with the next increase likely in February 2022.

Their projection in December 2021 shortly after the MPC decision to raise interest rates is for Bank Rate is for the bank base rate to increase to around 0.50% in the short-term.

- 4.23 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).
- 4.24 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £2.657m is to be charged in 2022/23 and is forecast to increase to £3.000m by 2025/26.
- 4.25 It is worth noting that the Government issued a consultation in November 2021 on changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision (MRP) each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as MRP and is to make sure they can afford to repay the principal of their debt.
- 4.26 The consultation is seeking to address concerns the Government have around compliance by some local authorities with the duty to make prudent provision, resulting in an underpayment of MRP. Specifically, the Government have highlighted two particular concerns:
- 4.27 Local authorities using sales from assets (capital receipts) in place of a charge to revenue. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
- 4.28 Local authorities are not charging MRP on debt related to certain assets. The evidence is that while some authorities are making MRP for commercial investments funded by borrowing, some are still not paying MRP in relation to borrowing associated with investment assets or capital loans. The statutory guidance is clear that financing for investment assets and capital loans requires provision to be made.
- 4.29 Whilst Rushmoor complies with the current guidance and makes prudent provision for the repayment of debt, the proposed changes may require the Council to consider the level of MRP in relation to capital loans made to Rushmoor Homes (the wholly owned housing company).
- 4.30 The consultation closes on 08 February 2022 and the Council will be submitting a response given the implications the current proposals would have to the Housing Company and the wider Regeneration programme
- 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 £1.1250m has been forecast for 2022/23 recognising a recovery in performance over the last 12 months whilst



recognising that volatility remains a factor. 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 MTFS Equalisation reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap (prior to any further savings target) 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. The Council Business Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 5.3 The level of savings set out in the MTFS does not meet the funding gap identified. The MTFS Equalisation 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. As illustrated in Table 5 in this report, the Council will need to address the scale of the funding gap to ensure a balanced budget can be set for 2023/24 and beyond. The position set out in this report is by no means complete and the funding gap may change due to assumptions being updated.
- 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 2022/23.
- 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 and Transformation Programme (formerly CREP)
- 5.7 The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer

reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year.

- 5.8 The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed 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.
- 5.9 As can be seen from Tables 4 and 5 in this report, the requirement to reduce costs and balance the budget are substantial. The Savings and Transformation Programme has been established to ensure sustained focus over the MTFS period. The programme is supported by a project team which reports to the Executive Leadership Team Board on a monthly basis to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group.
- 5.10 The aim of the programme is to achieve financial sustainability and enable service transformation within the MTFS period without significant impact on Council Plan priorities. There are 5 broad areas that the Savings and Transformation Programme will work through:
6. CREP
    - Ensure delivery of 'live' savings projects
    - Review remaining CREP lines of enquiry and feed into a 'savings project pipeline'
    - Review un-scoped ideas generated from 2021/22 CREP workshops, assess and feed into 'savings project pipeline'
  7. Efficiencies from New Ways of Working Projects (ICE)
  8. Asset management and redevelopment (incl. increasing income from existing assets)
  9. Fees and Charges – cost recovery principle
  10. Corporate workstreams
    - Procurement and spend analysis
    - Insurance and risk management – approach to self-insurance to reduce cost
    - Workforce planning
    - Approach to in-year expenditure to promote strong financial management
    - Review of joint working and shared service opportunities approach
    - Stronger Financial Management – Forecasting, budget management and accountability, approach to capital financing
- 5.11 The table below shows the outcomes to date that have been included in the MTFS. Interest income from the Housing Company (previously reported as a savings plan item from the February 2020 MTFS) is not included under CREP as this is now part of the Council's Treasury Management activities. Appendix 2(CAB) of this report provides more details on each individual item.

Table 2 – Savings and Transformation summary

	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
<b>Workstream</b>					
<b>Workstream 1</b>					
Live Savings Projects (1.1)	44	49	150	150	150
Live Savings Projects (1.2)	160	244	398	398	398
Live Savings Projects (1.3)	0	106	315	315	315
Live Savings Projects (1.4)	20	57	151	151	151
<b>Subtotal Workstream 1</b>	<b>224</b>	<b>456</b>	<b>1,014</b>	<b>1,014</b>	<b>1,014</b>
<b>Workstream 2</b>					
Live Savings Projects (2.1)	4	41	41	41	41
Live Savings Projects (2.2)	0	82	112	112	112
<b>Subtotal Workstream 2</b>	<b>4</b>	<b>123</b>	<b>153</b>	<b>153</b>	<b>153</b>
Regeneration	218	0	0	0	0
Property Assets	0	400	957	1,215	1,215
<b>TOTAL Savings &amp; Transformation Savings</b>	<b>446</b>	<b>978</b>	<b>2,124</b>	<b>2,382</b>	<b>2,382</b>
As recognised in MTFS	278	578	1,567	2,124	2,382
Difference	(168)	(400)	(557)	(258)	0

**Note**

The difference between the Workstream savings and those recognised in the MTFS is due to the MTFS assuming a delay in the delivery of property asset savings by one year and 2021/22 savings subject to a further review as part of budget monitoring and year end processes.

**Balances and Reserves**

- 5.12 The Council's financial position is supported by its balances and reserves.
- 5.13 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 additional cost reductions and new income to ensure an adequate reserve balance is maintained.
- 5.14 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 5.15 Members will recall that as part of the 2019/20 budget setting process a Commercial Property Reserve was established to provide a source of funding to mitigate potential fluctuations in 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 £0.267m of the reserve will be utilised in 2021/22 to mitigate the impact of reduced rental income expectations.

- 5.16 A more significant drawdown from the commercial property reserve is required in 2022/23 to mitigate the impact of expected tenancy changes at Ashbourne House Guildford and Frimley Business Park. The Council will be undertaking capital expenditure on these properties to ensure vacant units can be relet in the current market and will need to fund the reduced income and costs arising from business rates and service charges on the vacant units. It is estimated that the drawdown from the reserve will be £0.974m. The Council will need to give consideration to the adequacy of this reserve in future years to ensure it can mitigate further fluctuations in income and expenditure across the corporate property portfolio.
- 5.17 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 2021/22 is £0.180m with £0.220m in 2022/23.
- 5.18 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 and include reserves that have since been depleted or reviewed. Members are reminded of the key reserve held to mitigate future liabilities around the performance of the Pension Fund.
- Pensions (confirmed transfer amounts are £0.818m in 2021/22, and a revised amount of £0.513m in 2022/23) with the MTFS assuming further increases following the next triennial review in 2023.
- 5.19 It is expected that earmarked reserves supporting the Regeneration, Property & Major Works programmes are likely to 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.
- 5.20 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 as at 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)
<b>Earmarked Reserve</b>					
COVID BRR Earmarked Reserve	10,812	265	265	265	265
Stability and Resilience Reserve	4,577				
Business Rates Equalisation Reserve	-	2,500	2,500	2,500	2,500
MTFS Equalisation Reserve	-	2,415	1,465	447	-
Negative Balance of MTFS Equalisation *					(878)
Service Improvement Fund	129	-	-	-	-
Commercial Property Reserve	1,750	1,362	388	388	388
Regeneration, Property & Major Projects	357	536	136	36	36
ICE Reserve	-	-	-	-	-
Climate Emergency Reserve ***	239	120	-	-	-
Deprivation Strategy Reserve ****	94	133	103	103	103
Pension Reserve	669	1,487	2,000	2,500	3,000
Workforce Planning Reserve	200	100	100	100	100
Treasury Earmarked Reserve	400	220	-	-	-
Covid-19/Recovery Grant reserve	393	98	98	98	98
CPE Rolling Fund	281	281	281	281	281
Budget Carry Forwards	390	-	-	-	-
All Other Earmarked Reserves (excluding SANG/s106) **	2,796	1,997	2,001	2,005	2,052
Commuted Sums/Amenity Areas	3,973	3,935	3,903	3,872	3,841
TAG Environmental Fund	96	96	96	96	96
<b>Total of all Earmarked General Fund Reserves</b>	<b>27,156</b>	<b>15,545</b>	<b>13,336</b>	<b>12,691</b>	<b>11,882</b>
<b>Excluding SANG/S106/TAG &amp; BRR</b>	<b>12,275</b>	<b>11,249</b>	<b>9,072</b>	<b>8,458</b>	<b>7,680</b>

**Notes:**

\* Negative Balance on MTFS Equalisation 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.

\*\* The balance represents a number of specific earmarked reserves

\*\*\* Climate Emergency Reserve – For the purposes of the reserves forecast it is assumed the reserve will be utilised in full during 2022/23. 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 initial allocation of £0.100m to the reserve will be utilised in full during 2021/22 and 2022/23. Cabinet considered the Supporting Communities Strategy and Action Plan 2021/23 (DCS2101) at their meeting in January 2021. No assumption has been made concerning the additional £0.100m allocated to the reserve in 2021/22.

**Commuted Sums/Amenity Areas**

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 2-3 years as the charge payable for the Southwood SANG is collected

5.21 Whilst the level of balances and reserves shown in the table indicates that the Council is in currently a good financial position, the cumulative funding gap of £11.639m over the MTFS period - £0.950m in 2022/23 rising to £4.846m by 2025/26 (as shown in Table 4 below), would reduce the MTFS Equalisation Reserve to a nil balance during 2023/24. This will need to be addressed over the coming months as the Council will need to make significant decisions on future mitigation options.

- 5.22 Table 5 shows the impact on the MTFS Equalisation reserve when a target for further cost reductions, income and savings is applied. Should the Council be able to deliver this level of cost reduction the cumulative funding gap would reduce to £4.139m over the MTFS period with the MTFS Equalisation reserve being depleted during 2024/25.
- 5.23 Clearly, the Council will need to ensure the Savings and Transformation Programme is robust, balanced, and proportionate, and mitigates the funding gap over the MTFS period.

**Table 4 – Medium Term Financial Forecast**

	MTFS Period					
	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Table 1A: MTFS</b>						
Net Service Revenue Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items/Non Service Income & Expenditure	2,223	540	1,280	3,314	4,446	4,596
Provision for Inflation	0	0	100	661	1,221	1,782
<b>Portfolio + Corporate Items</b>	<b>12,350</b>	<b>13,468</b>	<b>13,000</b>	<b>15,595</b>	<b>17,038</b>	<b>17,748</b>
Additional Items & Budget Pressures	490	0	0	0	0	0
Budget Proposals	100	100	0	0	0	0
Risk items (Waste)	0	0	0	350	350	350
Savings and Transformation Plan items	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
<b>Draft Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>11,972</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>
<b>Funded by:</b>						
Council Tax *	6,928	6,928	7,212	7,450	7,692	7,938
Business Rates *	3,574	3,574	3,500	2,550	2,601	2,653
New Homes Bonus	863	863	344	0	0	0
Covid Funding	589	626	0	0	0	0
Other Funding (inc Transitional Funding assumptions)	101	101	280	616	366	0
Council Tax/NNDR Surplus or (Deficit)	(200)	(200)	(314)	(286)	0	0
<b>TOTAL Funding</b>	<b>11,855</b>	<b>11,892</b>	<b>11,023</b>	<b>10,330</b>	<b>10,659</b>	<b>10,591</b>
<b>Core (Surplus) / Deficit</b>	<b>1,014</b>	<b>1,328</b>	<b>950</b>	<b>3,518</b>	<b>4,325</b>	<b>4,846</b>

Note – Table may contain roundings when compared to Appendix 1

- 5.24 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**

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Table 1B: Funding Gap forecast in MTFS</b>						
Draft Revenue Budget (before Savings)	12,939	13,568	13,000	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
<b>Funding Gap</b>	<b>1,084</b>	<b>1,676</b>	<b>1,978</b>	<b>5,615</b>	<b>6,729</b>	<b>7,507</b>
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
<b>Residual Funding Gap After Savings</b>	<b>1,014</b>	<b>1,328</b>	<b>450</b>	<b>1,018</b>	<b>1,325</b>	<b>1,346</b>
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(450)	(1,018)	(1,325)	(1,346)
<b>MTFS Equalisation Reserve Y/E Balance</b>		<b>2,415</b>	<b>1,965</b>	<b>947</b>	<b>(378)</b>	<b>(1,724)</b>

## 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 2022/23 and its initial estimate of any surplus or deficit for 2021/22 by 31 January 2022. The estimate of retained business rates income included in this report do not take into account the final forecasts for business rates that were submitted in the NNDR1 return.

6.3 Forecasting business rates income is complex with the impact from Covid-19 and additional reliefs announced in the Budget contributing to the level of uncertainty around forecasts for the medium-term. The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2020. 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 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 £3.500m in 2022/23. 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, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs.

6.5 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 from Covid-19 and additional reliefs in the year. This is consistent with the outturn position on the collection fund for 2020/21. 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.

- 6.6 The collection fund estimate does not take into account the new relief COVID-19 Additional Relief Fund (CARF) announced by the Government in March 2021 with detailed guidance published in December 2021. This is an additional business rates support package, worth £1.5 billion, to support businesses in England affected by COVID-19 but not eligible for existing support linked to business rates. Rushmoor's allocation is £2.566m and the Council will need to adopt a local scheme and determine in each individual case whether, having regard to published guidance and their own local scheme, to grant relief under section 47. The relief is available to reduce chargeable amounts in respect of 2021/22.
- 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 for the financial years 2021/22 to 2023/24. The final position on Business Rates income for 2021/22 will not be known until the NNDR3 return is completed in May 2022. It is expected that there will be a significant deficit on the NNDR Collection Fund as set out in paragraph 6.6. This will be mitigated through Section 31 Grant to compensate the Council for reduced income from business rate payers, although there is a timing difference in terms of how these are accounted for.
- 6.8 The 2021/22 revised budget includes provision for the financing of the material deficit on the collection fund from 2020/21. Owing to timing differences in the way in which the Collection Fund and Section 31 Grants are accounted for, £10.8m of funding was set aside in the Business Rates earmarked reserve to ensure the deficit was funded in future years as the accounting unwound. Therefore, a transfer from the earmarked reserve of £9.294m is included within the 2021/22 revised budget.
- 6.9 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.
- 6.10 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 24 February 2022.
- New Homes Bonus
- 6.11 Planned consultation on a new reward scheme did not take place in 2021 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 2022/23 was included in the provisional settlement.
- 6.12 Whilst the total amount of NHB for 2022/23 is £0.344m, the 2022/23 element of £0.133m will not generate legacy payments in future years. No further legacy



payments are due beyond 2022/23. 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.

#### Other funding and grants

- 6.13 Alongside the finance settlement, the government has confirmed the following grants and other funding scheme contributions that the Council will receive in 2022/23.
- Lower Tier Services Grant (£0.116m)
  - Services Grant (£0.164m)
- 6.14 The Government have indicated that the Services Grant will not be included in any consultation around Transitional arrangements as and when the local government finance system is reformed and should therefore be seen as one-off in nature.
- 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 single-year settlement and uncertainty around the timing and level of reform to the local government finance system there is significant risk in forecasting of funding beyond 2022/23. The timing of any change to the local government finance system is uncertain. Michael Gove, the new Secretary of State for the Department for Levelling Up, Housing and Communities (DLHUC) indicated in early November 2021 that the Fair Funding reforms were not consistent with the wider Levelling Up agenda.

**Table 6 – Government Funding assumed in MTFS forecast**

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Government Funding</b>	<b>(£'000)</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
		<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>	<b>(£'000)</b>
Business Rates Retention	3,574	3,500	2,550	2,601	2,653
Revenue Support Grant	0	0	0	0	0
<b>Subtotal</b>	<b>3,574</b>	<b>3,500</b>	<b>2,550</b>	<b>2,601</b>	<b>2,653</b>
New Homes Bonus	863	344	0	0	0
Other Grants/Funding					
Covid Grants/SFC	589	0	0	0	
Lower Tier Services Grant	101	116	0	0	0
Services Grant	0	164	0	0	0
Estimated Transitional Funding	0	0	616	366	0
<b>TOTAL Government Funding</b>	<b>5,127</b>	<b>4,124</b>	<b>3,166</b>	<b>2,967</b>	<b>2,653</b>
Council Tax	6,928	7,212	7,450	7,692	7,938
Collection Fund	(200)	(314)	(286)	0	0
Other Grants/Funding	0	0	0	0	0
<b>ALL Funding</b>	<b>11,855</b>	<b>11,023</b>	<b>10,330</b>	<b>10,659</b>	<b>10,591</b>

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 2023/24

reduces due to the baseline reset, which for the purposes of budgeting is estimated to reduce by 30% to 40%.

Transitional Funding has been estimated for the purposes of the MTFS and is not based on any commitment from the Government. Consultation with local authorities will commence in the Spring concerning the scale and scope of any transitional protection arising from reforms to the local government finance system.

- 6.16 The forecast shown in the table is based on the assumption that local government finance reforms and Business Rates rest (required to fund the reforms) reduces the Council's business rates income to the baseline level (£2.381m in 2022/23). 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 2022/23 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 £214.42 to £219.42 and will generate approximately £0.285m in additional council tax revenue annually (when taken with estimated changes to the taxbase). The MTFS assumes an increase of up to £5 per annum. This would generate a further £0.725m 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 18 January 2022 ([FIN2206](#)). 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 2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.
- 6.22 Cabinet endorsed the approach set out in the report and the recommendation to commission the Council Tax Support Task and Finish Group to undertake a detailed

review of the Council Tax Support Scheme in early 2022/23 to take into account the continuing impact of the Covid 19 pandemic and the increasing cost of the scheme and its local impact on scheme recipients and other local council tax payers.

- 6.23 Cabinet accepted the proposal from the Group, the impact of which is included within the estimates on the Council Taxbase for 2022/23.

#### Council Taxbase

- 6.24 The Taxbase for 2022/23 has been estimated at 32,795.29 and represents an increase of 486.02 (1.50%) over the 2021/22 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 £0.100m and is included within the Council Tax Collection Fund deficit line within the MTFS in addition to the impact from 2020/21 which was spread over a 3-year period.
- 6.26 Collection rates for Council Tax have improved throughout 2021/22. 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 0.15% above the collection rate for the same period in 2020/21 (£2.874m additional net cash), and the total collected is forecast to be broadly in-line with the level precepted against the Collection Fund.
- 6.27 Any surplus of 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).
- 6.28 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 2022.
- 6.29 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 2021/22 to 2025/26**

- 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 2021/22 to 2025/26 based on the principles of the current 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 £36.703m in 2022/23 is proposed. Total expenditure decreases to £31.068m and £3.345m in 2023/24 and 2024/25 respectively, and in the final year of the current programme 2025/26 spend is estimated at £1.216m.



Table 7 – Summary Capital Programme

Portfolio/Scheme	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
<b>Corportate Services</b>						
Flexible Use of Capital Receipts	0	74	0	0	0	0
<b>Subtotal CS</b>	<b>0</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Customer Experience &amp; Improvement</b>						
Computer Systems	115	115	0	0	0	0
Council Offices	33	33	0	0	0	0
<b>Subtotal CE&amp;I</b>	<b>148</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Major Projects &amp; Property</b>						
Aldershot Town Centre Projects	3,951	400	3,551	0	0	0
Civic Quarter Farnborough	19,383	19,383	2,000	0	0	0
Housing Matters	5,436	156	6,751	2,878	0	0
Property and Assets	0	320	500	12,000	0	0
Property Enhancements	90	307	651	224	0	0
Union Yard Aldershot	7,658	6,500	20,950	14,750	2,129	0
<b>Subtotal MP&amp;P</b>	<b>36,518</b>	<b>27,066</b>	<b>34,403</b>	<b>29,852</b>	<b>2,129</b>	<b>0</b>
<b>Operational Services</b>						
CCTV	400	0	400	0	0	0
Crematorium	0	949	0	0	0	0
Depots	34	34	0	0	0	0
Manor Park	49	49	0	0	0	0
Parks & Open Spaces	20	115	0	0	0	0
Southwood SANG set-up	0	158	0	0	0	0
Playground Works	0	104	0	0	0	0
Refuse/Recycling inc Food Waste	231	466	105	105	105	105
Southwood SANG Visitor Centre	0	276	685	0	0	0
Improvement Grants	1,111	1,663	1,111	1,111	1,111	1,111
<b>Subtotal OPS</b>	<b>1,844</b>	<b>3,813</b>	<b>2,301</b>	<b>1,216</b>	<b>1,216</b>	<b>1,216</b>
<b>Planning &amp; Economy</b>						
No Capital Schemes						
<b>TOTAL Capital Programme</b>	<b>38,510</b>	<b>31,102</b>	<b>36,703</b>	<b>31,068</b>	<b>3,345</b>	<b>1,216</b>

- 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 the forecast contract expenditure estimates for the construction and development of the Union Yard scheme that Council approved in July 2021.
- 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**

	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
<b>Capital Financing Statement</b>						
Revenue Contribution to Capital		0	0	0	0	0
Grants & Contributions from Other Bodies	9,238	2,844	7,520	20	20	20
Grants & Contributions - Improvement Grants	1,061	1,613	1,061	1,061	1,061	1,061
Section 106 Developers Contributions	52	52	0	0	0	0
Prudential Borrowing	28,160	26,232	27,123	29,987	2,264	135
Capital Receipts	0	361	1,000	0	0	0
<b>TOTAL Financing</b>	<b>38,510</b>	<b>31,102</b>	<b>36,703</b>	<b>31,068</b>	<b>3,345</b>	<b>1,216</b>

## 8. RISKS AND UNCERTAINTIES

- 8.1 There are a number of financial risks that the Council will face over the medium-term. The 2022/23 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 2023/24. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. 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 2023/24 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. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government.
- 8.5 The second key risk is around the continued impact on the Council from pressures within the wider economy including Covid-19 and inflation. This will have an impact on income and expenditure budgets during 2022/23 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2022/23 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
  - Energy cost pressures
- 8.6 The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:
- Business Rates Retention and changes to the Local Government Finance system/Levelling Up Agenda
  - Replacement of New Homes Bonus from 2023/24 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 having left 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 budget briefing seminars during January and February 2022 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, the impact from Covid during 2021/22 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 £36.703m in 2022/23 with the Council needing to consider the outcome from feasibility studies and due diligence work on other potential schemes before any 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 £214.42 per annum to £219.42) – 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 will require the implementation of cost reduction and efficiency savings of £0.778m and utilisation of £0.950m of the MTFS Equalisation reserve in 2022/23.
- 10.7 The Council will need to continue the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. As endorsed by Cabinet at their meeting on 18 January 2022, the Budget Strategy Working Group to act as consultee on the development of the programme.
- 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. Reserves held to mitigate risk (Commercial Property reserve, MTFS Equalisation reserve) are forecast to be significantly depleted during 2022/23 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks identified in this report. All reserves will be monitored and reported to Cabinet throughout 2022/23.

**Background documents:**

Budget Strategy 2022/23 ([FIN2122](#))

Council Tax Support Scheme 2022/23 ([FIN2206](#))

Medium Term Financial Strategy 2022/23 to 2025/26 – Update ([FIN2203](#))

Recommendations from Budget Strategy Working Group ([FIN2204](#))

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## MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2025/26

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Medium Term Financial Strategy</b>						
<b>Base Budget (Shown net of Accounting Adjs and SSCs)</b>						
Corporate & Democratic Services	5,147	5,808	5,532	5,532	5,532	5,532
Customer Experience & Improvement	3,114	3,611	3,585	3,585	3,585	3,585
Major Projects & Property	(5,929)	(4,881)	(4,922)	(4,922)	(4,922)	(4,922)
Operational Services	6,069	6,626	5,785	5,785	5,785	5,785
Planning & Economy	1,228	1,265	1,390	1,390	1,390	1,390
ICE Modernisation Programme	499	499	250	250	0	0
<b>Net Expenditure</b>	<b>10,127</b>	<b>12,928</b>	<b>11,620</b>	<b>11,620</b>	<b>11,370</b>	<b>11,370</b>
<b>Corporate Items</b>						
Transfers To/From reserves	0	0	0	0	0	0
MTFS Equalisation	0	0	0	0	0	0
Treasury Reserve	(180)	(180)	(220)	0	0	0
Other Earmarked Reserves/Prior yr grants/CPE account	(273)	(741)	(28)	0	0	0
Service Improvement Fund (from)	(129)	(129)	0	0	0	0
Service Improvement Fund (to)	0	0	0	0	0	0
Commercial Property reserve	(250)	(267)	(274)	0	0	0
Commercial Property reserve (additional)	0	0	(700)	0	0	0
Regeneration, Property & Major Projects	(100)	(290)	(400)	(100)	0	0
CPE Rolling Fund	98	0	0	0	0	0
Budget Carry Forwards	0	(390)	0	0	0	0
Elections Reserve	(87)	(87)	0	0	0	0
BP: Climate Emergency	0	(119)	(120)	0	0	0
BP: Deprivation Strategy	0	(61)	(30)	0	0	0
Workforce Reserve	0	(100)	0	0	0	0
Pension Reserve	818	818	513	500	500	500
Other Corporate Income & Expenditure	349	349	342	342	342	342
Minimum Revenue Provision (MRP)	2,457	2,457	2,657	2,857	3,000	3,000
Interest Payable	795	300	1,250	2,437	2,783	2,932
Investment Income	(1,090)	(1,000)	(1,250)	(1,600)	(1,600)	(1,600)
Investment Income (Interest on Service Loans to RHL)	(186)	(20)	(210)	(522)	(579)	(579)
Interest Payable (Capitalisation of Interest)	0	0	(250)	(600)	0	0
<b>Subtotal</b>	<b>2,223</b>	<b>540</b>	<b>1,280</b>	<b>3,314</b>	<b>4,446</b>	<b>4,596</b>
<b>Adjusted Budget</b>	<b>12,350</b>	<b>13,468</b>	<b>12,900</b>	<b>14,934</b>	<b>15,816</b>	<b>15,966</b>
<b>Inflationary Provision, Pension costs</b>						
Inflation (Pay) 2.00% Assumption	0	0	0	261	521	782
Inflation (Contracts/Non-Pay)	0	0	100	300	500	700
Salary Increments	0	0	0	100	200	300
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>661</b>	<b>1,221</b>	<b>1,782</b>
<b>Adjusted MTFP Position</b>	<b>12,350</b>	<b>13,468</b>	<b>13,000</b>	<b>15,595</b>	<b>17,038</b>	<b>17,748</b>
<b>Budget Proposals/Growth</b>						
2020/21 Additional Items: Variations in Service	490	0	0	0	0	0
2021/22 Budget Proposal: Covid support and recovery	100	100	0	0	0	0
RISK: HCC Waste proposals (September 2019 notification)	0	0	0	350	350	350
<b>Subtotal</b>	<b>590</b>	<b>100</b>	<b>0</b>	<b>350</b>	<b>350</b>	<b>350</b>
<b>Savings &amp; Transformation Items</b>						
Procurement Savings	(20)	(20)	0	0	0	0
Reversal of Deprivation/COMF Funded Activity	0	0	0	(80)	(80)	(80)
Savings and Transformation Team - UCR Funding	0	0	(250)	(250)	0	0
CREP - Non Asset Items	0	(278)	(578)	(1,167)	(1,167)	(1,167)
CREP - Property and Asset Items	0	0	0	(400)	(957)	(1,215)
Salaries monitoring	(50)	(50)	(200)	(200)	(200)	(200)
<b>Subtotal</b>	<b>(70)</b>	<b>(348)</b>	<b>(1,028)</b>	<b>(2,097)</b>	<b>(2,404)</b>	<b>(2,662)</b>
<b>NET Savings or Growth</b>	<b>520</b>	<b>(248)</b>	<b>(1,028)</b>	<b>(1,747)</b>	<b>(2,054)</b>	<b>(2,312)</b>
<b>Proposed Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>11,972</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>

## APPENDIX 1(CAB)

Medium Term Financial Strategy	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Proposed Net Revenue Budget</b>	<b>12,869</b>	<b>13,220</b>	<b>11,972</b>	<b>13,848</b>	<b>14,984</b>	<b>15,437</b>
<b>Funded by:</b>						
Council Tax	6,928	6,928	7,212	7,450	7,692	7,938
Business Rates Retention	3,574	3,574	3,500	2,550	2,601	2,653
Lower Tier Services Grant	101	101	116	0	0	0
Services Grant	0	0	164	0	0	0
Transitional Funding assumption (BRR + LTSG)	0	0	0	616	366	0
New Homes Bonus (Legacy)	550	550	211	0	0	0
New Homes Bonus (Year 11, Year 12)	313	313	133	0	0	0
Covid Funding (Expenditure Pressures)	489	489	0	0	0	0
Covid Funding (Sales, Fees & Charges compensation)	100	137	0	0	0	0
Business Rates Deficit 2020/21	0	(9,294)	0	0	0	0
Transfer from Business Rates Reserve	0	9,294	0	0	0	0
Collection Fund - CT	23	23	(75)	(63)	0	0
Collection Fund - NNDR	(223)	(223)	(239)	(223)	0	0
<b>TOTAL Funding</b>	<b>11,855</b>	<b>11,892</b>	<b>11,023</b>	<b>10,330</b>	<b>10,659</b>	<b>10,591</b>
<b>Core (Surplus) / Deficit</b>	<b>1,014</b>	<b>1,328</b>	<b>950</b>	<b>3,518</b>	<b>4,325</b>	<b>4,846</b>

Table 1B: Funding Gap forecast in MTFS	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Draft Revenue Budget (before Savings)	12,939	13,568	13,000	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
<b>Funding Gap</b>	<b>1,084</b>	<b>1,676</b>	<b>1,978</b>	<b>5,615</b>	<b>6,729</b>	<b>7,507</b>
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
<b>Residual Funding Gap After Savings</b>	<b>1,014</b>	<b>1,328</b>	<b>450</b>	<b>1,018</b>	<b>1,325</b>	<b>1,346</b>
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(450)	(1,018)	(1,325)	(1,346)
<b>MTFS Equalisation Reserve Y/E Balance</b>		<b>2,415</b>	<b>1,965</b>	<b>947</b>	<b>(378)</b>	<b>(1,724)</b>

## CREP/Savings and Transformation Workstream detail

Cost Reduction or Savings Type	Detail	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
<b>Workstream 1</b>						
Princes Hall	Commercial approach to Catering and Bar at Princes Hall, Charitable Funding	11	17	18	18	18
Leisure - Swimming Lessons	Transfer swimming lessons to new provider	60	60	120	120	120
Leisure - Lido	Review of Lido admission pricing	-	30	30	30	30
SERCO Contract Changes	Review of ornamental beds with potential to replace with shrubs/perennials, review of baskets/tubs	-	-	98	98	98
SERCO Contract Changes	Review of discretionary return collection for Waste & Recycling	-	7	14	14	14
SERCO Contract Changes	Review of weed control and grass cutting levels, shrubs and hedges	-	46	90	90	90
SERCO Contract Changes	Reduce grass cutting on roadside verges, fields and parks	-	65	100	100	100
SERCO Contract Changes	Stop or reduce cone-off cleaning of roads	-	-	19	19	19
Community Centre	Revised cleaning and booking arrangements for Blunden Hall	20	20	20	20	20
Fees and Charges	Introduction of Demolition Charges	3	3	3	3	3
Fees and Charges	Garden Waste fees increased in-line with contract costs	-	24	24	24	24
Fees and Charges	Bulky Waste charges increased in-line with contract costs	-	11	11	11	11
Fees and Charges	Charging for replacement waste receptables	-	6	23	23	23
Fees and Charges	Remote learning courses in Food Safety, Health and Safety	-	-	1	1	1
Funding	Utilise admin fee under Welcome Back Funding	4	-	-	-	-
Grant Funding *	Review of Grants to organisations	-	-	125	125	125
Regeneration	Capitalisation of Regeneration costs subject to eligibility criteria/evidence	100	100	100	100	100
Communications	Policy and Communication capacity across projects	5	8	10	10	10
ICT Efficiencies (1.3)	IT System savings	-	-	12	12	12
MARS/Workforce Planning	MARS and Workforce Planning review	20	57	151	151	151
Miscellaneous opportunities	Digital, Arena publication	-	1	44	44	44
Miscellaneous opportunities	Policy Budget - reduction in Supplies and Services	1	1	1	1	1
<b>Subtotal Workstream 1</b>		<b>224</b>	<b>456</b>	<b>1,014</b>	<b>1,014</b>	<b>1,014</b>

Cost Reduction or Savings Type	Detail	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
<b>Workstream 2</b>						
Income Generation	Approach to Fixed Penalty Notices and Fly Tipping	4	5	5	5	5
Modernisation	Increase use of emails notification and automated notices for Revenues and Benefits service	-	36	36	36	36
Modernisation	Tree advice workflow	-	-	24	24	24
Modernisation	Review leasing arrangements of current vehicles - consideration of longer-term leasing contracts or purchase	-	20	20	20	20
Modernisation	Maintaining Tee information on a web-available database to improve work planning	-	18	24	24	24
Modernisation	Change of address – Integrated, tell us once service for people moving home	-	44	44	44	44
<b>Subtotal Workstream 2</b>		<b>4</b>	<b>123</b>	<b>153</b>	<b>153</b>	<b>153</b>
Regeneration	Additional Homes England Funding	218	-	-	-	-
Property Assets	Development of Vacant Sites - Frimley Business Park and Hawley Lane (subject to capital expenditure approval)	-	400	700	700	700
Property Assets	Development of assets to reduce risk of voids	-	-	257	515	515
<b>TOTAL Savings &amp; Transformation Savings</b>		<b>446</b>	<b>978</b>	<b>2,123</b>	<b>2,381</b>	<b>2,381</b>
As recognised in MTFS		278	578	1,567	2,124	2,382
Difference		(168)	(400)	(557)	(258)	0

### Note on Grant Funding

The position on Grant Funding for 2022/23 has not been finalised and members will be updated in due course.

## CAPITAL PROGRAMME SUMMARY 2021/22 TO 2025/26

	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
			Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
<b>CAPITAL EXPENDITURE ON PORTFOLIOS</b>						
Corporate and Democratic Services	-	74,498	-	-	-	-
Customer Experience and Improvement	148,000	148,000	0	0	0	0
Major Projects and Property	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	
Operational Services	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510
Planning and Economy	-	-	-	-	-	-
Savings & Transformation/ICE Modernisation Programme	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>38,509,980</b>	<b>31,102,192</b>	<b>36,703,409</b>	<b>31,067,859</b>	<b>3,344,510</b>	<b>1,215,510</b>
<b>CAPITAL EXPENDITURE RESOURCES</b>						
Revenue Contribution to Capital - General	-	-	-	-	-	-
Revenue Contribution to Capital - Improvement Grants	-	-	-	-	-	-
<b>Total Revenue Contributions</b>	-	-	-	-	-	-
Grants & Contributions from Other Bodies (see Grants & Conds Summary page)	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
Grants & Contributions - Improvement Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
Section 106 Developers Contributions (see s106 Summary page)	51,670	51,670	0	-	-	-
	10,349,680	4,509,090	8,580,510	1,080,510	1,080,510	1,080,510
Capital Receipts & Borrowing - General Fund Schemes	28,160,300	26,593,102	28,122,899	29,987,349	2,264,000	135,000
Capital Receipts & Borrowing - Housing home improvement grant schemes	-	0	0	0	0	0
<b>Total Capital Receipts &amp; Borrowing</b>	<b>28,160,300</b>	<b>26,593,102</b>	<b>28,122,899</b>	<b>29,987,349</b>	<b>2,264,000</b>	<b>135,000</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>38,509,980</b>	<b>31,102,192</b>	<b>36,703,409</b>	<b>31,067,859</b>	<b>3,344,510</b>	<b>1,215,510</b>

GRANTS AND CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26

Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b><u>General Fund - Grants &amp; Contributions</u></b>						
6518	- Wheeled Bin Contributions (Developers & Householders)	20,000	20,000	20,000	20,000	20,000	20,000
6567	- Replacement Cremator (CAMEO)		948,564				
	- Moor Road - Recreation Ground Development (Sport England, PEEL, Landfill Tax)						
6613	- Parks and Open Spaces - Southwood Golf Course SANG Initial Setup		158,196				
6619	- Parks and Open Spaces - Heritage Trails	17,500	17,500				
	<b><u>Regeneration Projects</u></b>						
5407	- Union Yard (LEP and Housing Infrastructure Fund)	5,300,000	1,300,000	4,000,000			
	- Games Hub (LEP)						
5409	- The Galleries (Housing Infrastructure Fund)	3,400,000	400,000	3,000,000			
	<b><u>Activation Aldershot Projects</u></b>						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	500,000		500,000			
	<b>Total General Fund Grants &amp; Contributions</b>	<b>9,237,500</b>	<b>2,844,260</b>	<b>7,520,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
	<b><u>Housing Schemes - Government Grants</u></b>						
640050013	- Improvement Grants - Disabled Facilities Grants (Better Care Fund)	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
	<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>10,298,010</b>	<b>4,457,420</b>	<b>8,580,510</b>	<b>1,080,510</b>	<b>1,080,510</b>	<b>1,080,510</b>

SECTION 106 DEVELOPERS CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26

Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<u>General Fund Schemes</u>						
6571	- Manor Park - Lake Improvements	49,170	49,170				
6619	- Park and Open Spaces - Heritage Trails	2,500	2,500				
<b>TOTAL SECTION 106 DEVELOPERS CONTRIBUTIONS</b>		<b>51,670</b>	<b>51,670</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>

**CORPORATE & DEMOCRATIC SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26**

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>FLEXIBLE CAPITAL RECEIPTS</b>						
5299	Schemes funded by unallocated Capital Receipts		74,498				
	<b>TOTAL</b>	-	<b>74,498</b>	-	-	-	-



**CUSTOMER EXPERIENCE & IMPROVEMENT PORTFOLIO SUMMARY 2021/22 TO 2025/26**

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>COMPUTER SYSTEMS</b>						
730540012	IT Equipment Replacement	70,000	70,000				
750040224	PCI Compliance (s)	10,000	10,000				
730740012	Telephony Replacement Project	35,000	35,000				
	<b>COUNCIL OFFICES</b>						
5329	Office Accommodation (s)	10,000	10,000				
5318	Improvement Programme	13,000	13,000				
5340	Electrical Generator Switch (s)	10,000	10,000				
	<b>TOTAL</b>	<b>148,000</b>	<b>148,000</b>				

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>ALDERSHOT TOWN CENTRE PROJECTS</b>						
5409	The Galleries Regeneration (bc) (s)	3,400,000	400,000	3,000,000			
5404	Adlershot Forecourt Improvement	550,760		550,760			
	<b>CIVIC QUARTER FARNBOROUGH</b>						
5405	Civic Quarter Farnborough Development (bc) (s)	19,383,000	17,980,000				
5405	REGENERATION - Farnborough Leisure Centre demolition		1,339,000				
5405	REGENERATION - Farnborough Leisure Centre Feasibility and design work		64,000	2,000,000			
	<b>HOUSING MATTERS</b>						
5406	Housing PRS Delivery (bc) (s)	5,436,000	156,290	6,751,139	2,878,349		
	<b>PROPERTY AND ASSETS</b>						
tba	Tices Meadow		45,000				
tba	The Meads		250,000				
tba	Hawley Lane		25,000	500,000	12,000,000		

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2021/22 TO 2025/26

2 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<b>PROPERTY ENHANCEMENTS</b>						
tba	Property Services Capital R&M schemes (bc)			500,000			
tba	Voyager House Fit Out		100,000				
tba	Ashbourne House			51,000	74,000		
tba	Frimley 4 Business Park Unit 4.3 Enhancement Works		117,000				
tba	Frimley 4 Business Park Unit 4.4 Enhancement Works			100,000	150,000		
5316	Devereux House Albert Road Farnborough	90,000	90,000				
	<b>UNION STREET ALDERSHOT</b>						
tba	Union Yard - Party Wall		300,000				
5407	Union Yard Aldershot Regeneration	7,657,770	6,200,000	20,950,000	14,750,000	2,129,000	
	<b>TOTAL</b>	<b>36,517,530</b>	<b>27,066,290</b>	<b>34,402,899</b>	<b>29,852,349</b>	<b>2,129,000</b>	

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
6507	<b>CCTV</b> Camera and Network	400,000		400,000			
6567	<b>CREMATORIUM</b> Replacement Cremators		948,564				
6517	<b>DEPOTS</b> Hawley Lane Development Works (s)	33,670	33,670				

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26

2 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
6571	<b>MANOR PARK</b> Lake Improvements (s)	49,170	49,170				
	<b>PARKS &amp; OPEN SPACES</b>						
6612	Unspecified Park Improvements		44,544				
6613	Southwood Golf Course SANG Setup		128,196				
6617	Southwood Golf Course SANG Wetland		30,000				
6618	KGV café conversion within the pavilion		50,000				
6619	Heritage Trails	20,000	20,000				
	<b>PLAYGROUND WORKS</b>						
6610	Recreation Ground Playground Renewal (bc) (s)		104,000				
	<b>REFUSE/RECYCLING</b>						
6518	Domestic Refuse - Wheeled Bins	100,000	100,000	100,000	100,000	100,000	100,000
6620	Domestic Refuse - Waste Containers and Liners Food Waste Vehicles	131,100	131,100 235,000	5,000	5,000	5,000	5,000
	<b>SOUTHWOOD SANG VISITOR CENTRE</b>						
tba	Southwood SANG Feasibility		75,000				
tba	Southwood SANG Visitor Centre and Café		201,000	685,000			
	<b>IMPROVEMENT GRANTS</b>						
640050013	Disabled Facilities Grants	1,060,510	1,613,160	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
	<b>TOTAL</b>	<b>1,844,450</b>	<b>3,813,404</b>	<b>2,300,510</b>	<b>1,215,510</b>	<b>1,215,510</b>	<b>1,215,510</b>

**PLANNING & ECONOMY PORTFOLIO SUMMARY 2021/22 TO 2025/26**

No Capital Schemes

## STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS 2022/23

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 between 2018/19 and 2020/21. A balance of £85,610 was held within Flexible Use of Capital Receipts at 31 March 2021. Capital Receipts of £750,000 have been received to date during 2021/22 although no decision has been taken as to the level of allocation to the Flexible Use of Capital Receipts.

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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## SECTION 25 STATEMENT FEBRUARY 2022

### 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 CIPFA published the Resilience Index 2022 in February. Rushmoor's highest risk on the Index for the last year of data available (2020/21) concerned Business Rates Growth above Baseline (i.e., the difference between the baseline funding and the level of business rates income) and the ratio covering Council Tax Requirement (i.e. the ratio of Council Tax as a proportion of net expenditure).
- 1.5 Measures concerning Gross External Debt and Interest Payable (on the external debt) scored 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 COVID-19 has had an impact on the 2022 Resilience Index, as the data is drawn from the Revenue Expenditure and Financing Outturn (RO) reports. CIPFA state that it should therefore be viewed in the context of this having been a transitional year. The index continues to illustrate the financial resilience of authorities during the pandemic but figures on reserves have been affected by a series of coronavirus-related payments at the very end of the financial year and will require additional explanation at a local level.
- 1.7 The next release will cover the financial year 2021/22 and 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.
- 1.8 Paragraphs 5.4 to 5.6 of the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet (FIN2210) 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 is 2021/22, 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.

## SECTION 25 STATEMENT FEBRUARY 2022

Over the coming weeks the s151 Officer will be reviewing compliance with the CIPFA FM Code and identifying actions required to address any areas of weakness.

### Robustness of Estimates

- 1.9 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).
- 1.10 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).
- 1.11 Capital Expenditure estimates are supported through the Regeneration and Property and Major Works programme board. For service led capital projects Service managers prepare working papers to include projects in the Council's capital programme in line with the budget development timeline. The Finance service calculate the financing cost (which can be nil if the project is fully externally financed) so that the full cost of the project is understood. Larger property and regeneration projects are managed through the Council's Regeneration and Property and Major Works programmes. These projects undergo scrutiny and review by the Project Board at different stages (e.g., feasibility, design, planning, due diligence) and costs and financing are reviewed by the finance service. All projects to be recommended for inclusion in the Capital programme appraised by the Executive Team before being included in the draft budget. The final capital programme is then presented to Cabinet early February and to Full Council in late February each year Variation to capital bids and new capital bids can be received during the year.
- 1.12 Financial management remains robust as demonstrated by the regular budget monitoring reports to Cabinet (September 2021, January 2022, and April 2022) and the outturn position (due to be reported in June or July 2022 subject to completion of the outturn process)
- 1.13 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 cost reduction and savings programme.
- 1.14 The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year.

## SECTION 25 STATEMENT FEBRUARY 2022

- 1.15 The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed 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.
- 1.16 As can be seen from Tables 4 and 5 in Cabinet report, the requirement to reduce costs and balance the budget are substantial. The Savings and Transformation Programme has been established to ensure sustained focus over the MTFs period. The programme is supported by a project team which reports to the Executive Leadership Team Board monthly to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group
- 1.17 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.
- 1.18 The basis on which the budget for 2022/23 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

- 1.19 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 2022/23 Budget and the MTFs have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 1.20 There are a number of financial risks that the Council will face over the medium-term. The 2022/23 Budget and the MTFs have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 1.21 For Local Government, there are 2 significant strategic risks.
- 1.22 The first key risk is around the nature and scope of local government funding from central government from 2023/24. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and will be reviewed based on commentary provided in the Local Government Finance Settlement in December 2021

*“The government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from*

## SECTION 25 STATEMENT FEBRUARY 2022

*2013-14 to a large degree, and even as far back as 2000. Over the coming months, DLUHC will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.*

*As part of this options will be considered to support local authorities through transitional protection. Councils should note that one off grant funding provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.”*

- 1.23 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.
- 1.24 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 2023/24 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. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government.
- 1.25 The second key risk is around the continued impact on the Council from pressures within the wider economy including Covid-19 and inflation. This will have an impact on income and expenditure budgets during 2022/23 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2022/23 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
  - Energy cost pressures
  - Inflationary pressures and Interest rates in early 2022 being an increasing risk. Further interest rate increases are forecast over the next 3 months with CPI inflation currently at 5.5% (RPI 7.8%) which will have an impact on the Council's budgets and forecasts.
- 1.26 The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:
- Business Rates Retention and changes to the Local Government Finance system/Levelling Up Agenda
  - Replacement of New Homes Bonus from 2023/24 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.

## SECTION 25 STATEMENT FEBRUARY 2022

- Impact of the UK having left 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.

### Adequacy of the Reserves

- 1.27 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.
- 1.28 A number of earmarked reserves are held for specific purposes and to mitigate risk across the Council's budgets. Paragraphs 5.12 to 5.24 of the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet (FIN2210) set out the detailed position on the Council's balances and reserves.
- 1.29 The Council 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.
- 1.30 It is acknowledged that the impact of Covid-19, cost and income pressures, and delivery of the Council priorities has placed pressure on the MTFS Equalisation Reserve (formerly part of the Stability and Resilience reserve) in the short-term with planned deployment of the reserve in 2021/22 and 2022/23 of £2.285m. However, it is not sustainable or prudent to rely on the MTFS Equalisation reserve over the medium-term.
- 1.31 The Council plans to maintain a minimum balance of £2.500m in the Business Rates Equalisation Reserve (formerly part of the Stability and Resilience reserve) over the MTFS period.
- 1.32 Whilst the level of balances and reserves shown in Table 3 of the report indicates that the Council is in currently a good financial position, the cumulative funding gap of £4.227m over the MTFS period (£13.727m prior to applications of Savings and Income Targets) would reduce the MTFS Equalisation Reserve to a nil balance during 2024/25. This will need to be addressed over the coming months as the Council will need to make significant decisions on future mitigation options
- 1.33 Utilisation of the Commercial Property reserve in 2022/23 to mitigate reduced rental income from assets is a concern in the short-term. The expected balance on the reserve by the end of the 2022/23 financial year is £0.388m and must be reviewed over the coming months to ensure the reserve balance is adequate to mitigate risks over the MTFS period.

## **SECTION 25 STATEMENT FEBRUARY 2022**

- 1.34 Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2022/23 and the need to ensure reserves remain adequate over the medium-term.
- 1.35 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

20 February 2022

**COUNCIL MEETING – 24TH FEBRUARY 2022****AGENDA ITEM NO. 4 (4)****COUNCIL BUSINESS PLAN UPDATE 2022-25**

A report from the meeting of the Cabinet held on 8th February 2022.

**SUMMARY:**

This report presents a draft Council Plan for 2022-25 as set out at **Appendix A**.

Refreshed and updated annually, the draft plan sets out the council's priorities and the steps it will take over the next three years that contribute towards achieving the council's longer-term vision set out in the document Your Future, Your Place – A vision for Aldershot and Farnborough 2030.

**The Council is recommended to** approve the updated three-year Council Plan 2022-25 as set out in Appendix A.

**1. INTRODUCTION & BACKGROUND**

- 1.1 Together with its partners, the council provides a strategic role and a wide range of services helping to place-shape its area and benefit the activities and lives of local businesses, residents and its community as a whole.
- 1.2 To help with the planning and delivery of this work the council prepares a number of key documents that help set the general direction and work activities of the council. Collectively, these documents help inform many of the decisions the council makes, how it allocates resources and how it sets service and staff objectives; helping the council to make sure it best serves its residents, businesses and the borough of Rushmoor as a whole. One of the key documents concerned is the Council Plan.
- 1.3 The intention of the Council Plan, is not to provide detail on all its activities, but to outline the council's priorities over the next three years and, in particular, the key strategic projects that will contribute to achieving the council's vision. This is set out in the document Your Future, Your Place – A vision for Aldershot and Farnborough 2030.
- 1.4 In short, the Council Plan provides a focus for the council's activities and services by setting out the short to medium-term steps needed to realise its longer-term vision and goals. The plan is underpinned by a number of individual service plans which include more detailed information on the activities and work of individual council services.

1.5 While covering a three-year period, the Council Plan is refreshed and updated annually. Following consultation and review, a revised Council Plan has been prepared for 2022-25. A copy is given at **Appendix A**.

## 2. DETAILS OF THE PROPOSAL

### Format and structure

2.1 As a refresh, the draft plan largely follows the structure and format of previous plans. However, in line with consultation feedback (see below), the following changes have been included -

- (a) **Welcome and introduction** - A revised introduction is given that helps provide some narrative and context to proposed council activities in the plan.
- (b) **Other strategies, plans, projects and programmes** - Some commentary and a diagram is provided to explain where the Council Plan sits, and how it and other strategies, plans and programmes relate and fit together.
- (c) **Workforce and the way we work** - This section has been given greater emphasis and reframed with additional content covering the modernisation and transformation of the Council's workforce, community engagement and the council's organisational values. This section also includes the Council's commitment to become carbon neutral by 2030.
- (d) **Community engagement** - A new section is included in the draft plan to outline how the Council takes account of community needs and views. This will be developed further through a communications plan linked to the delivery of the Council Plan.
- (e) **Delivering & Measuring the plan** – To help bring the plan to life, the draft plan also includes a new section showing examples of what the council has said and done in previous plans.

### Key priorities and activities

2.2 As with previous plans, the key priorities and activities are provided in summary format under the key themes of People and Place.

2.3 The council's priorities have been reframed and follow those outlined in the council's vision document Your Future, Your Place 2030. This provides for some consistency and a 'golden thread' that helps bind the council's key documents, strategies and plans together.

2.4 The key activities outlined in the plan include –

#### People

- Roll out the second phase of the Council's weekly food waste recycling service to households with shared bins



- Help people (especially young people) into employment through training, apprenticeships and upskilling
- Develop a walking and cycling plan to encourage sustainable travel and to support town centre regeneration plans
- Develop a new leisure centre in Farnborough
- Working with partners, encourage more residents to be active and have healthier lifestyles
- Support apprenticeships, research and innovation opportunities through the Aerospace Research and Innovation Centre (ARIC)

## **Place**

- Complete the Union Yard development, support the regeneration of the Galleries in Aldershot and update the facilities at the crematorium in Aldershot.
- Progress the regeneration of Farnborough town centre, including the civic quarter
- Develop Southwood Country Park, including providing a new visitor centre and improving its access, environment and facilities
- Support the creation of quality, new homes
- Progress an aerospace heritage project
- Continue progress towards our goal of becoming a carbon neutral council by 2030 through reducing emissions in our facilities and operations

## **Performance monitoring arrangements**

- 2.5 The draft plan also outlines the performance monitoring arrangements to be used in delivery of the plan. While the draft plan includes a number of measures applicable to the priorities and planned activities, it also outlines how it will be monitored through quarterly monitoring and annual reports and identifies the bodies that will scrutinise them.

The measures used have been developed in consultation with the Policy & Projects Advisory Board who were specifically asked to consider the performance monitoring and reporting measures appropriate to the priorities and activities referenced in the plan.

## **3. CONSULTATION ON PROPOSALS**

- 3.1 The draft Council Plan has been prepared following a programme of events, including a call for evidence, service workshops and engagement with Heads of

Service and their teams, elected members, partners and residents; the latter in the form of the resident's survey in summer 2021.

### **Head of Service Workshops and call for evidence**

- 3.2 Development of the plan included a call for evidence and the holding a series of workshops with Heads of Service, Executive Managers and their teams during October / November 2021. The workshops were held to help identify any necessary structural changes and the most significant issues likely to impact the council in the next three-year period and provided an opportunity to identify potential activities for inclusion in the plan.

### **Policy & Projects Advisory Board (PPAB)**

- 3.3 Development and progress of the plan has been regularly reported to and discussed by the Policy & Projects Advisory Board (PPAB).

- 3.4 At their meeting on 26 January 2022, PPAB considered the draft of the Council Plan. There was broad support for the Council Plan, recognising the challenges of distilling considerable amounts of input into a relatively short and high-level document. In particular, the following points were made:

3.4.1 That there are clear linkages between the Council Plan and the emerging Strategic Economic Framework and that once available, the priorities and actions from the Strategic Economic Framework should be captured within the Council planning and performance management process. There was particular interest from some PPAB members that support for key sectors (for example creative and digital) and SME investment are considered.

3.4.2 That the statements in the draft Council Plan are high level and refer to the Council 'supporting the creation of new, quality homes'. There were a range of views from PPAB about where the priorities should lie within this activity (whether that be affordable housing or private sector rental via Rushmoor Homes). It was noted that the performance management approach would see both being measured under this plan and that further levels of detail sit within different plans and strategies (for example, the Local Plan and the emerging Housing and Homelessness Strategy).

3.4.3 The new section of the Council Plan around community engagement was welcomed with PPAB members keen to know more about the actions that will be taken as a result of this, particularly around the engagement of young people and the equality, diversity and inclusivity agenda.

3.4.4 PPAB commented that whilst the rationale for having climate change and financial sustainability as cross-cutting themes that run across the Council Plan, there was a risk that they receive less focus as a result. In light of this feedback the Council's work around becoming a carbon neutral council by 2030 has been added as a key activity under the 'place' section.

3.4.5 PPAB also highlighted the risk of performance measures giving too narrow a perspective on complex issues and sought reassurance that this would

not be the case. For example, whilst increased recycling rates can be viewed as a positive, a measure of success would also be reducing food waste in the first place. Officers were able to give reassurance that issues such as this are under consideration. PPAB members also sought reassurance that projects in the Council Plan 2021 – 2024 would continue to be monitored to ensure their successful delivery and it was confirmed that this would be the case.

## **4. IMPLICATIONS**

### **Risks**

- 4.1 While the draft plan sets out an ambitious programme of key activities, many of these are ongoing or pre-planned projects that have been costed and/or are subject to project and performance management arrangements. The key activities are also subject to a range of suggested measures that will form the basis for future monitoring in delivery of the plan as part of the council's performance monitoring arrangements.

### **Legal implications**

- 4.2 Whilst there may be legal implications associated with some of the individual activities outlined in the plan, these are subject to their own project and risk management arrangements as outlined above. Beyond this, the draft plan merely sets out the ambitions and aspirations of the council and, as such, there are no specific legal implications applicable to the preparation and/or approval of the plan.

### **Financial and Resource Implications**

- 4.3 The draft plan has been prepared in the context of the council's Medium-Term Financial Strategy. Any projects identified in the Council Plan will be subject to Business Case development and approval if not included in the current budget.

### **Equalities Impact Implications**

- 4.4 The draft plan outlines a number of high-level activities intended to make a real positive and tangible difference to both the area, businesses and residents of Rushmoor. As individual projects, key activities will be subject to their own equality impact assessment and measures where appropriate. It is considered that there are no direct implications associated with the preparation and/or approval of the plan.

## **5. CONCLUSIONS**

- 5.1 The refreshed plan, which was supported by the Cabinet at its meeting on 8th February 2022, reflects the ambitions set out in 'Your Vision, Your Place – A Vision for Farnborough and Aldershot' and identifies key projects to be delivered over the next three years.

A R NEWELL  
PORTFOLIO HOLDER DEMOCRACY, STRATEGY AND  
PARTNERSHIPS



# Council Plan 2022 to 2025



# Welcome

**This Council Plan sets out the role that we will play in ensuring that Rushmoor is a vibrant, thriving place, with a strong community that has both the opportunities and sense of pride to make sure it is a fantastic place to live, work and do business. This is our vision - one we set out in more detail in our vision document - [Your Future, Your Place – A vision for Aldershot and Farnborough 2030](#).**

It is with this vision in mind that we set out our priority projects for the next three years. These projects come together in an ambitious programme of activity across our two business plan themes – people and place.

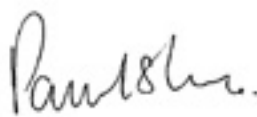
Building on the foundations of previous plans and projects already delivered by the council, our work in the coming years will prioritise supporting our communities through this time of change and transition, shaping our town centres for the future and making sure we deliver great value, high quality services.

Please take the time to read this ambitious plan that will make a real difference to our people and places and ensure we maintain the quality of life we value in Rushmoor. You can [check our progress against our plan](#).

We look forward to delivering for you.



**Councillor David Clifford**  
Leader  
Rushmoor Borough Council



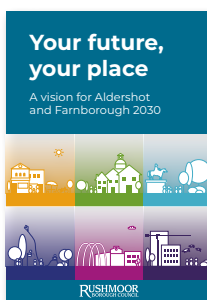
**Paul Shackley**  
Chief Executive  
Rushmoor Borough Council



# About the Council Plan

The council provides a wide range of services, many of which are a part of normal day-to-day life and business activity. However, the intention of the plan, is not to provide detail on all our activities, but to outline the council's priorities over the next three years and, in particular, the key strategic projects that will contribute to achieving our vision. This is set out in our vision document Your Future, Your Place – A vision for Aldershot and Farnborough 2030.

Refreshed and updated annually, the Council Plan provides a focus for our activities and services by setting out the short to medium-term steps needed to realise our longer-term vision and aspirations. While it sets out an ambitious programme of key activities, underpinning this plan are a number of individual service plans which include more detailed information on the activities and work of individual council departments, teams and the day-to-day services they offer.



Your future, your place: a vision for Aldershot and Farnborough 2030



The Council's business plan 2022-25



Service business plans

## Performance management & reporting framework

Corporate programmes & projects

Service projects

Service performance indicators

Programme review / reporting

Service level review / reporting

Programme review / reporting

Service level review / reporting

The Council Plan also draws upon and provides a link between a number of important strategic documents which inform and underpin much of the work we do. These include:

### **Medium Term Financial Strategy**

This sets out how we will plan and manage our budgets in the medium term to make sure we continue to be financially sound.

### **The Rushmoor Local Plan**

This will help shape the development of Aldershot and Farnborough up to 2032 through our planning policies.



### **Climate Change Strategy and Action Plan**

This sets out how we will help tackle the impacts of climate change, make the council carbon neutral and make our borough more sustainable by 2030.

### **Supporting Communities Strategy and Action Plan**

This sets out the council's approach to tackling inequality and deprivation, increasing social connections and improving the well-being, strength and resilience of our community.

### **Equality, Diversity and Inclusion Action Plan**

This sets out the steps that the council will take to promote equality, diversity and inclusion.



### **Customer and Digital Strategy**

This outlines how we will do things better and more efficiently by designing our services around our customers' experience, enabled by digital technologies where appropriate.

### **Procurement Strategy**

This sets out how we will procure goods, works and services and make sure we secure best value for money and socio-economic benefits when we do so.

### **The People Strategy**

This sets out how we will develop our employees, core values and culture so we offer the best experience for our customers.

### **Service plans and staff objectives**

These identify what our different teams will be doing to support our customers and the council's priorities.

We use these plans and documents to help set the general direction and work activities of the council. They inform many of the decisions we make, how we allocate resources across the council together with our staff objectives. Collectively, these documents help us to make sure we serve our residents, businesses and the borough of Rushmoor as a whole.



One borough



Two world-famous towns

39,056,390m<sup>2</sup> of land

70% of land is green space



70 parks and playgrounds



Four nature reserves and woodlands

270 miles of road



42 miles of cycle routes



Three railway stations



One airport



# RUSHMOOR IN NUMBERS

February 2022



94,400 residents

50.5% male  
49.5% female

2,760 military personnel  
+390 civilian staff



37 schools



Two outstanding further education colleges

Two

arts and theatre centres



Two indoor pools  
One lido



41,260 homes



An average age of 39.2 years



3,925 businesses

providing more than 58,000 jobs



Two football clubs

One

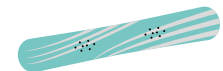
world class conference and convention centre



Three museums

One

snow sports centre



# Looking ahead – challenges and opportunities

In developing this plan, it has been important to consider the strategic challenges and opportunities that we will face over the lifetime of the plan and beyond. Understanding these challenges and making plans for how the council might address them will help us to make sure our services are fit for the future and able to deliver our aspirations.

## Responding to the climate emergency

Responding to the climate emergency will be increasingly significant for us all. Our Climate Change Action Plan sets out a series of local actions to make the council carbon neutral, and Aldershot and Farnborough greener and more sustainable by 2030. While we will be updating our Climate Change Action Plan in the light of COP26, mitigating, and adapting to climate change is an opportunity to work with our residents and partners to build a more sustainable future.

## Maintaining financial resilience in an uncertain environment

Managing the financial impact of the coronavirus pandemic and making sure the council continues to be financially sound will be a key focus over the life of this plan. There has been growing demand for some of our services and more pressure on our income because of uncertainty caused by the pandemic and changes in government regulations and restrictions. Therefore, we may have to be flexible and make difficult decisions in terms of affordability in the short to medium-term as we prioritise certain services and move to more efficient delivery models, while at the same time realising our long-term ambition to invest in the future of our people and town centres.

## Engagement and inclusion

Our community has become more diverse and continues to evolve, and we will need to consider ways to make sure everyone feels included. Over the past couple of years, we have seen significant improvement in community engagement, as the response to the pandemic provided an opportunity to work with the voluntary sector and other partners, and we will seek to build on this success. Social media provides new opportunities for us to improve how we communicate and

engage online with residents and partners and self-service models of delivery are increasingly more commonplace. However, as we offer more of our services online, the challenge of digital exclusion and how to support those who do not have the right skills or access to the internet to use these services remains a key concern for us. In the meanwhile, we need to continue to provide information and key services in alternative, accessible formats.

## A strong local economy – kind to the environment

There will be fundamental changes to shopping and our town centres because of the coronavirus pandemic. Keeping our key businesses and attracting new ones through investment to support growth remains a priority. It is also important to support residents who have lost their jobs because of the pandemic and help them back into employment, education or training. Through this work there is an opportunity to reflect on the future skills that our community needs and support green jobs that benefit the community, the environment, and the economy.

## Healthy lifestyles

A growing number of people are struggling with the persistent effects of coronavirus and the pandemic, and it will be important to continue to support the physical and mental health of our residents. It will be vital for us to work with the health sector, community groups and not-for-profit sector to support health and wellbeing across Rushmoor.

## Changes in government policy

There is a significant future programme of legislative and government policy change which will have a direct impact on us and our partners. These not only include day-to-day laws that govern things like the environment or planning rules but may also include widescale changes to local government finance arrangements, powers and structures through possible devolution and the government's 'levelling up' agenda.

## Our workforce and the way we work

In taking forward the actions set out in this plan, it vital that we also consider our own workforce and the ways that we work.

In response to the pandemic and other challenges we face, the council has had to adapt to new, more effective ways of working and change the way in which we deliver our services. While sticking to our core values, we have transformed a wide range of services, at speed, and this will continue to be a commitment throughout the life of this plan.

We are committed to being a modern, customer-focused organisation that uses the opportunities that digital technology can offer to deliver accessible, efficient and cost-effective services where appropriate, at the same time making sure that no one is left behind.

Whether it is taking forward the work in this plan or in our day-to-day work activities, we will therefore:

- Work in **partnership** to deliver the best possible outcomes for our residents and businesses
- **Reduce our environmental impact** so that we can be a **carbon neutral** council by 2030, designing and delivering our services in a **green and sustainable** way
- Be **flexible** in how we use our resources to provide **value for money** and **affordable services** that use the right approach at the right price
- Be **agile** and responsive to deliver services at **pace**, using **digital, innovative** and **creative** tools and approaches where appropriate
- Apply our **organisational values** in how we work with each other, with our partners, businesses, residents and community to achieve our aims



## Our values and behaviours

Our values and behaviour frameworks support the council's aspirations and helps guide how we work with each other, with our partners, businesses, residents and community to achieve our aims.

# YOUR FUTURE, YOUR PLACE OUR VISION FOR RUSHMOOR

## OUR VALUES AND BEHAVIOURS...how we work day-to-day



**We achieve excellence by working together**

We involve the right people, at the right time and work together with enthusiasm

We recognise and appreciate the contribution of others

We help each other to bounce back from setbacks and persevere to reach our goals

We work openly, and share our knowledge, expertise and plans

We celebrate success and focus on positives



**We are always thinking of new and better ways to make a difference**

We look for creative ways to drive improvement

By taking responsibility for our own learning and development, we will explore new ideas and ways of working

We will not just do what we did before, we seek to innovate

We encourage each other and develop the shared vision and purpose

We look outside our organisation for ideas, inspiration and new ways of thinking



**We are ambitious for Rushmoor**

We are willing to make bold decisions to make a difference to our community

We have the courage to do things differently and 'give it a go'

We take managed risks and view mistakes as opportunities to learn

We will get things done quickly and efficiently

We provide, seek and act on constructive feedback



**We uphold high standards of service through honesty, respect and compassion**

We put customers at the heart of what we do

We take pride in being open and transparent

We are personally accountable for our decisions and action and do what we say we will do, on time

We respect and value difference, and listen to other perspectives

We work to understand how others feel and how we can respond appropriately



## Community engagement - assessing and understanding needs

In establishing the priorities and activities set out in this plan, it is also important to us to consider how we engage with, and meet the needs of, our residents, businesses and our community. This helps us prioritise and understand better their needs so we can target our activities and services to the right people, in the right way at the right time.

We use a number of tools and approaches to help us with this work including use of local knowledge, strategic assessments, data analysis tools that provide insight into our customers' preferences and needs, public consultations, focus groups and surveys.

We also use a wide range of communications activities to reach our communities to help make sure they are aware our services and how they can give their views on them. These range from our residents' magazine, Arena, and local communications to digital communications, such as social media and email newsletters.

Working closely with our partners where appropriate, we want to develop how we communicate and engage with our community to help us continue to meet our businesses and residents' needs with quality, timely and effective services.

## Our priorities

We are an ambitious council, and this plan sets out our aspirations against two key areas of work – People and Place.

### People

Empowering and connecting communities and enabling people to live healthy and sustainable lives to fulfil their aspirations.

### Place

Ensuring our towns are family-friendly, safe, vibrant, and sustainable places - now and in the future.



## Priorities



## Key activities

Over the next three years, we will:

1. Roll out the second phase of our weekly food waste recycling service to households with shared bins
2. Help people (especially young people) into employment through training, apprenticeships and upskilling
3. Develop a walking and cycling plan to encourage sustainable travel and to support our town centre regeneration plans
4. Develop a new leisure centre in Farnborough
5. Working with partners, encourage more residents to be active and have healthier lifestyles
6. Support apprenticeships, research and innovation opportunities through the Aerospace Research and Innovation Centre (ARIC)

## Supporting strategies and plans

(To be developed, reviewed and/or implemented)

1. Supporting Communities Strategy
2. Joint Municipal Waste Strategy
3. Car Parking Strategy
4. Equality, Diversity and Inclusion Action Plan
5. Communications and Engagement Strategy

## Key Measures

- Increase in the % of waste collected by the Council that is reused, recycled and composted
- Decrease in % of working age population claiming benefits because of unemployment
- Decrease in % of 18-24 year olds claiming benefits because of unemployment
- Increase in % of physically active adults

## Priorities



## Key activities

Over the next three years, we will:

1. Complete the Union Yard development, support the regeneration of the Galleries and update the facilities at the crematorium in Aldershot
2. Progress the regeneration of Farnborough town centre, including the civic quarter
3. Develop Southwood Country Park, including providing a new visitor centre and improving its access, environment and facilities
4. Support the creation of quality, new homes
5. Progress an aerospace heritage project
6. Continue progress towards our goal of becoming a carbon neutral council by 2030 through reducing emissions in our facilities and operations

## Supporting strategies and plans

(To be developed, reviewed and/or implemented)

1. Strategic Economic Framework
2. Town Centre Strategy and Business Support Plan
3. UK Shared Prosperity Fund Investment Plan
4. Cultural Strategy
5. Car Parking Strategy
6. Housing and Homelessness Strategy
7. Climate Change Action Plan
8. The Local Plan
9. Green Infrastructure Strategy



## Key Measures

- Increase in residents' satisfaction with our town centres
- Decrease in the % of vacant and dormant premises in our town centres
- Increase in the number of new homes created by Rushmoor Homes
- Increase in the range of housing across the Borough





## Strong community, proud of our area



We know that if people feel connected to each other and the place where they live, they are generally happier and more likely to be active in their local community and to do things like volunteering and shopping locally. For these reasons, we want to foster a strong community spirit and a sense of pride in our area by bringing people together, connecting our communities and enabling people to get involved so they can help and support one another. One of the main ways we will do this is through delivery of our Supporting Communities Strategy and Action Plan.

Among many activities, we will work with schools and colleges to engage young people in local projects. We will also support local apprenticeships and volunteering opportunities and develop a youth forum, run by young people, to give them a voice and encourage them to engage with decision-makers on local issues. We will, of course, also be supporting our local community and groups to get involved in the Queen's Platinum Jubilee celebrations.

## Healthy and green lifestyles

Climate change is one of the key challenges we all face. Having already declared a climate emergency and established a climate change action plan to help address the challenges and opportunities presented, we will continue to work with businesses, organisations and our community towards making the council carbon neutral, and Aldershot and Farnborough greener and more sustainable by 2030.

We will review our Climate Change Action Plan in light of COP26, seek to protect and develop our green infrastructure and improve the corridors and network of green spaces in our area so that we maintain a wide range of environmental and quality-of-life benefits for our local community.

As food waste is a big contributor to climate change, we will also continue to extend our weekly food waste collections to households with shared bins. Instead of food waste being incinerated with non-recycling rubbish, it is broken down naturally to produce renewable energy and natural fertiliser, which in turn reduces the need for artificial fertilisers. We will also encourage households to make best use of the food they buy so overall, less food is wasted.



We will also work with Hampshire County Council to develop a walking and cycling plan to encourage people to use their cars less and which will support our town centre regeneration plans.

Helping people to adopt healthier lifestyles will be important, particularly as we know some health inequalities have got worse because of the Covid-19 pandemic. The council will follow through on its promise to establish a new leisure offer in Farnborough including a replacement for the Farnborough Leisure Centre.

In addition, we will promote wider health and wellbeing by looking to develop the cultural offer across Rushmoor, increasing engagement in the arts and leisure through the development and implementation of a new Cultural Strategy with our partners. Alongside this, we will develop new facilities and a visitor centre at the Southwood Country Park and work to deliver an attraction / project that celebrates our area's aerospace heritage.



### **Housing for every stage of life**

Having a good quality home is essential for the health and wellbeing of many of our residents. Making sure there is a range of housing types, from starter homes, family and executive homes to supported housing, is important for individuals and families. Building strong neighbourhoods and inclusive communities helps to make people feel safe and supports the economic prosperity of the area.

Recognising these benefits, we have already enabled the development of many new homes at Wellesley, Aldershot and will support the creation of more quality homes through Rushmoor Homes (our partner housing company) as part of our town centre regeneration plans. We will also be reviewing our Local Plan and Housing and Homelessness Strategy to help refine and shape our planning policies and future sustainable developments.

### **Vibrant and distinctive town centres**

Working with partners, we will transform and revitalise our town centre spaces in Aldershot and Farnborough through our ambitious redevelopment and regeneration programmes. This will help attract other developers and create significant investment in Aldershot and Farnborough town centres, making vibrant and thriving places where people want to spend their time and money, from daytime through to the evening. Our residents want more modern and sustainable town centres, with a wider range of shops, cafes and restaurants, new community facilities and mixed tenure homes for people of all ages.

Projects under way and in development include Union Yard and The Galleries in Aldershot and the Civic Quarter in Farnborough.



### **A thriving local economy – kind to the environment**



In addition to our town centre regeneration plans and improved cultural offer across Rushmoor, with the business benefits and opportunities these will bring, we will support local business investment and resilience through the development of a strategic economic framework for the area that will help businesses survive, grow and prosper in a sustainable way.

Based on detailed research and engagement with businesses, we will also develop plans to grow the borough's key economic sectors and develop a business support programme which will help local businesses recover from the pandemic and make sure that in the long term we have the right mix of business premises, assets and skills in our area to respond to changing economic needs and boost growth.

### **Opportunities for everyone – quality education and a skilled workforce**

In support of our economic plans and to help local businesses and residents we will also work to equip people with the education and skills they need to enter, re-skill and progress in the labour market and meet the demands of the local economy so that our area is a place of innovation and inclusion. Specifically, we will help people (especially young people) into employment through training, apprenticeships and upskilling and help foster research and innovation opportunities through our heritage and links with the Aerospace Research and Innovation Centre (ARIC).

## Delivering and measuring this plan

Each quarter, our Corporate Management Team and Cabinet monitor the progress of the key projects in this plan through a series of monitoring reports. Our Overview and Scrutiny Committee is then able to review progress against the plan.

Collectively, we monitor our progress of each project against a number of agreed measures – some of which are shown with our list of priorities above – and adjust the resources allocated to each project depending on need, progress and risk.

As well as the projects in the Council Plan, teams across the council make sure that we continue

to provide high quality services to our residents. These activities are contained in service plans, which the relevant Head of Service and Cabinet member manage and monitor regularly.

At the end of the financial year, the council also produces an Annual Report, summarising key areas of work and the progress against the Council Plan.

Using this performance management approach, the council seeks to achieve and deliver its goals and aspirations. Some examples of our successes are given below.

## We said, we did...

### Union Yard regeneration

In our 2021-24 plan we said that we would focus on the Union Yard regeneration scheme in Aldershot town centre.

With all the land acquired and planning consent in place, the site is now cleared, and construction work has started to build 100 new homes, 128 student units and flexible retail, commercial and community space in the heart of Aldershot town centre. The £40 million-plus regeneration scheme will also provide improved public space, car and cycle parking, and is due to be completed in spring 2024.



### Food waste recycling



In our 2021-24 plan, we said that we would introduce food waste collections to help residents increase the amount they can recycle and to reduce waste.

We have successfully rolled out weekly food waste recycling collections to most households in Aldershot and Farnborough, with the second phase of the scheme for homes with shared bins due to begin from spring 2022. Instead of being incinerated with non-recycled household rubbish, the food waste is broken down by anaerobic digestion to produce renewable energy and natural soil fertiliser. In the first 11 weeks of the new service, we collected 720 tonnes of food waste, enough to power 77 homes for one year. Over a full year, this would work out to generating enough power for 364 homes.



## Food hubs

In our 2021-24 plan we said that we would enable the development of food partnerships and food hubs across Aldershot and Farnborough in support of our communities.

Working with our partners, we established the first in a network of accessible food larders at Park Church, Aldershot. The larder is for the whole community allowing people to donate small amounts of food and where people who need food can easily access it at any time without the need for a referral or to wait for the foodbank to open. This provides both an outlet for people to help their community and a way to receive that help which is non-judgemental and fair.

We also saw the community store open in Windsor Way, Aldershot as part of the wider Grub Hub food project.



## Getting involved

If you have comments or would like to get involved in identifying our priorities and activities, please contact [policy@rushmoor.gov.uk](mailto:policy@rushmoor.gov.uk)

## Leisure and community facilities



We said in our 2021-24 plan that we would maintain and develop excellent leisure and community facilities in our area.

During 2021 we invested around £100,000 in the Aldershot Lido to enable this much-loved facility to open safely again after losing the previous summer season because of Covid restrictions. We were delighted to welcome 28,167 visitors to the Lido during the summer.

Despite the continuing concerns with Covid, the Princes Hall theatre in Aldershot was also able to reopen and provide a full autumn season events programme, including 40 performances of its Christmas pantomime, 'Dick Whittington', which welcomed almost 16,000 visitors.

## Heritage trails

In the 2019-22 plan, we said that we would build on our heritage to help support the health and wellbeing of residents by developing a number of community heritage trails.

Working with our partners we have established six heritage trails covering the civilian and military areas in and around Aldershot. Supported by an interactive app, with maps and information, the heritage trails offer different length walks where you can learn about the history of Aldershot through the stories of people, places, events and buildings throughout the town.



**COUNCIL MEETING – 24TH FEBRUARY 2022****AGENDA ITEM NO. 4 (5)****RUSHMOOR HOMES LTD BUSINESS PLAN UPDATE 2022-2027**

A report from the meeting of the Cabinet held on 8th February 2022

**SUMMARY AND RECOMMENDATIONS:**

This report presents Rushmoor Housing Ltd.'s third business plan covering the period 2022-2026/27 and associated Shareholder Report covering the first year and a half of the company' operation.

**The Council is recommended to:**

1. Approve the updated Business Plan 2022-2027
2. Approve the amendment of the Shareholder Agreement to enable Rushmoor Homes Limited to purchase leasehold property where this supports its primary aim of providing market rented homes
3. In the event of the Government introducing a requirement to provide "Minimum Revenue Provision" on loans to wholly owned Housing Companies, Rushmoor Homes Ltd be required to review the Business Plan in co-operation with the Council

**1. INTRODUCTION**

- 1.1. Rushmoor Homes Limited (RHL) was incorporated in April 2020, it is owned, controlled, and funded by Rushmoor Borough Council. The purpose of the company is to develop and acquire a portfolio of residential properties for letting in the local housing market.
- 1.2. The company governance arrangements require a rolling five-year business plan to be approved by the council and a six- monthly shareholder report.
- 1.3. This report presents the RHL Business Plan for 2022/23 to 2026/27. The report summarises the full Business Plan attached as appendix 4.

## **2. BACKGROUND**

- 2.1. The council supports the company by supplying council owned land and property, development finance and staff.
- 2.2. The Business Plan approval process allows the council to influence the company's objectives and identify where the company can support council in achieving its objectives. It also provides detailed information on the company's funding requirements which informs the council's budget processes. A Year End Report with full details of the financial and delivery programme performance against objectives will be published in April 2022.
- 2.3. The company aspires to become the best performing local landlord in the borough; its purpose, values, and business objectives focus on meeting local housing need through regeneration, environmental and financial sustainability.

## **3. MARKET REVIEW**

- 3.1. Market profiles of Aldershot and Farnborough have been provided by RHL's Managing Agent Romans, the full report is provided in Appendix 1.
- 3.2. Based on the information in these reports, RHL has been able to conclude that its strategy to deliver a portfolio of 1 & 2 bed flats targets at small households with incomes of £30k - £60k p.a. remains valid.
- 3.3. The Board and Staff of RHL appreciate that there is need for affordable family accommodation in the borough and aspires to assist the council in meeting this need in the long term. It is developing a limited number of houses to broaden its portfolio. It is essential for the company to first establish itself and its financial viability. Provision of affordable housing requires either subsidy in some form or for the company over the longer term to outperform its business plan.

## **4. THE PROGRAMME**

- 4.1. There has been some adjustment to the previous development programme the full details of which are included in appendix 2. The key changes are:

Site	Change
12 Arthur Street	Delay in securing the transfer due to the need for the council to negotiate a settlement agreement with the adjoining owner for a minor encroachment.
Cambridge Road	This will now be rented as a single 4 bed house rather than converted into two 2 bed flats as the works required for the conversion reduced the yield and

	therefore viability. A 4-bed house provides variety to the company portfolio.
9a Wellington Street	This 3- bed flat above retail units has been added to the portfolio with potential to convert into 2x1 bed flats subject to viability and planning permission.
237 High Street	At the council's request the scheme will be expanded to deliver a more comprehensive scheme if achievable
Churchill Crescent	A new build development to be built to maximise environmentally sustainable measures with an increase in build cost of 10% which has been reflected in the financial modelling of the programme. It is intended that lessons learned from this development will inform future RHL development.
Union Yard	An approach from the council has been made offering 82 completed 1 & 2 bed flats. The cost of acquisition is estimated at £15million to be funded by loans from RBC.

- 4.2. Experience gained during the first 18 months of operation have provided the Board and staff with a better understanding of the resources and timescales needed to move the programme forward successfully. The revised programme therefore shows a slower pace of delivery which impacts the financial model. The dates for peak debt and loan payback are pushed back one year resulting in the company paying lower levels of interest to the council during the early years. However, the addition of Union Yard into the Business Plan compensates for this.

## **5. FINANCIAL PROFILE AND THE PROPOSED DEVELOPMENT TIMETABLE**

- 5.1. The company's Profit and Loss, Balance Sheet and Cash Flow Statement are set out in appendix 3 and have been derived from the joint RHL and RBC financial model.
- 5.2. The Profit and Loss statement shows the total rental income and expected running costs over the 65-year life of the financial model. It shows a profit of £124million before tax and profit distribution. The amount paid by RHL to RBC for loan repayments is £43million with the potential to provide an additional £100million as dividend payments.
- 5.3. RHL will run at a loss for the next five years as rental income is not able to meet loan repayments along with running costs, therefore, until peak debt is reached in 2030 RHL will require cash flow financing from RBC to ensure viability

- 5.4. The balance sheet table shows the value of the assets being brought into the company over the next 5 years and how these are financed. This shows that by 2025/26 assets totalling £26.6 million on a cashflow basis will be financed by loans (overdraft financing). The current estimate shows that the peak debt position will be reached in January 2030 with a debt amount of £29.923 million.
- 5.5. The valuation of the property assets is assessed based on the total cost of the purchase price and development cost of the property and for cashflow purposes is depreciated on a straight-line basis over 25 years. Land values are retained at their purchase / transfer price and not depreciated.
- 5.6. The Balance Sheet position after 65 years shows the property assets fully depreciated with a cash balance of £6.49million contributing to total assets on a cashflow basis of £24.2million. The property assets will in reality be maintained at a full valuation estimate based on market value and is expected to be as a minimum their original value of c£9.8million with the estimated full value of assets therefore being c£34million.
- 5.7. The Cash Flow Statement shows how the total income from rents is being used. The model anticipates all surplus cash is used to fund loan repayments which produces the zero cash balance from 2021 onwards. Once debt is repaid in full, surplus cash can be distributed to RBC as the company's shareholder. From 2024/25 no additional capital debt is anticipated although loan repayments will remain outstanding until peak debt is reached in 2030 following which debt will start to be repaid.

## **6. PERFORMANCE MEASURES**

- 6.1. Previous Business Plans have included a set of limited performance indicators (PI's) which have been reviewed, two sets are of particular importance to the council as shareholder: PIs for the whole programme and for individual sites.
- 6.2. For the programme as a whole the performance indicators are:
- NPV is positive
  - IRR is greater than 5%
  - Initial Yield is greater than 3%
  - Peak Debt is by or before 2037
  - A profit is returned over 65 years
  - Break even date is by or before 2070
- 6.3. These indicators will need to be reviewed each time a site is being considered for addition to the programme.



- 6.4. For individual sites performance measures are used to evaluate if a site is suitable for taking forward. The levels at which a site is deemed suitable are:
- A positive NPV over 65 years
  - A cost of value of less than 90%
  - An IRR of more than 5%
  - AN initial yield of more than 3%
  - Break even date by or before 2070
- 6.5. The Board have the flexibility to agree individual schemes that do not meet all these criteria providing PIs for the whole portfolio remain within the agreed parameters.

## **7. FINANCIAL PROFILE AND PROPOSED DEVELOPMENT TIMETABLE**

### **The Next Five Years**

- 7.1. RHL should have a portfolio of 60 properties delivered over 17 development sites with a further 82 properties at Union Yard. As the portfolio grows consideration will need to be given to management capacity with Romans.
- 7.2. RHL is determined to support the council in its commitment to make Aldershot and Farnborough greener and more sustainable and will look to incorporate energy efficiency and environmental sustainability into its development programme. The site at Churchill Crescent will be used to test this.
- 7.3. Initial financial modelling shows an expected increase to the development cost of 10% to achieve highly energy efficient homes. The test site shows the impact of this to the programme on Peak Debt which increases from £29.245 million to £29.51 million and delayed from 2030 to 2031 with debt being cleared in 2061 rather than 2060 and the interest being paid to the council will increase overall from £41.9 million to £42.8 million.
- 7.4. To support the council in meeting a broader range of housing needs RHL will start to look at sites able to take family houses. The Board will make decisions on a scheme-by-scheme basis.
- 7.5. The existing shareholder agreement does not allow RHL to purchase leasehold property. During the last year 2 opportunities arose where purchase of an element of leasehold property would have been necessary to acquire land/property for the company's primary business of the development and ownership of rented housing. To ensure the company is able to negotiate the best range of development opportunities it is proposed

the shareholder agreement is amended to allow RHL to consider purchasing property on a long leasehold providing where it supports the company to achieve its primary objective of providing homes from market rent.

## **8. RESOURCING**

8.1. RHL's operating costs are funded by loan finance from RBC. Expenditure for 2021/22 is estimated at £132k. This level of expenditure will increase as the business grows.

8.2. The staff team is made up of RBC employees and charged by RBC on a cost recovery basis:

- Tim Mills Chief Operating Officer
- Sally Ravenhill Business Manager
- Zoe Paine Business Manager
- Steve Ward Company Accountant
- Charlie Heavens Business Support Officer
- Simon Ross RBC's Interim Construction Surveyor

8.3. Additional development and construction resources are needed to deliver the programme successfully. Discussions are underway with RBC on the most appropriate way to recruit this resource taking account of the Council's other regeneration and development needs.

8.4. The Board is composed of:

- Cllr Ken Muschamp
- Cllr Keith Dibble
- Cllr Paul Taylor

8.5. As RHL's business develops the range and complexity of its activities is likely to increase. A Board member skills analysis is currently underway to identify any areas where training or additional expertise may be needed.

## **9. EXTERNAL ADVISORS**

9.1. RHL has appointed the following external consultants:

- Romans- Managing Agent
- Browne Jacobson- Legal Advisors
- Ridge Partners and Rund Partnership Employers Agents

## **10. APPROVAL OF THE BUSINESS PLAN**

- 10.1. The Business Plan covers a rolling 5 year period and provides the parameters within which the business operates, it is prepared and approved by the Board and presented to the council as the sole shareholder for approval by the council's Cabinet and Full Council.
- 10.2. The Business Plan is updated annually or when the business wishes to pursue opportunities outside of the approved parameters, each development is delivered with its own business case and project plan approved by the Board and the Council as shareholder.

## **11. GOVERNANCE**

- 11.1. The company's governance arrangements are set out in its Articles of Association, there are particular governance arrangements in place which are:

- The preparation of the Business Plan for approval by the Chief Executive of the Council to present to Cabinet
- Cabinet agrees land disposals set out in the Business Plan, and recommends the budget and investment required to the council.
- Council approves the annual budget, Business Plan and investment required
- The Board provides a half year report to the Chief Executive, as shareholder which reviews performance against the Business Plan and which is then presented to the council's Licensing, Audit & General Purposes Committee (governance) and Overview and Scrutiny Committee (performance)
- The Chief Executive feeds back any comments from Cabinet, Council PPAB O&S LA&GP to RHL as necessary.

## **12. RISKS**

- 12.1. A risk register is monitored quarterly against pre-set thresholds and reported to the Board.
- 12.2. Government is proposing to make changes to the Capital Framework for Local Authorities which may widen the loans on which a minimum revenue provision is required. As the potential changes are subject to consultation and have not yet been finalised it is not clear whether how this will impact lending to RHL or the council's appetite to continue to fund it due to its possible impact on risk and returns. This risk is included in Rushmoor Homes Limited's Risk Register. In the event of this risk materialising it will be necessary for the Council to review the implications, and work with RHL

to review the options and proposed business plan. This is reflected in the recommendations.

12.3. RHL will monitor risks against a number of risk indicators; demand, rental values and rental inflation, sales values, build cost inflation, operational costs and regulatory changes impacting the rental market.

12.4. The company will procure asset valuations to ensure the portfolio is valued accurately. Wherever it is found that risks have a negative impact on the Business Plan the financial model will be re-run to quantify the effect.

12.5. The council will be asked to approve actions proposed by the Board to mitigate negative effects of risk. Options that may be considered an exit strategy include winding the company up, selling the company or alternative management options.

### **13. LEGAL IMPLICATIONS**

13.1. RHL has its own legal advisors appointed however, RBC has a continuing role in ensuring proper governance and is represented at weekly project meetings.

### **14. FINANCIAL AND RESOURCE IMPLICATIONS**

14.1. Lending to RHL is a substantial financial commitment for RBC but represents opportunities to; operate in the housing market and participate in the regeneration of the town centres.

14.2. The success of RHL will allow RBC to receive interest on its loans set out in appendix 2

14.3. Staff resources are being considered to ensure the successful delivery of the development programme

### **15. EQUALITIES IMPACT IMPLICATIONS**

15.1. There are no equalities issues arising from this report.

### **16. CONCLUSIONS**

16.1. The Business Plan provides the operational, financial and risk parameters for RHL and sets out a clear plan for the development of the business over the next five-year period. At its meeting on 8th February 2022, the Cabinet supported the Business Plan for the period 2022-2026/27 (as set out in Appendix 4).

16.2. Approving the Business Plan enables RHL to progress the delivery of good quality homes for rent in the borough.

D.E. CLIFFORD  
LEADER OF THE COUNCIL

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# Local lettings

Farnborough



## LOCAL MARKET ROUND UP

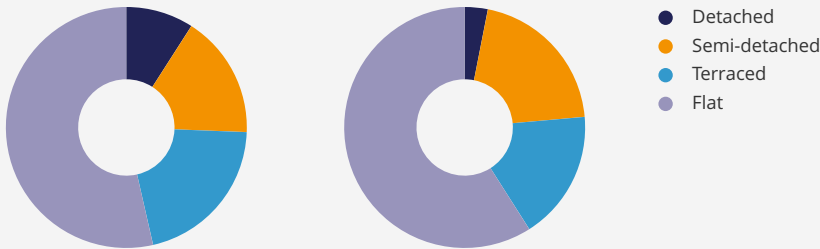


Over the last 12 months, the average rent achieved for properties let in **Farnborough** was **£1,065** per month. This is a **+9%** change on the previous 12 month period.

### Properties let by type over the last 12 months

SOUTH EAST

FARNBOROUGH



### Change in average rents over past year



**+3%**  
Flats



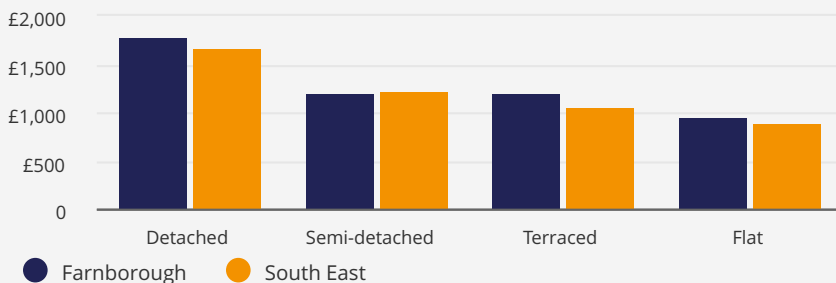
**+14%**  
Houses

### Average age of tenants over last 12 months



**34**

### Average monthly rents by property type over last 12 months



Source: Dataloft Rental Market Analytics (rental data is based on achieved rents for approximately 20-35% market share, depending on location)

## NATIONAL MARKET

NOVEMBER 2021



We bring you the latest trends in the UK's housing market with a detailed focus on our local market.

### Rental market

Rental values are rising at their strongest pace in over nearly 5 years. Average values across the UK, excluding London, rose by 2.2% in the year to October (ONS), the strongest rise since December 2016. Rental values growth across the capital has returned to positive territory.

At +66% the new balance of respondents noting a rise in renter demand across England and Wales is at its highest level ever recorded by the RICS monthly survey.

### Economy

Inflation, the cost of living rose to 4.2% in October, its highest rate in nearly 10 years and twice the government's 2% target. The cost of fuel, gas and electricity all increased. The steep rise makes a rise in the base rate of interest increasingly likely.

Weekly earnings annual growth is set to average 5.7% in 2021, the highest level in 20 years. adjusting for inflation this equates to 3.6% in real terms, after 1.8% (nominal) and 0.8% (real) in 2020. (National Institute of Economic and Social Research). Rising inflation will mean real earnings growth is liable to plateau in 2022.

## Tiffany Grainger

Romans Farnborough

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**Appendix One**

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We'd love to hear from you at our branch. Get in touch!

# Local lettings

Aldershot



## LOCAL MARKET ROUND UP

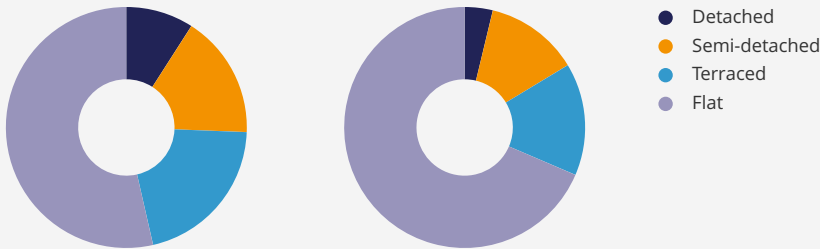


Over the last 12 months, the average rent achieved for properties let in **Aldershot** was **£917** per month. This is a **+1%** change on the previous 12 month period.

## Properties let by type over the last 12 months

SOUTH EAST

ALDERSHOT



## Change in average rents over past year



**+2%**  
Flats



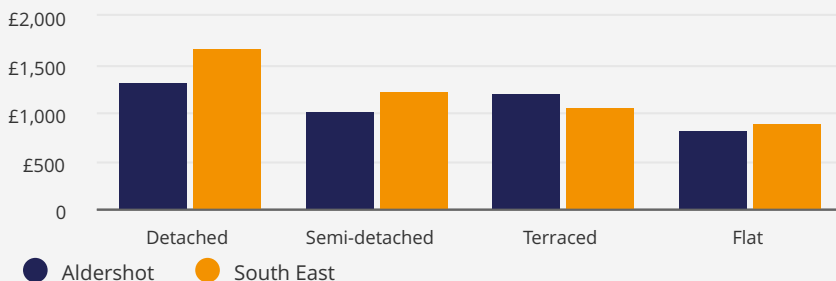
**+4%**  
Houses

## Average age of tenants over last 12 months



**33**

## Average monthly rents by property type over last 12 months



Source: Dataloft Rental Market Analytics (rental data is based on achieved rents for approximately 20-35% market share, depending on location)

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**Charlotte Kelly**

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We'd love to hear from you at our branch. Get in touch!





Appendix 3 RHL Profit and Loss, Balance Sheet & Cash Flow Statement

Profit & Loss Statement

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 /21	FY21 /22	FY22 /23	FY23 /24	FY24 /25	FY25 /26
	Total						
<b>Profit &amp; Loss Statement</b>							
Rental income	£224,232,717	£0	£24,500	£83,248	£475,875	£1,541,936	£1,579,560
Total costs derived from income	-£26,683,693	£0	-£2,916	-£9,906	-£56,629	-£183,490	-£187,968
Net Rental Income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Operating expenses	-£19,074,578	-£26,852	-£1,896	-£6,812	-£44,606	-£154,344	-£157,431
Major Repairs costs	-£3,706,046	£0	£0	£0	£0	£0	£0
Council Management Fee	-£575,900	-£51,020	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
EBITDA	£174,768,400	-£77,872	-£111,312	-£73,341	£290,640	£1,120,102	£1,150,161
Overdraft interest expense	-£41,972,748	-£112	-£20,566	-£238,634	-£697,446	-£1,379,428	-£1,379,428
Depreciation charge	-£9,438,486	£0	£0	-£1,360	-£192,914	-£383,427	-£383,427
S106 Costs	-£638,144	£0	-£35,384	-£585,068	-£17,692	£0	£0
Gain / (Loss) on Disposal of Property Asset	£0	£0	£0	£0	£0	£0	£0
Profit after financing cost	£122,719,022	-£77,984	-£167,262	-£698,403	-£617,412	-£642,753	-£612,694
Distributions	-£99,439,660	£0	£0	£0	£0	£0	£0
Net profit/(loss) in period	£23,279,362	-£77,984	-£167,262	-£698,403	-£617,412	-£642,753	-£612,694
Retained earnings							
Retained earnings - b/f		£0	-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813
Net profit/(loss) in period		-£77,984	-£167,262	-£698,403	-£617,412	-£642,753	-£612,694
Retained earnings - c/f		-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,403,813	-£3,016,507

## Balance Sheet

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY 21 / 22	FY22 / 23	FY 23 / 24	FY24 / 25	FY25 / 26
	Total						
<b>Balance Sheet</b>							
<b>Assets</b>							
Land Value	£17,583,000	£0	£1,354,650	£2,539,250	£17,583,000	£17,583,000	£17,583,000
Property Assets	£0	£0	£156,290	£6,675,731	£9,244,212	£8,860,784	£8,477,357
<b>Total Non-current Assets</b>	<b>£17,583,000</b>	<b>£0</b>	<b>£1,510,940</b>	<b>£9,214,981</b>	<b>£26,827,212</b>	<b>£26,443,784</b>	<b>£26,060,357</b>
Receivables	£0	£0	£0	£0	£0	£0	£0
Cash	£6,462,327	£743,802	£0	£0	£0	£0	£0
<b>Total Current Assets</b>	<b>£6,462,327</b>	<b>£743,802</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
<b>Total Assets</b>	<b>£24,045,327</b>	<b>£743,802</b>	<b>£1,510,940</b>	<b>£9,214,981</b>	<b>£26,827,212</b>	<b>£26,443,784</b>	<b>£26,060,357</b>
<b>Liabilities</b>							
Payables	£0	-£51,020	-£412	-£1,009	-£12,352	-£12,862	-£13,119
S106 Liability	-£0	£0	£0	-£165,719	-£8,377	-£0	-£0
Interest Payable	£0	-£112	-£13,948	-£248,840	-£881,135	-£1,148,328	-£1,377,337
<b>Total Current Liabilities</b>	<b>£0</b>	<b>-£51,132</b>	<b>-£14,361</b>	<b>-£415,569</b>	<b>-£901,864</b>	<b>-£1,161,190</b>	<b>-£1,390,456</b>
Overdraft Balance	£0	-£770,654	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
<b>Total Non-current Liabilities</b>	<b>£0</b>	<b>£0</b>	<b>-£1,663,841</b>	<b>-£9,845,207</b>	<b>-£27,588,554</b>	<b>-£27,588,554</b>	<b>-£27,588,554</b>
<b>Total Liabilities</b>	<b>£0</b>	<b>-£821,786</b>	<b>-£1,678,202</b>	<b>-£10,260,776</b>	<b>-£28,490,418</b>	<b>-£28,749,744</b>	<b>-£28,979,010</b>
<b>Net Assets / (Liabilities)</b>	<b>£24,045,327</b>	<b>-£77,984</b>	<b>-£1,67,262</b>	<b>-£1,045,795</b>	<b>-£1,663,207</b>	<b>-£2,305,959</b>	<b>-£2,918,653</b>
<b>Equity</b>							
Retained Earnings	£24,045,327	-£77,984	-£1,67,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
<b>Total Equity</b>	<b>£24,045,327</b>	<b>-£77,984</b>	<b>-£1,67,262</b>	<b>-£1,045,795</b>	<b>-£1,663,207</b>	<b>-£2,305,959</b>	<b>-£2,918,653</b>

## Cash Flow Statement

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
<b>Cash Flow Statement</b>							
Net cash received from rental income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Cash paid for Operating Expenses	-£22,727,562	-£26,852	-£1,484	-£6,215	-£33,263	-£153,834	-£157,174
Council Management Fee	-£575,900	£0	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
Net cash from operations	£174,245,562	-£26,852	-£110,900	-£52,874	£301,983	£1,120,612	£1,150,418
Development CAPEX	-£9,438,486	£0	-£156,290	-£6,520,802	-£2,761,394	£0	£0
Land Acquisition Costs	-£17,583,000	£0	-£1,354,650	-£1,184,600	-£15,043,750	£0	£0
Disposal proceeds	£0	£0	£0	£0	£0	£0	£0
S106 Payments	-£638,144	£0	-£35,384	-£419,349	-£175,035	-£8,377	£0
Cashflow available for debt service	£146,585,932	-£26,852	-£1,657,224	-£8,177,624	-£17,678,196	£1,112,235	£1,150,418
Drawdown from Overdraft	£27,588,958	£770,654	£920,443	£8,181,366	£17,743,347	£0	£0
Overdraft interest paid	-£41,972,748	£0	-£6,618	-£3,742	-£65,151	-£1,112,235	-£1,150,418
Overdraft principal repayment	-£27,588,958	£0	-£404	£0	£0	£0	£0
Cashflow after financing costs	£104,613,184	£743,802	-£743,802	£0	£0	£0	£0
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance							
Cash balance - b/f		£0	£743,802	£0	£0	£0	£0
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0
Cash balance - c/f		£0	£0	£0	£0	£0	£0



## Rushmoor Homes Ltd

### Draft Business Plan

2022 – 2027

#### Executive Summary

Rushmoor Homes Ltd is a limited company wholly owned by Rushmoor Borough Council. Its purpose is to operate in the local housing market to produce a portfolio of residential properties for letting on private market rents.

The company is owned, controlled and funded by Rushmoor Borough Council and is required to prepare an annual business plan for approval by the Council.

This is the company's third business plan, and it looks forward five years to set out the company's plans for delivering on its current programme of property acquisition and development, its requirement for funding and its opportunities for growth.

The most significant change to its business plan comes from the possibility of acquiring from the Council 82 completed flats at the Council's Union Yard development which is under construction in Aldershot. This will more than double the size of the company's planned portfolio.

Performance management, risk management, resourcing and governance issues are also covered by the Plan with new measures for performance management and risk management being introduced. Experience from the last year has also suggested a clarification of the company's Shareholder Agreement to permit ownership of long leasehold interests where this enables the company to achieve its primary objectives.

## **1.0 Introduction**

- 1.1 As Rushmoor Homes Ltd (RHLtd) approaches its third year of operation this new Business Plan sets out the company's strategy for its next five years of operation. It examines trends in the local housing market and considers potential opportunities to expand its business. A revised delivery programme has been prepared that generates revised financial forecasts.
- 1.2 A key factor in the ability of the company to deliver its objectives is its relationship with its only shareholder Rushmoor Borough Council (RBC). The Council provides support to the company by supplying council owned property and land from which the company can create a portfolio of homes for letting on market rents. RBC is also the company's source of finance for its development programme and it provides key members of staff to operate the company and deliver new homes.
- 1.3 This business plan will be submitted to RBC for approval. Through this approval process the Council has an opportunity to influence the company's objectives and targets and identify where the company can assist in meeting Council objectives. The business plan also provides information on the funding required to support RHLtd's activities to inform the Council's budget building process. Progress made by the company in the last financial year will be reported in a year-end shareholder report providing the financial and programme delivery outcomes for 2021 / 22 and performance against its objectives.

## **2.0 RHLtd's Purpose**

- 2.1 RHLtd's purpose remains to participate directly in the housing market to provide good quality homes for private market rent. Its sole shareholder, Rushmoor Borough Council, has objectives around meeting housing need, environmental sustainability, regeneration and achieving financial sustainability. RHLtd aims to support its shareholder in meeting these objectives provided this can be done without compromising the company's financial viability and where working through a company is the best means for the Council to achieve its desired outcomes.

## **3.0 RHLtd's Values**

- 3.1 The way in which the company operates is an important part of the business plan. The company strives to become the best landlord in the borough and seeks to become:
  - A trusted partner of its shareholder: Rushmoor Borough Council
  - A trusted private sector landlord providing quality homes and services

- A business that operates with integrity and treats tenants, contractors and partners with respect.
- A learning organisation that acknowledges and learns from mistakes and recognises good work.

#### **4.0 RHLtd's Objectives**

4.1 Reflecting the purpose set by the Council, the Company's objectives are:

- to take a transfer of existing residential properties owned and let by the Council;
- to develop/acquire property to assemble a residential property portfolio that may contain a range of tenures;
- provide quality homes for rent in the private rented market to meet housing need and create a revenue stream providing a return on investment to its Shareholder (the Council);
- to remain financially viable and commercially sustainable;
- to assist the Council in meeting requirements for affordable housing and temporary accommodation where a company is the best means of achieving the required outcomes;
- to assist the Council in meeting its regeneration and sustainability objectives contributing to a greener borough and improvements in the built environment
- to provide an efficient landlord service including housing management and maintenance;
- to maintain its properties to a standard that meets tenants' reasonable expectations; protects Shareholder reputation and shareholder investment in the company; and
- create saleable, realisable assets should the generation of capital receipts become a priority for its Shareholder.

#### **5.0 Market Review**

5.1 Currently RHLtd's activity will be focussed in the borough of Rushmoor and its housing market area.

5.2 RHLtd has been provided with market profiles for Aldershot and Farnborough by its Managing Agent LRG Romans. These are in Appendix One.

5.3 Based on information contained in these reports RHLtd has concluded its existing strategy of growing a portfolio of primarily one and two bed flats targeted at small households with incomes of between £30,000 and £60,000pa remains valid.

5.4 Although the company wishes to assist the Council in meeting local housing need, it must first establish itself and its financial viability before it can consider introducing an element of affordable/discounted rent to meet the needs of those on lower incomes without subsidy.



## **6.0 The Programme**

- 6.1 As the programme has advanced, assumptions about the development potential of sites, the number of units in the programme and the timetable for delivery have been adjusted.
- 6.2 This revised programme is shown in appendix two. Key changes are as follows.
- Significant delay in securing the transfer of 12 Arthur Street due to the need for the Council to agree a settlement agreement with the adjoining owner for a minor encroachment.
  - The discounted rent scheme in the previous (2021-26) business plan will now be rented as one four- bedroom house rather than two, two bed flats. The estimated cost of conversion to flats did not yield the required increases in rent income to achieve a viable scheme. It also provides greater variety to the company's portfolio.
  - 9a Wellington Street has been added to the programme. This is a council owned property located in Aldershot town centre above a retail unit. There is potential to convert this to two, one bed flats subject to planning permission.
  - An approach from RBC with an offer of 82 completed units at its Union Yard scheme currently under development in Aldershot Town Centre. The cost of acquisition is estimated at £15m and will be funded by loans from RBC.
- 6.3 Experience gained in the first 18 months of operation has resulted in a better understanding of the resources needed to move the programme forward, better understanding of the time needed to complete actions in the development process and the potential for delays due to issues arising from the nature of the sites offered by RBC. The revised programme shows a slower pace of delivery than in previous business plans. This revised timetable has an impact on the financial profile with peak debt and payback dates being pushed out and a lower level of interest payments in the early years. However, the incorporation of Union Yard into the Business Plan has compensated for elements of this.

## **7.0 Financial Profile of Proposed Development Timetable**

- 7.1 The following tables set out the key income and expenditure for the company together with its requirement for capital. These figures are derived from the joint RHLtd and RBC financial model.
- 7.2 The following tables set out the key income and expenditure for the company together with its requirement for capital. These figures are derived from the joint RHLtd and RBC financial model.

		01/01/2021 31/03/2021	01/04/2021 31/03/2022	01/04/2022 31/03/2023	01/04/2023 31/03/2024	01/04/2024 31/03/2025	01/04/2025 31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY22 / 23	FY23 / 24	FY24 / 25	FY25 / 26
	Total						
<b>Profit &amp; Loss Statement</b>							
Rental income	£224,232,717	£0	£24,500	£83,248	£475,875	£1,541,996	£1,579,560
Total costs derived from income	-£26,683,693	£0	-£2,916	-£9,906	-£56,629	-£183,490	-£187,968
Net Rental Income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592
Operating expenses	-£19,074,578	-£26,852	-£1,896	-£6,812	-£44,606	-£154,344	-£157,431
Major Repairs costs	-£3,706,046	£0	£0	£0	£0	£0	£0
Council Management Fee	-£575,900	-£51,020	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000
EBITDA	£174,768,400	-£77,872	-£111,312	-£73,341	£290,640	£1,120,102	£1,150,161
Overdraft interest expense	-£41,972,748	-£112	-£20,566	-£238,634	-£697,446	-£1,379,428	-£1,379,428
Depreciation charge	-£9,438,486	£0	£0	-£1,360	-£192,914	-£383,427	-£383,427
S106 Costs	-£638,144	£0	-£35,384	-£585,068	-£17,692	£0	£0
Gain / (Loss) on Disposal of Property Asset	£0	£0	£0	£0	£0	£0	£0
Profit after financing cost	£122,719,022	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0
Net profit/(loss) in period	£23,259,362	-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings							
Retained earnings - b/f		£0	-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,408,813
Net profit/(loss) in period		-£77,984	-£167,262	-£898,403	-£617,412	-£642,753	-£612,694
Retained earnings - c/f		-£77,984	-£245,246	-£1,143,649	-£1,761,061	-£2,408,813	-£3,016,507

7.3 The Profit and Loss Statement shows the total income received from rents and the amounts expended by the organisation for running costs, capital expenditure and debt servicing. Over the 65 years of the model the position shows a healthy profit of £122m before tax and profit distribution. The amount paid over to Rushmoor Borough Council for the servicing of debt amounts to £42m with a potential additional £99m that could be paid as dividends.

7.4 For each of the next 5 years of operation RHL is running at a loss due to the fact that income from rental is insufficient to meet debt principal and interest repayments along with continuing running costs. In the short term, until peak debt is reached in January 2030, RHL will require cash flow financing from RBC to ensure that it remains viable.

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
		1	2	3	4	5	6
	Model Total over 65 years	FY20 / 21	FY 21 / 22	FY22 / 23	FY 23 / 24	FY24 / 25	FY25 / 26
	Total						
<b>Balance Sheet</b>							
<b>Assets</b>							
Land Value	£1,583,000	£0	£1,354,650	£2,539,290	£1,583,000	£1,583,000	£1,583,000
Property Assets	£0	£0	£196,290	£6,675,731	£9,244,212	£8,860,784	£8,477,357
<b>Total Non-current Assets</b>	<b>£1,583,000</b>	<b>£0</b>	<b>£1,510,940</b>	<b>£9,214,981</b>	<b>£26,827,212</b>	<b>£26,443,784</b>	<b>£26,060,357</b>
Receivables	£0	£0	£0	£0	£0	£0	£0
Cash	£6,462,327	£743,802	£0	£0	£0	£0	£0
<b>Total Current Assets</b>	<b>£6,462,327</b>	<b>£743,802</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
<b>Total Assets</b>	<b>£24,045,327</b>	<b>£743,802</b>	<b>£1,510,940</b>	<b>£9,214,981</b>	<b>£26,827,212</b>	<b>£26,443,784</b>	<b>£26,060,357</b>
<b>Liabilities</b>							
Payables	£0	-£51,020	-£412	-£1,009	-£12,352	-£12,862	-£13,119
S106 Liability	-£0	£0	£0	-£165,719	-£6,377	-£0	-£0
Interest Payable	£0	-£112	-£13,948	-£248,840	-£681,135	-£1,148,328	-£1,377,337
<b>Total Current Liabilities</b>	<b>£0</b>	<b>-£51,132</b>	<b>-£14,361</b>	<b>-£415,569</b>	<b>-£901,864</b>	<b>-£1,161,190</b>	<b>-£1,390,456</b>
Overdraft Balance	£0	-£770,654	-£1,663,841	-£9,845,207	-£27,588,554	-£27,588,554	-£27,588,554
<b>Total Non-current Liabilities</b>	<b>£0</b>	<b>£0</b>	<b>-£1,663,841</b>	<b>-£9,845,207</b>	<b>-£27,588,554</b>	<b>-£27,588,554</b>	<b>-£27,588,554</b>
<b>Total Liabilities</b>	<b>£0</b>	<b>-£821,786</b>	<b>-£1,678,202</b>	<b>-£10,260,776</b>	<b>-£28,490,418</b>	<b>-£28,749,744</b>	<b>-£28,979,010</b>
<b>Net Assets / (Liabilities)</b>	<b>£24,045,327</b>	<b>-£77,984</b>	<b>-£167,262</b>	<b>-£1,045,795</b>	<b>-£1,663,207</b>	<b>-£2,305,959</b>	<b>-£2,918,653</b>
<b>Equity</b>							
Retained Earnings	£24,045,327	-£77,984	-£167,262	-£1,045,795	-£1,663,207	-£2,305,959	-£2,918,653
<b>Total Equity</b>	<b>£24,045,327</b>	<b>-£77,984</b>	<b>-£167,262</b>	<b>-£1,045,795</b>	<b>-£1,663,207</b>	<b>-£2,305,959</b>	<b>-£2,918,653</b>

- 7.5 The balance sheet shows the value of the assets being brought into RHL in the next 5 years of operation and how those assets are being financed. As can be seen by 2025/26 assets totalling £26m will be totally financed by loans (shown as overdraft financing). The current estimate shows that the peak debt position will be reached on 31<sup>st</sup> January 2030 with a debt amount of £29.245m and assets amounting to £24.5m.
- 7.6 The Balance sheet position after 65 years of the model shows the property assets fully depreciated with a cash balance of £6.46m contributing to total assets of £24m.

		01/01/2021	01/04/2021	01/04/2022	01/04/2023	01/04/2024	01/04/2025	01/04/2026
		31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026	31/03/2026
		1	2	3	4	5	6	
	Model Total over 65 years	FY20 / 21	FY21 / 22	FY 22 / 23	FY23 / 24	FY24 / 25	FY25 / 26	
	Total							
<b>Cash Flow Statement</b>								
Net cash received from rental income	£197,549,024	£0	£21,585	£73,341	£419,246	£1,358,446	£1,391,592	
Cash paid for Operating Expenses	-£22,727,562	-£26,852	-£1,484	-£6,215	-£33,263	-£153,834	-£157,174	
Council Management Fee	-£575,900	£0	-£131,000	-£120,000	-£84,000	-£84,000	-£84,000	
Net cash from operations	£174,245,562	-£26,852	-£110,900	-£52,874	£301,983	£1,120,612	£1,150,418	
Development CAP EX	-£9,438,486	£0	-£156,290	-£6,520,802	-£2,761,394	£0	£0	
Land Acquisition Costs	-£17,583,000	£0	-£1,354,650	-£1,184,600	-£15,043,750	£0	£0	
Disposal proceeds	£0	£0	£0	£0	£0	£0	£0	
S106 Payments	-£638,144	£0	-£35,384	-£419,349	-£175,035	-£8,377	£0	
Cashflow available for debt service	£146,585,932	-£26,852	-£1,657,224	-£8,177,624	-£17,678,196	£1,112,235	£1,150,418	
Drawdown from Overdraft	£27,588,958	£770,654	£920,443	£8,181,366	£17,743,347	£0	£0	
Overdraft interest paid	-£41,972,748	£0	-£6,618	-£3,742	-£65,151	-£1,112,235	-£1,150,418	
Overdraft principal repayment	-£27,588,958	£0	-£404	£0	£0	£0	£0	
Cashflow after financing costs	£104,613,184	£743,802	-£743,802	£0	£0	£0	£0	
Distributions	-£99,459,660	£0	£0	£0	£0	£0	£0	
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0	
Cash balance								
Cash balance - b/f		£0	£743,802	£0	£0	£0	£0	
Net cash flow	£5,153,523	£743,802	-£743,802	£0	£0	£0	£0	
Cash balance - c/f		£0	£0	£0	£0	£0	£0	

7.7 The Cash Flow Statement shows how the total income from rentals is being utilised. The model anticipates that all available surplus cash is used to fund debt interest and principal repayments in the first instance hence the zero cash balances from 2021 onwards. Once debt is fully repaid surplus cash is available for distribution to RBC as the single shareholder. From 2024/25 onwards no additional capital debt is anticipated however loan interest will remain outstanding until peak debt is reached in 2030 following which debt will start to be repaid.

Notes :

- Development CAP EX = money spent on developing property.
- Land Acquisition Costs = land/property acquisition transferred from RBC to RHL in exchange for a loan note.
- Drawdown from Overdraft is either cash or a loan note used to fund either Development or Land Acquisition as well as cash flow funding to cover income shortfalls in the early years of the organisation.

### Performance Measures

7.8 Previous business plans included a limited set of performance indicators. These have been reviewed and two sets of measures are proposed some of which will be particularly relevant to the Council as shareholder

### The Whole Programme

7.9 For the programme as a whole, the five years covered by this business plan will see the debt incurred by RHL increase from an estimated £1.7m at the end of March 2022 to £27.6m by the end of 2025/26. Peak debt for the programme will occur in year 2030 at an estimated £29.245m. Debt from the current programme is

expected to be cleared by year 2061. Interest payments to RBC are estimated to total £41.97m over 65 years.

7.10 The performance indicators (PIs) for the whole programme are as follows

- NPV is £ positive
- IRR is = or > 5%
- initial yield is = or >3%
- Peak Debt by or before 2037
- Returns a profit over 65 years
- Break even date by or before 2070

7.11 These indicators will need to be reviewed each time a site is being considered for addition to the programme

#### **Performance Measures for sites**

7.12 Each site in the programme is measured against similar performance indicators. In determining whether RHLtd should pursue a site and what price it should pay, the sites can be evaluated through the RHLtd/RBC financial model.

The levels at which a site is deemed suitable for the programme are

- a positive NPV over 65 years
- A cost to value of less than 90%
- An IRR of = or > 5%
- An initial yield of = or > 3%
- Break even date by or before 2070

7.13 The RHLtd Board will have flexibility to agree individual schemes that don't meet all these criteria but only if the PI's for the whole portfolio remain within their agreed parameters.

7.14 These PIs will be reported on in the six-monthly Shareholder Reports

## **8.0 The next five years**

8.1 RHL will continue to pursue its programme of property purchases from Rushmoor BC to produce homes for its target market of small households on incomes between £30,000 and £60,000. By the end of the next five years RHLtd should have a portfolio of 60 units delivered across 17 sites/properties in its small sites programme, with the possibility of a further 82 completed units at Union Yard comprising mainly one and two bed flats.

#### **Union Yard**

8.2 In 2023 the portfolio will increase significantly if, as planned, RHLtd purchases from the Council, completed units at the Council's Union Yard development in Aldershot.

This will more than double the homes under management and will need careful consideration and discussion around capacity with RHLtd's Managing Agent.

### **Sustainability**

- 8.3 RBC declared a climate emergency in 2019. As part of its climate promise it has a stated aim of making Aldershot and Farnborough greener and more sustainable. RHLtd wishes to support the Council in its aspirations for sustainability and will look to incorporate energy efficiency and environmental sustainability into its development programme.
- 8.4 The first step will be to use a scheme from the programme and with help from its employer's agent to model the financial impact of including green measures both in terms of the costs of construction, long term maintenance and the rental returns that can be achieved for greener homes. Depending on the outcome of this piece of work the Board of RHLtd will consider the extent to which it can include measures to reduce the environmental impact of its schemes while generating an income stream for its Shareholder and Funder.
- 8.5 Initial testing on a sample site suggests that if sustainability measures add 10% to development costs the impact on the programme's performance is as follows. The additional debt for the five years covered by the business plan (2022-2027) amounts to £201,837. Peak debt will occur in 2031 at £29.51m (compared with 2030 and £29.245m). Debt is expected to clear in 2061 rather than 2060 and interest payment to the Council would increase to £42.8m from £41.9m

### **Diversification**

- 8.6 RHLtd's business plan and its development programme are centred around one and two bedroom flats at market rents.
- 8.7 RHLtd will consider including a small number of family houses to assist its Shareholder meet housing need in the borough and, where external subsidy is available, consider providing some homes at discounted rents. Over the longer term it may be possible to provide discounted rents with cross subsidy from the company's other schemes. The Board will make decisions on schemes of this nature based on its ability to maintain its loan payments to RBC and discussions with RBC on utilisation of additional revenue for this purpose.

### **Leaseholds**

- 8.8 During the current financial year RHLtd was asked on two occasions to consider purchasing property that included properties sold on long leaseholds. In one case the seller decided to pursue an alternative purchaser due to this issue and the other opportunity was not at the correct price to be attractive to RHLtd, it highlighted the fact the Shareholder Agreement did not explicitly include management of long leaseholds in the description of its business. It did contain the following wording "Develop / acquire property to assemble a residential property portfolio that may

contain a **range of tenures**". To be completely clear about what is permitted it is proposed that the Shareholder agreement is amended to allow RHLtd to consider purchasing property where it includes long leaseholds provided it helps the company to achieve its principal purpose of providing homes for market rent.

## 9.0 Resourcing

9.1 RHLtd's operating costs, in so far as not being covered by available rental income, are funded by loan finance from Rushmoor Borough Council. Expenditure for the current (2021/22) financial year is estimated at £132K and it is expected that this level of spend will increase as the programme expands and company activity rises.

### Staffing

9.2 The staff team comprises:

- Tim Mills, Chief Operating Officer
- Steve Ward, Company Accountant
- Sally Ravenhill, Business Manager
- Zoe Paine, Business Manager
- Charlie Heavens, Business Support Officer

Additional support is provided by

- Simon Ross RBC's Interim Construction Surveyor

9.3 All members of the staff team are employed by Rushmoor Borough Council and are charged out to RHLtd on a cost recovery basis.

9.4 As the company has developed its projects the need for additional resources has become clear in particular with regard to development and construction expertise within the team. The Business Plan provides additional resources to facilitate this requirement. Discussions are underway with RBC on the employment of a suitable person who may also provide similar expertise for the Council's property programme.

### External Advisors

9.5 RHLtd has engaged the following external advisors

- LRG Romans - as managing agent to provide tenant and property management services and advice on the rental market
- Browne Jacobson – as legal advisors
- Ridge and Partners and Rund Partnership - as employer's agents

## 10.0 Exit Strategy

- 10.1 RHLtd will monitor quarterly risks against a number of thresholds and in particular will check the following risk indicators
- Demand for rental units - report from Managing Agent Quarterly
  - Rental values and rental inflation over time - report from Managing Agent. Current level of rental inflation is set at 2.5% per annum. On the assumption that costs remained constant rental inflation would need to fall below 1.5% per annum before the programme fell into deficit overall.
  - Sale values - report from Managing Agent )
  - Build Cost inflation over time - Employers Agent will provide information increases beyond 5% would require a review of the programme
  - Operating costs - Current level of Operational Expenditure inflation is set to follow RPI. The current level is modelled at an RPI of 2%. On the assumption that increases in RPI would be met by increases in rental income cost inflation is not expected to unduly affect the programme but could impact on the level of dividends payable.
  - Regulatory changes affecting the operation of the rental market
- 10.2 The company will procure asset valuations as required to make sure it has a good understanding of the value of its portfolio.
- 10.3 If the benchmarks are exceeded and/or the regulatory environment becomes unfavourable or if there are changes in other risk indicators that will have a negative effect on the business plan, the company's financial model will be re-run to quantify the effect.
- 10.4 If the effect is that the company's ability to generate a profit or repay its debt is impaired, compared with the financial projections contained in its current business plan, the following will be considered
- The possibility of refinancing to reduce interest costs
  - A review of operating costs to see if savings can be made
  - A review of assets to determine if a sale of a property(ies) will improve performance
  - A review of performance of development, management and contractors' performance.
  - A review of usage of assets to determine if better value from alternative letting strategies can be achieved
- 10.5 This quarterly review of risks, any modelling and consequential review of costs and performance will be reported to the Housing Company's Board and if in the view of the Board it is appropriate, the Council as shareholder.
- 10.6 If appropriate the Council will be asked to approve actions proposed by the company to mitigate the negative effects of movements in the risk indicators



10.7 If in the view of the Council as shareholder, there is little prospect of the company mitigating the risks so that it returns to operating within reasonable tolerances of the original baseline model and business plan, the Council may consider options to mitigate its risk and ensure it recovers the maximum value to repay its own borrowing. Options that may be considered are:

- Winding up of the company and disposal of property – This option is highly dependent on the capital values of the property in comparison to debt. Over time it is likely that capital values will grow. However, in early stages there is a risk that values may not cover the Council’s debt particularly if there is a significant market down-turn
- Winding up of the company and retention of the property by the Council as temporary accommodation – The Council is not able to hold rental property in general but can do so for the purposes of providing temporary accommodation. This depends on the need of the Council for such accommodation and the potential income/cost for this accommodation
- Sale of the company either in whole or to create a joint venture – The value of the company to an existing company in the rental market may represent a better value option particularly in the early stages. The ability of a company already operating in the rental market to share or absorb the overhead costs of management and maintenance may result in a better value proposition. Entering into a joint venture may enable the Council to maximise value over the longer term
- Alternative management options – The Council could explore whether alternative approaches to managing the company in a more arms-length arrangement particularly if alternative markets are being considered could deliver better value

10.8 In deciding on what actions to take, the company will need to be fully aware of the value of its assets. There is a risk that the value of schemes in development may not allow full recovery of money spent, therefore, the company is at greatest risk of not being able to raise sufficient funds to pay off its borrowings in the development phase of the programme. In order to secure its position, the Council will need to ensure that appropriate collateral warranties are in place to secure its interests where it may wish to exit or in the event of insolvency.

## **11.0 Approval of the Business Plan**

11.1 Rushmoor Borough Council, as sole Shareholder, exercises its influence and control through the Shareholder Agreement which requires Council consent to a range of company actions; and through its annual consideration and approval of the company’s business plan. A limited number of actions are permissible without recourse to the Council to allow ease of operation. The

company can enter into property transactions and into contracts as set out in the Approved Business Plan.

- 11.2 The Business Plan approval process requires its preparation and approval by the Board of Directors and presentation to the Council as shareholder, with consideration by the Council's Cabinet and Full Council as necessary.
- 11.3 The Plan will cover a rolling five-year period and will be updated annually or when the company wishes to pursue opportunities outside of the parameters of the approved business plan.
- 11.4 Rushmoor Homes Ltd will develop its programme as set out in the approved business plan and develop for each project a business case and project plan which will be prepared and approved by the Board of Directors and the Council as Shareholder.

## **12.0 Governance**

- 12.1 Governance of the company is detailed in the Articles of Association, however, as a company wholly owned by Rushmoor Borough Council there are particular governance arrangements in place.
  - Annually the Board prepares its Business Plan and its budget for the Chief Executive of the Council, as shareholder, to present to the Council's Cabinet.
  - RBC's Cabinet agrees any land disposals required by the Business Plan and recommends the Business Plan, the annual budget and investment required to the Council
  - The Council approves the annual budget Business Plan and investment in the company.
  - The Board prepares a half year report to the Chief Executive, as Shareholder, reviewing progress against the Business Plan. The Shareholder presents these
  - reports to RBC's Licensing, Audit and General Purposes Committee (governance) and its Overview and Scrutiny Panel (performance)
  - The Board prepares a full year report on progress against the Business Plan and company governance for the Chief Executive of the Council, as Shareholder, and the Chief Executive will present this report and consult with Policy and Projects Advisory
  - Board, Licensing Audit and General Purposes Committee and Overview and Scrutiny Panel.
  - The Shareholder will feedback comments from Cabinet, Council, PPAB, O&S LA&GP to Rushmoor Homes Ltd as necessary

## **13.0 The RHLtd Board**

- 13.1 The members of the RHLtd Board are:

- Cllr Ken Muschamp
- Cllr Keith Dibble
- Cllr Paul Taylor

13.2 As RHLtd's programme develops, the range and complexity of its activities is likely to increase. The Board needs to be in a position to engage in effective decision making, therefore, an audit of the skills of board members is underway to identify any areas where additional expertise may be needed.

#### 14.0 **Conclusions**

14.1 This business plan looks forward to the next five years of operation for RHLtd. During this time the company plans to deliver on its programme of 60 homes across 17 development sites/properties. The programme has been adjusted to produce a more realistic delivery timetable given the resources currently available. This business plan period will also see the addition of 82 homes to the portfolio which will more than double the number of units under management. This an important change for the company and will establish it as a significant landlord in the borough

**Appendix One - See APPENDIX ONE to main report.**



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## ANNEX 6

## COUNCIL MEETING – 24 FEBRUARY 2022

## AGENDA ITEM NO. 5

## COUNCIL TAX RESOLUTION 2022/23

The formal Council Tax Resolution is given below. If the Resolution is approved the Council Tax for 2022/23 will be as follows.

<b>Preceptor</b>	<b>2021/22 (£)</b>	<b>2022/23 (£)</b>	<b>Increase (£)</b>	<b>Increase (%)</b>
Rushmoor Borough Council	214.42	219.42	5.00	2.33%
Hampshire County Council	1,350.45	1,390.86	40.41	2.99%
Police and Crime Commissioner for Hampshire	226.46	236.46	10.00	4.42%
Hampshire and Isle of Wight Fire and Rescue Authority	70.43	75.43	5.00	7.10%
<b>TOTAL Band D</b>	<b>1,861.76</b>	<b>1,922.17</b>	<b>60.41</b>	<b>3.24%</b>

1. That it be noted that the Council calculated the amount of 32,795.29 as its Council Tax Base for the year 2022/23 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 2022/23 in accordance with Sections 31 and Sections 34 to 36 of the Act:
  - (a) £82,641,531 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act
  - (b) £75,445,589 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c). £7,195,943 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) £219.42 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	£146.28
B	£170.66
C	£195.04
D	£219.42
E	£268.18
F	£316.94
G	£365.70
H	£438.84

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 2022/23 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)	£45,613,657.05
Police and Crime Commissioner for Hampshire (PCCH)	£7,754,774.27
Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA)	£2,473,748.72

Valuation Band	HCC	PCCH	HIWFRA
A	£927.24	£157.64	£50.29
B	£1,081.78	£183.91	£58.67
C	£1,236.32	£210.19	£67.05
D	£1,390.86	£236.46	£75.43
E	£1,699.94	£289.01	£92.19
F	£2,009.02	£341.55	£108.95
G	£2,318.10	£394.10	£125.72
H	£2,781.72	£472.92	£150.86



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 2022/23 for each of the categories of dwellings shown below:

Valuation Band	TOTAL
A	£1,281.45
B	£1,495.02
C	£1,708.60
D	£1,922.17
E	£2,349.32
F	£2,776.46
G	£3,203.62
H	£3,844.34

5. That the Council determines that the Council's basic amount of Council Tax for 2022/23 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

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# CABINET

Report of the Meeting held on Tuesday, 14th December, 2021 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr D.E. Clifford, Leader of the Council

Cllr Marina Munro, Planning and Economy 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

Apologies for absence were submitted on behalf of Cllrs K.H. Muschamp and A.R. Newell.

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 **29th December, 2021**.

### 47. **DECLARATIONS OF INTEREST –**

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

### 48. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 16th November, 2021 were confirmed and signed by the Chairman.

### 49. **BUSINESS RATES - DISCRETIONARY RATE RELIEF APPLICATION –** (Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2127, which set out details of an application for rate relief on behalf of Blucando Limited.

Members were informed that details of the application were contained within the Report and that the applicant was a technology company that had relocated to Farnborough.

**The Cabinet RESOLVED** that 75% discretionary rate relief be awarded to Blucando Limited for a period of one year, as set out in Report No. FIN2127.

### 50. **REPROVISIONING OF TEMPORARY ACCOMMODATION –** (Cllr Marina Munro, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH2135, which set out details relating to the provision of the Council's hostel accommodation in the Borough.

Members were informed that the Council currently provided hostel accommodation at North Lane Lodge and Clayton Court in Aldershot. Both of these properties were owned by the Ministry of Defence and formed part of the Wellesley development land. The Council had use of these properties until September 2023 and had started work to find replacement accommodation from this date.

Members expressed strong support for the proposed approach for the ongoing provision of this important Council service.

**The Cabinet RESOLVED** that the project plan and a supplementary estimate of £40,000, which was needed to fund legal and advisory costs, site surveys and due diligence work, as set out in Report No. EPSH2135, be approved, to support the delivery of alternative accommodation.

51. **REPORT OF URGENCY DECISION - NOS. 35-39 HIGH STREET, ALDERSHOT –**  
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet received Report No. ED2102 and a Record of Executive Decision, which set out an urgent decision made on 10th December, 2021 by the Executive Director, in consultation with the Major Projects and Property Portfolio Holder, in relation to urgent works required to a party wall between Nos. 35-39 High Street, Aldershot. The details of the issues and work required to make the wall safe were set out in the Report and the Record of Executive Decision.

**The Cabinet RESOLVED** that the action taken, as set out in the Record of Executive Decision dated 10th December, 2021, be noted and endorsed.

The Meeting closed at 7.10 pm.

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# CABINET

Report of the Meeting held on Tuesday, 18th January, 2022 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr D.E. Clifford, Leader of the Council

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

An apology for absence was submitted on behalf of Cllr K.H. Muschamp.

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 **31st January, 2022**.

## 52. **DECLARATIONS OF INTEREST –**

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

## 53. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 14th December, 2021 were confirmed and signed by the Chairman.

## 54. **COUNCIL TAX SUPPORT SCHEME 2022/23 –**

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

The Cabinet considered Report No. FIN2206, 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 17th August, 2021, 6th October, 2021 and 25th November, 2021 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 2022/23, except for the usual alignment with Housing Benefit rates in the calculations. This would mean that the minimum contribution would remain at 12%. Additionally, it was recommended that a fundamental review of the Scheme should be carried out in early 2022/23.

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 2022/23, with the usual alignment to Housing Benefit Rates; and
- (ii) **RESOLVED** that:
  - (a) the Council Tax Support Task and Finish Group be authorised to undertake a detailed review of the Council Tax Support Scheme, to be carried out early in 2022/23 and to take into account the continuing impact of the Covid 19 pandemic and the increasing cost of the scheme and its local impact on scheme recipients and other local Council Tax payers; and
  - (b) the deliberations and considerations of the Council Tax Support Task and Finish Group in arriving at its recommendations, as set out in Report No. FIN2206, be noted.

55. **APPOINTMENT OF DIRECTORS - FRIMLEY4 BUSINESS PARK, FRIMLEY –**  
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. PETS2202, which set out a proposal to appoint new Directors for Frimley Business Park Management Limited.

Members were reminded that the Council had purchased part of the Frimley4 Business Park in April, 2019. Currently, the Council's Head of Property, Estates and Technical Services and the Council's Service Manager – Property and Estates were nominated Directors of the Business Park's management company. The current Head of Property, Estates and Technical Services postholder was about to leave the employment of the Council and, as the Service Manager – Property and Estates was responsible for the management of the asset, it was felt that both of the Council's Directors should be replaced.

**The Cabinet RESOLVED** that the appointment of the Council's Corporate Manager – Legal and the Council's Head of Service responsible for the Property and Estates function as Directors of the Frimley Business Park Management Limited company be approved.

56. **FIRST HOMES INTERIM POLICY STATEMENT –**  
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH2204, which set out a proposed new Rushmoor First Homes Interim Policy Statement.

Members were informed that the policy would help the Council to provide certainty to developers as to how the Council would implement first homes through the planning

system. The Report set out the details of the interim scheme and it was explained that this would be considered through the Local Plan process in due course.

The Cabinet expressed support for this policy, which would help first time buyers to get onto the housing ladder at a reduced price.

**The Cabinet RESOLVED** that

- (i) the adoption of the Rushmoor First Homes Interim Policy Statement, as set out in Report No. EPSH2204, be approved; and
- (ii) the Head of Economy, Planning and Strategic Housing, in consultation with the Planning and Economy Portfolio Holder, be authorised to make amendments to the Interim Policy Statement to reflect any relevant changes to national policy and guidance or case law.

**57. REVENUE BUDGET MONITORING REPORT P2 2021/22 –**  
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2201, which set out the anticipated financial position for 2021/22, based on the monitoring exercise carried out during October and November, 2021. 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 and an uncertain income recovery during the current financial year. It was noted that the forecast focussed on the immediate financial pressures that had been identified and that further analysis would be undertaken on the Medium Term Financial Strategy and Savings Plan to inform the budget setting process for 2022/23. A summary of the general risks and uncertainties faced by the Council at this time was included in the Report.

**The Cabinet RESOLVED** that

- (iii) the latest revenue forecasts and financial impact on reserve balances, as set out in Report No. FIN2201, be noted; and
- (iv) the additional transfers from earmarked reserves, as set out in paragraph 7.4 of the Report, be approved.

**58. CAPITAL PROGRAMME MONITORING AND FORECASTING REPORT P2 2021/22 –**  
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet received Report No. FIN2202, which provided the latest forecast regarding the Council's Capital Programme for 2021/22, based on the monitoring exercise carried out during October and November, 2021. The Report advised that the original Capital Programme for 2021/22, which had been agreed by the Council on 25th February, 2021, had totalled £38.510 million. Table 1 of the Report set out the reconciliation of budget changes since then, along with the projected actual capital expenditure for 2021/22. It was noted that projects of major financial significance to the Council in the Capital Programme included the regeneration projects in Aldershot town centre and Farnborough Civic Quarter and the

replacement of cremators at the Aldershot Crematorium. Members were advised that, of the approved capital budget of £41.297 million, only £14.580 million was forecast to be spent by the end of 2021/22. In noting this variance, it was explained that the programme contained large and complex projects that required proactive monitoring to ensure any delays or variations in cost were clearly understood and communicated to assess the implications for the Council.

**The Cabinet RESOLVED** that the latest Capital Programme position, as set out in Tables 1 and 2 of Report No. FIN2202, including the proposed slippage of £26.893 million, be noted.

59. **RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP 2021/22–**  
(Cllr Paul Taylor, Chairman of the Budget Strategy Working Group)

The Cabinet considered Report No. FIN2204, 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. The Chairman welcomed Cllr J.B. Canty, who had requested to address the Cabinet on this issue.

Members were reminded that the Corporate Services Portfolio Holder (Cllr P.G. Taylor) was the Chairman of the Group, which had met five times during the current financial year and had one further meeting for the year, scheduled for March, 2022. 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 formulated a number of recommendations to the Cabinet and details of these were set out in the Report.

The Cabinet heard from Cllr Canty, who had been a member of the Budget Strategy Working Group during the previous year. Cllr Canty expressed support for the recommendations from the Group, as set out, and went on to express some personal observations on how the Council might address the financial challenges it faced over the coming years. Cllr Canty was thanked for his input.

The Cabinet expressed gratitude to the members of the Budget Strategy Working Group for their work in producing these recommendations.

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

- (v) the Savings and Transformation Programme be continued to ensure a balanced portfolio of cost management and income generation opportunities to enable the Council to achieve financial sustainability over the medium-term strategy period, with the Budget Strategy Working Group acting as a consultee on the development of the programme, in line with the Group's Terms of Reference, as set out in Appendix A of Report No. FIN2204; and;
- (vi) whilst mindful of the impact on Rushmoor residents, the Council should increase Council Tax by the maximum permissible level of £5, given the inflationary and financial pressures faced by the Council.



60. **MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26 - UPDATE –**  
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet received Report No. FIN2203, which set out an update on the key factors influencing the preparation of the Council's 2022/23 budget. The Report also provided an update on the Provisional Local Government Finance Settlement.

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 Covid-19, Brexit 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 Spending Review announced by the Government on 27th October, 2021. The Cabinet was informed that would need to ensure that adequate reserves were maintained over the medium term to mitigate the risks identified in the Report.

**The Cabinet NOTED** the contents of Report No. FIN2203, including the Provisional Local Government Finance Settlement and the financial planning process and associated risks and uncertainties, as set out in Section 7.

61. **EXCLUSION OF THE PUBLIC –**

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

<b>Minute Nos.</b>	<b>Schedule 12A Para. No.</b>	<b>Category</b>
62 and 63	3	Information relating to financial or business affairs

**THE FOLLOWING ITEMS WERE CONSIDERED  
IN THE ABSENCE OF THE PUBLIC**

62. **INVESTMENT PROPERTY PORTFOLIO - AGREEMENT OF REVISED RENTAL OFFER –**

(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Exempt Report No. PETS2201, which set out details of a revised rental offer in relation to a property owned by the Council.

Members were informed that, following a difficult trading period, discussions had taken place with the tenant of one of the Council's retail properties. The Tenant had built up rent arrears since the start of the pandemic. Officers had worked with Lambert Smith Hampton Investment Management (LSHIM), the Council's Asset Managers, and a specialist adviser and had negotiated a revised rental offer that represented a good solution for both the Tenant and the Council.

The Cabinet was supportive of the suggested approach and considered this to be the best available option.

**The Cabinet RESOLVED** that, having considered the options set out in Exempt Report No. PETS2201, the option agreed in principle with the Tenant, be approved as follows

- (i) a new ten-year lease from 1st September, 2021;
- (ii) a stepped rental basis per annum exclusive, as set out in the Report;
- (iii) a tenant only break option at the fifth year, subject to serving six months' notice and the tenant paying a penalty equivalent to one year's rent;
- (iv) a single upwards only rent review only at the fifth year, based off the stepped rent applicable at that time; and
- (v) a landlord's contribution of £10,000 towards costs, to be netted off against the first quarter's rent.

63. **APPLICATION FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES –**  
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Exempt Report No. FIN2205, which set out an application for the remission of non-domestic rates on the grounds of hardship.

Members assessed the application from Dhampus Limited, No. 4 Wellington Street, Aldershot, taking into account the evidence of financial hardship supplied and whether it was in the interests of local taxpayers to subsidise the business. The Cabinet took into account the nature and circumstances of the business and the availability of alternative facilities in the area. The Corporate Services Portfolio Holder and the Council's Principal Revenues and Benefits Officer had examined the application in detail, including subsequent information requested in relation to the company's up to date sales and a future forecast for the success of the business, which was set out in the Report.

**The Cabinet RESOLVED** that 100% hardship relief be granted to Dhampus Limited for the current outstanding balance for the period from 15th July, 2019 to 31st March, 2020 and for the period from 1st July, 2021 to 31st March, 2022.

**NOTE:** It was noted that one of the Directors of Dhampus Limited was a member of the Conservative Party but that this had not had a material effect on the decision to grant hardship relief in this case, for which the application had been judged on its merits.

The Meeting closed at 7.48 pm.

# CABINET

Draft Report of the Meeting held on Tuesday, 8th February, 2022 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr D.E. Clifford, Leader of the Council  
Cllr K.H. Muschamp, Deputy Leader 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 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 February, 2022**.

## 64. **DECLARATIONS OF INTEREST –**

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

<b>Item No.</b>	<b>Member</b>	<b>Interest</b>	<b>Reason</b>
71	Cllr K.H. Muschamp	Personal and non-prejudicial	Council appointed Director of Rushmoor Homes Limited
71	Cllr P.G. Taylor	Personal and non-prejudicial	Council appointed Director of Rushmoor Homes Limited

## 65. **MINUTES –**

The Minutes of the meeting of the Cabinet held on 18th January, 2022 were confirmed and signed by the Chairman.

## 66. **REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX LEVEL –** (Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2210, which made recommendations on the budget, Council Tax requirement and proposals for budget savings for 2022/23.

The Cabinet was reminded that the budget framework had been approved at its meeting on 19th October, 2021. The prospects for the Medium Term Financial Strategy had been considered at the Cabinet meeting on 18th January, 2022. Members were advised that the Report had been prepared on the basis that there would be no change to the provisional local government finance settlement figure,

which was due to be confirmed soon. The Medium Term Financial Strategy continued to provide a risk-based General Fund balance of £2 million being the minimum expected level for total working balances. The Cabinet was advised that, despite the uncertainties around levels of Government funding and the risks around Brexit and the general economic position, the Council had been able to prepare a sound budget that maintained services to residents. It was confirmed that the budget would also provide a platform for the Council to address future challenges. It was noted, however, that there was a significant and increasing funding gap from 2022/23 onwards.

The Capital Programme of £36.703 million in 2022/23 was set out in Appendix 3 of the Report. It was explained that the Capital Programme was focussed on delivering against the Council's key priority of town centre regeneration, with further schemes aimed at enhancing the delivery of core services through improvement and enhancement of assets. The Cabinet was informed that changes were needed to the Capital Programme figures provided in respect of computer systems and council offices within the Customer Experience and Improvement portfolio. The amended figures were provided to the Cabinet and would be reflected in the report that would be considered by the Council. The main areas where the Council would be facing increased levels of risk and uncertainty over the medium term were set out in Section 8 of the Report. Members were informed that the most significant risks were the uncertainty around the level of local government funding provided by central government, especially in light of the implementation of the Fair Funding Review and business rates changes and ongoing pressures caused by the wider economy, including Covid-19 and inflation. In discussing the details of the Report, Members expressed their gratitude for the hard work of the finance team.

## **The Cabinet**

- (i) **RECOMMENDED TO THE COUNCIL** that approval be given to:
- (a) the Medium Term Financial Strategy, as set out in Appendix 1 of Report No. FIN2210;
  - (b) the Savings and Transformation items for inclusion in the budget, as set out in Appendix 2 of the Report;
  - (c) the Council Tax requirement of £7,212,340 for this Council;
  - (d) the Council Tax level for Rushmoor Borough Council's purposes of £219.42 for a Band D property in 2022/23;
  - (e) the Capital Programme, as set out in Appendix 3 of the Report and amended at the meeting;
  - (f) the Strategy for the Flexible Use of Capital Receipts, as set out in Appendix 4 of the Report;
  - (g) the balances and reserves position, including proposed reserve transfers for 2022/23, as set out in Section 5 of the Report; and

- (ii) **RESOLVED** that the Council's Section 151 Officer, in consultation with the Leader of the Council and the Corporate Services Portfolio Holder, be authorised to make any necessary changes to the General Fund Summary arising from the final confirmation of the Local Government Finance Settlement and the Business Rates Retention Scheme estimates.

67. **DRAFT COUNCIL PLAN 2022 - 2025 AND UPDATE –**  
(Cllr Adrian Newell, Democracy, Strategy and Partnerships Portfolio Holder)

The Cabinet considered Report No. ACE2202, which set out proposed updates to the Council's three year business plan.

Members were informed that the business plan would build on the priorities that had been identified by the Cabinet and that supported the Council's longer-term vision set out in the document 'Your Future, Your Place - A vision for Aldershot and Farnborough 2030'. Members were informed that the business plan had been reworked in terms of content and layout but was still structured around the two themes of People and Place. The Plan would be presented at the Council Meeting on 24th February, 2022.

The Cabinet was informed that there were some further proposed changes to the Council Plan. These changes would be incorporated in the updated draft that would be presented to the Council. The changes included involving partners in encouraging healthier lifestyles, the inclusion of a key activity in respect of the Council's target to become carbon neutral by 2030 and the amendment of a key measure to promote an increase in the range of housing across the Borough.

**The Cabinet RECOMMENDED TO THE COUNCIL** that the Rushmoor Borough Council Business Plan (April 2022 to March 2025), as set out in Report No. ACE2202 and amended at the meeting, be approved.

68. **COUNCIL BUSINESS PLAN AND RISK REGISTER QUARTERLY UPDATE OCTOBER - DECEMBER 2021/22 –**  
(Cllr Adrian Newell, Democracy, Strategy and Partnerships Portfolio Holder)

The Cabinet received Report No. ACE2201, which set out progress in delivering the Council Business Plan projects during the third quarter of 2021/22. Members were informed that progress against eighteen key projects was included in the Report, along with the Council's business performance monitoring information and the Council's Corporate Risk Register. It was reported that, at the end of the third quarter, 53% of live projects were on track, with the remainder showing an amber status.

**The Cabinet NOTED** the progress made towards delivering the Council Business Plan, as set out in Report No. ACE2201, and the risks identified within the Corporate Risk Register in January, 2022.

69. **JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY –**  
(Cllr Maurice Sheehan, Operational Services Portfolio Holder)

The Cabinet considered Report No. OS2201, which set out an updated Hampshire Joint Municipal Waste Management Strategy.

Members were informed that the Strategy had been developed in 2006 and had been updated in 2012. The new Strategy had been developed collaboratively with the Hampshire local authorities to reflect local and national changes since 2012. It would ensure that the Project Integra Partnership would work to meet the requirements of the Environment Bill. The Policy and Project Advisory Board had considered this document at its meeting on 26th January, 2022 and the Cabinet expressed its gratitude to the Board for the feedback received and confirmed that had been taken account of in producing the Strategy. In expressing its support for the Strategy, the Cabinet discussed how to most effectively inform residents which materials could be recycled locally at the current time.

**The Cabinet RESOLVED** that

- (i) the adoption of the revised Project Integra – Joint Municipal Waste Management Strategy, as set out in Report No. OS2201, be approved; and
- (ii) the Executive Director and Deputy Chief Executive, in consultation with the Operational Services Portfolio Holder, be authorised to determine how to engage Members to ensure their input on the Partnership Agreement prior to its consideration by the Cabinet.

70. **UNION YARD - DISPOSAL OF PRIVATE RESIDENTIAL STOCK TO RUSHMOOR HOMES LIMITED –**  
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet considered Report No. REG2201, which set out a proposal to dispose of, in principle, a leasehold interest for the private residential units contained within the Union Yard scheme.

Members were reminded that the agreed scheme comprised 100 residential units, of which eighteen had been identified as affordable units. Rushmoor Homes Limited had made an offer to acquire the units at a value agreed with the Council. The details of this process were set out in the Report and Members were assured that this represented the best option for the Council and for local residents. In answer to a question, it was confirmed that all of the units would be rented out by Rushmoor Homes Limited.

**The Cabinet RESOLVED** that

- (i) in principle, the disposal of a leasehold interest in the private residential element of the Union Yard development, comprising 82 units, to Rushmoor Homes Limited, at the conditional value set out in paragraph 3.7 of Report No. REG2201, be approved, with the final terms of the disposal to be considered by the Cabinet at a later date; and

- (ii) the potential implications on the Rushmoor Homes Limited business model arising from the current Government consultation on changes to the capital framework in respect of minimum revenue provision be noted.

71. **RUSHMOOR HOMES LIMITED - BUSINESS PLAN UPDATE 2022 - 2027 –**  
(Mr Paul Shackley, Chief Executive)

The Cabinet considered Report No. CEX2201, which set out the third business plan for Rushmoor Homes Limited, covering the period 2022–2027. It also included the associated Shareholder Report, covering the first eighteen months of the company's operation. The Report was presented on behalf of the Council's Chief Executive, in his capacity as the Council's shareholder representative.

Members were reminded that Rushmoor Homes Limited had been incorporated in April, 2020 and was wholly owned, controlled and funded by the Council. It was reported that the company's governance arrangements required that a rolling five-year business plan should be approved by the Council and that a six-monthly shareholder report should be produced. Members heard that the business plan provided the operational, financial and risk parameters for the company and set out a clear plan for the development of the business over the following five-year period. It was the aspiration of Rushmoor Homes Limited to become the best performing landlord in the Borough, with its purpose, values and business objectives focussed on meeting local housing need through regeneration and environmental and financial sustainability.

The Cabinet expressed strong support for the company's business plan and felt that this approach would deliver excellent results for the Council and for Rushmoor residents.

**The Cabinet RECOMMENDED TO THE COUNCIL that**

- (i) Rushmoor Homes Limited's Business Plan 2022-2027, as set out in Report No. CEX2201, be approved;
- (ii) the amendment of the Shareholder Agreement to enable Rushmoor Homes Limited to purchase leasehold property, where this supported the primary aim of providing market rented homes, be approved; and
- (iii) in the event of the Government introducing a requirement to provide Minimum Revenue Provision on loans to wholly owned housing companies, an obligation on Rushmoor Homes Limited to review the Business Plan, in cooperation with the Council, be approved.

**NOTE:** Cllrs K.H. Muschamp and P.G Taylor declared personal and non-prejudicial interests in this item in respect of their involvement as Council appointed Directors of Rushmoor Homes Limited and, in accordance with the Members' Code of Conduct, remained in the meeting during the discussion and voting thereon.

The Meeting closed at 8.05 pm.



# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the Meeting held on Monday, 22nd November, 2021 at the Council Offices,  
Farnborough at 7.15 pm.

## **Voting Members**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr Sophia Choudhary  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Sarah Spall  
Cllr Jacqui Vosper

Mr Tom Davies – Independent Member (Audit)

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

## **24. MINUTES**

### **Cllr Prabesh KC – Attendance at Meetings of the Committee**

The Chairman advised the Committee that Cllr Prabesh KC had been absent from consecutive meetings of the Committee held on 27th May, 27th July and 27th September in 2021. It was noted that the Democracy Team had telephoned Cllr Prabesh KC earlier that day and he had confirmed that he was unable to attend the meeting due to a family emergency abroad in Nepal.

Under the Council's Standing Orders, Standing Order 4 (5) stated that "if any Member shall be absent from three consecutive meetings of a Committee, he or she shall cease to be a Member thereof, unless he or she shall in the opinion of the Committee show reasonable grounds for their absence". The Chairman advised that the Democracy Team had contacted Cllr Prabesh KC by email the previous week to raise the matter. However, it was now understood that, as he was abroad, he might have had difficulty accessing his emails and responding on his reasons for absence.

The Committee agreed to postpone a decision on whether there were reasonable grounds for non-attendance until having heard a full representation from Cllr Prabesh KC.

The Chairman requested Members to advise her of any future apologies for absence as well as contacting the Democracy Team.

## **Minutes of the Previous Meeting**

Before the Committee was asked to confirm the accuracy of the Minutes of the previous meeting held on 27th September 2021, the Executive Director (Mr Ian Harrison) gave an update on Minute Nos. 20 (Annual Governance Statement 2020/21) and 23 (Internal Audit Opinion 2020/21).

### **(1) Minute No. 20 – Annual Governance Statement 2020/21**

At the previous meeting, the Committee had requested an update regarding the temporary delegation arrangements in place due to the Covid-19 pandemic and when these would be removed. The Executive Director advised the Committee that the temporary arrangements were still in place and available to the Council. They had not been rescinded but the Council was currently not calling on them. Advice had been received to keep the arrangements in place until there was confidence that the country was clear of the Covid-19 pandemic and any potential Government imposed restrictions.

### **(2) Minute No. 23 – Internal Audit Opinion 2020/21**

The Executive Director advised the Committee that, in light of the findings within the Audit Manager's Report No. AUD21005, the Council had contacted the Chartered Institute of Public Finance and Accountancy (CIPFA) to share information and request an opinion on the strengthening of internal audit arrangements. It was understood that representatives of CIPFA would be attending a meeting at the Council Offices within the following financial quarter to provide advice. The Committee would be updated after that meeting.

The Committee

- (i) **NOTED** the updates to the Minutes; and
- (ii) **RESOLVED** that the Minutes of the Meeting held on 27th September 2021 be signed as a correct record of the proceedings.

**NOTE:** Cllr Christine Guinness requested that it be noted that she abstained from the vote on this item.

## **25. STATEMENT OF ACCOUNTS 2019/20 - UPDATE 6**

The Committee received the Executive Head of Finance Report No. FIN2123 which informed Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion by Ernst & Young (EY) since the meeting on 27th September 2021.

The Chairman welcomed to the meeting Maria Grindley and Justine Thorpe from EY who had joined the meeting remotely via Teams.

The Committee was advised that, at the time of writing the Report, there had not been any significant progress on resolving the remaining property and valuation

related queries. Whilst these were relatively minor queries for the Council to resolve, they were material to allow EY to form its audit opinion. EY required all issues to be resolved before they were able to consider the next stage of the audit opinion process. Once all queries had been addressed, consideration would need to be given to any adjustments proposed by EY to the financial statements. The Council would need to satisfy itself that these adjustments were reasonable and supported by appropriate evidence and detailed accounting guidance.

The Report set out the proposed process to be followed should the audit opinion have been available during October 2021 and prior to this meeting. Should it be possible to resolve all remaining queries during November and December 2021, it was proposed to agree the accounts and audit opinion before the next scheduled meeting in January 2022. Subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, it was proposed that the Chairman and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

The Committee was reminded of the revised draft and final accounts publication deadlines for relevant bodies for the accounting years 2020/21 and 2021/22 which had come into force from 31st March 2021. The Council had amended its 2020/21 accounts closure process to meet the revised Accounts and Audit Regulation 2021 timetable. However, it was unclear when the audit of the 2020/21 financial statement would commence as the audit process for 2019/20 had not yet been completed.

During discussion, a question was raised concerning the Annual Governance Statement and the Internal Audit Opinion which had been considered at the previous meeting, when the Internal Audit Manager had been of the opinion that, due to the reduced number and scope of internal audits completed during 2020/21, she had felt it was not possible to provide a full overall Internal Audit Opinion on Rushmoor's framework of governance, risk management and management controls. The reason for this had been due to a combination of factors including reduced audit resources and the diversion of service resources to the Council's response to the Covid-19 pandemic. In response, the Executive Head of Finance reminded Members of the update provided earlier in the meeting regarding advice sought from CIPFA. He also assured Members that there was no evidence of fraud or corruption or any evidence of lack of internal control within the Authority. CIPFA would be visiting the Council shortly and would be able to provide some assurance to Members in due course regarding the Annual Governance Statement.

In response to a question on when it was expected that the audit opinion could be provided, Ms. Grindley stated that she hoped that the Council would be able to respond quickly to any follow-up queries from EY on information submitted by the Council. It was difficult for EY to give a timeframe on when the audit opinion could be provided.

The Chairman thanked Ms. Grindley and Ms. Thorpe for joining the meeting.

**RESOLVED:** That

- (i) the Executive Head of Finance Report No. FIN2123 be noted;
- (ii) the indicative timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit Opinion be noted; and
- (iii) subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and receive the final External Auditor's Report.

## 26. INTERNAL AUDIT - AUDIT UPDATE

The Committee received the Interim Audit Manager's Report No. AUD2105 which gave an overview of the work carried out by Internal Audit in Quarter 3 of 2021/22 to date; an update on progress towards the Audit Plan for 2021/22; a schedule of work expected to be delivered in Quarters 3 and 4; and, an update on the outstanding audit issues from Internal Audit reports covering 2019/20 and 2020/21.

The Committee noted that, since the previous meeting, the audit of National Non-Domestic Rates (NNDR) and Council Tax Recovery had been changed to focus on NNDR Billing, Collection and Recovery only as this process had significant financial risk for the Council with local businesses recovering from the pandemic. The Council Tax Recovery aspect of the audit would be expanded to a separate audit of Council Tax Bill, Collection and Recovery and deferred to Quarter 1 of 2022/23.

It was also noted that the Value for Money audits of Financial Grants to Organisations (FGO) and of the Crematorium had been postponed to 2022/23 following consultation with the Executive Directors and the Executive Head of Finance. The FGO audit would be covered by the CREP Programme and the Crematorium was currently undergoing a feasibility study. Instead, the Interim Audit Manager would focus on the capital project audit of Voyager and assistance with the Union Yard regeneration project.

The audit of procurement had been postponed to 2022/23 as the Procurement Officer had recently left the Council and the function had been moved to a temporary shared service with Portsmouth City Council, being co-ordinated by the Executive Head of Finance and the Assistant Chief Executive. It was further noted that the remaining IT audits regarding Remote Working/Windows 10 and the Property System had been postponed and would be picked up as part of the 2022/23 Audit Plan.

The Report set out a summary of progress relevant to the 2021/22 Audit Plan, an overview of assurance opinions given to completed audits since the previous update to the Committee and expected deliverables for Quarters 3 and 4. The Committee was advised that there had been a significant increase in issues implemented that had been outstanding from previous audits of 2019/20 and 2020/21, with auditees engaging with Internal Audit positively and promptly. Details of the outstanding high-risk issues for the two years were set out in the appendix to the Report and included management updates and, in some cases, revised target dates.

**RESOLVED:** That

- (i) the audit work carried out in Quarter 3 to date be noted;
- (ii) the update to the expected deliverables for Quarters 3 and 4 be noted; and
- (iii) the outstanding audit issues and engagement by Services to address them be noted.

## 27. **UPDATE TO THE MEMBERS CODE OF CONDUCT**

The Committee considered the Monitoring Officer's Report No. LEG2105 which proposed minor adjustments to the Code of Conduct for Members to reflect amendments to the published Local Government Association Model Code of Conduct related to Members' Interests, details of which were set out in the appendix to the Report.

To ensure that Rushmoor's Code continued to mirror the National Code of Conduct, it was proposed that the following adjustments should be made in respect of registering interests in respect of the disclosure of non-registrable interests and clarified the following:

- Paragraph 8 – where a matter arose at a meeting which affected a financial interest or wellbeing of a body included under Other Registrable Interests (as set out in Table 2 in the Code), Members had to disclose that interest at the meeting. The current version of the Code referenced Table 1 in error
- Paragraph 9 – should read: 'Where a matter affects the financial interest or wellbeing'. The word 'the' replaced the current 'your'. This clarified that the test for whether a councillor could remain in the meeting after declaring a non-registrable interest, related to all of the reasons in paragraph 8.
- Paragraph 10 – adjustment required to tidy the arrangements for executive decisions made by individual Members to match existing provisions in the Constitution. Individual Cabinet Members should not use their delegated powers where they had an interest in a matter.
- Table 2 – missing text to be added, provided by the Local Government Association that councillors must register an unpaid directorship as an "Other Registrable Interest".

**RESOLVED:** That

- (i) approval be given to the amendments to Appendix B of the Members' Code of Conduct, as set out in the Monitoring Officer's Report No. LEG2105 (Appendix 1); and
- (ii) a copy of the updated Code of Conduct be circulated to all Members.

The meeting closed at 7.58 pm.

CLLR SUE CARTER (CHAIRMAN)

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# DEVELOPMENT MANAGEMENT COMMITTEE

Report of the Meeting held on Wednesday, 8th December, 2021 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr C.J. Stewart (Chairman)  
Cllr L. Jeffers (Vice-Chairman)

Cllr Mrs. D.B. Bedford  
Cllr P.I.C. Crerar  
Cllr Nadia Martin  
Cllr Michael Hope  
Cllr T.W. Mitchell  
Cllr Nem Thapa

Apologies for absence were submitted on behalf of Cllr J.H. Marsh, Cllr Sophie Porter and Cllr S.J. Masterson.

Cllr A.K. Chowdhury and Cllr A.J. Halstead attended the meeting as Standing Deputies.

## Non-Voting Member

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

## 46. DECLARATIONS OF INTEREST

Having regard to the Members' Code of Conduct, the following declaration of interest was made. All Members who had or believed that they had any interest under Rushmoor Borough Council's Councillor Code of Conduct, adopted in April 2021, in any matter to be considered at the meeting disclosed that interest at the start of the meeting or as soon as possible thereafter and took the necessary steps in light of their interest as to any participation in the agenda item:

<b>Member</b>	<b>Application No. and Address</b>	<b>Interest</b>	<b>Reason</b>
Cllr Peter Crerar	21/00844/FULPP Proposed Visitors Centre, Southwood Country Park, Ively Road, Farnborough	For noting	No interest to declare under the Code of Conduct for Councillors, however following Cllr Crerar's show of support for the work being undertaken at the

Southwood Country Park at the Full Council meeting it was noted this had not been considered as pre-determination and would not impact on his judgement of the application to be discussed at the meeting.

Cllr Calum Stewart	21/00855/ADV Heritage Trail Signage Marker, Westgate, Aldershot	Non registerable	The applicant is an acquaintance.
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**47. MINUTES**

The Minutes of the Meeting held on 10th November, 2021 were approved and signed as a correct record of the proceedings, subject to the following:

- It was noted that, since the last meeting of the Development Management Committee, it had come to light that there had been an error in the approved minutes of the Development Management Committee held on 15th September, 2021. The record stated that Cllr Mitchell had been absent, when in fact he was present - as evidenced on the webcast, the minutes of the meeting on 15th September, 2021 would be amended accordingly.
- As a result, it was noted that, further to the Committee’s discussion at the meeting on 10th November, Cllr Mitchell had not been absent from three consecutive meetings of the Committee, and his membership of the Committee should remain unchanged.

**48. PLANNING APPLICATIONS**

**RESOLVED:** That

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

- \* 21/00171/FULPP Land at former Nos. 1-5 Firgrove Parade, Farnborough.
- 21/00844/FULPP Proposed Visitors Centre, Southwood Country Park. Ively Road, Farnborough
- 21/00855/ADV Heritage Trails Signage Marker, Westgate, Aldershot

(ii) 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. EPSH2134, be noted

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

20/00400/FULPP	Land at former Lafarge Site, Hollybush Lane, Aldershot
21/00271/FULPP	Block 3, Queensmead, Farnborough
21/00910/FULPP	Queen Elizabeth Park, Cabrol Road, Farnborough
21/00902/FULPP	Farnborough Airport, Farnborough Road, Farnborough

\* The Head of Economy, Planning and Strategic Housing's Report No. EPSH2134 in respect of these applications was amended at the meeting.

49. **PLANNING APPLICATION NO. 21/00171/FULPP - LAND AT FORMER NOS. 1-5 FIRGROVE PARADE, FARNBOROUGH**

The Committee considered the Head of Economy, Planning and Strategic Housing's Report No. EPSH2134 in respect of Planning Application No. 21/00171/FULPP for the erection of a six storey building with basement, comprising of ground floor flexible retail use under Use Classes E, F.2 and takeaway (Sui Generis) and 31 residential apartments above.

The Report was amended at the meeting to recommend that, subject to no new material representations being received in response to notification of additional land owners by 23rd December, 2021, and subject to the completion of a satisfactory S106 Planning Obligations to secure financial contributions towards open space, transport, SPA/SAMM mitigation, together with an administration and monitoring fee, and securing a late-stage financial review mechanism in respect of affordable housing provision, the Head of Economy, Planning and Strategic Housing, in consultation with the Chairman, be authorised to grant planning permission.

**RESOLVED:** That, subject to the completion of a satisfactory planning obligation under Section 106 of the Town and Country Planning Act 1990 by 23rd December, 2021 to secure financial contributions towards open space, transport, SPA/SAMM mitigation, together with an administration and monitoring fee, and securing a late-stage financial review mechanism in respect of affordable housing provision, the Head of Economy, Planning and Strategic Housing, in consultation with the Chairman, be authorised to grant planning permission subject to the conditions and informatives set out in the Report.

The meeting closed at 8.03 pm.

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## Development Management Committee

### Appendix "A"

**Application No. & Date Valid:**      **21/00844/FULPP**                      **25th October 2021**

**Proposal:**                      Proposed external alterations to existing building to facilitate conversion and change of use of former clubhouse to cafe and visitors centre; and change of use of existing ancillary bungalow to storage use; both in association with Southwood Country Park SANG at **Proposed Visitor Centre Southwood Country Park Ively Road Farnborough**

**Applicant:**                      Rushmoor Borough Council

**Conditions:**                      1      The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

2      The permission hereby granted shall be carried out in accordance with the following approved drawings Drawing numbers:- P-00, P-01, P-02, P-03, P-04, P-05, P-06, P-07; Tree Survey Plan; TS21-461-1; CGI Sheet 1; CGI Sheet 2; CGI Sheet 3; Design & Access Statement (amended version received 18/11/2021); and Bat Survey Report 2021.

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

3      Construction of the following elements of the development hereby approved shall not start until a schedule and/or samples of the materials to be used in them have been submitted to, and approved in writing by, the Local Planning Authority. Those elements of the development shall be carried out using the materials so approved and thereafter retained:

External wall cladding;  
Roof edging materials;  
Rainwater goods;  
Door and Window frames; and  
External Ground Surfacing Materials.

Reason - To ensure satisfactory external appearance.\*

- 4 The existing trees and hedges on and adjoining the application site which are to be retained shall be adequately protected from damage during site clearance and works in accordance with the following:-
- (a) stout exclusion fencing erected and retained for the duration of the site clearance and construction period located outside the extent of the root protection area(s) of the trees/hedges as identified in the Tree Survey Report submitted with the application hereby approved;
  - (b) no building materials, plant or equipment shall be stored during the site clearance and construction period within the rooting zone of any trees or hedges on or adjoining the application site;
  - (c) no burning of materials shall take place on site; and
  - (d) care should be taken to ensure that any vehicles entering or leaving the site, or deliveries made to the site, do not cause damage (including ground compression within rooting zones) of any trees on or adjoining the application site.

These measures shall be put in place before any excavation, construction, vehicle parking or storage of building materials commences in the vicinity of the trees or hedges.

Reason - To preserve the amenity value of the retained tree(s) and shrubs.\*

- 5 No construction works pursuant to this permission shall take place until a detailed surface water drainage scheme for the site incorporating, as appropriate, a SUDS drainage installation, has been submitted and approved in writing by the Local Planning Authority. The submitted details should include:-

Details for the long-term maintenance arrangements for the surface water drainage and/or SUDS systems shall be submitted to and approved in writing by the Local Planning Authority prior to the first use of the development hereby permitted. To include appropriate maintenance schedules for each drainage feature type and its ownership.

Such details as may be approved shall be implemented in full prior to the first use of the new development and retained thereafter in perpetuity.

Reason - To reflect the objectives of Policy NE8 of the New Rushmoor Local Plan (2014-2032). \*

- 6 Prior to first use of the development hereby approved a fully detailed landscape and planting scheme (to include, where appropriate, both landscape planting and ecological enhancement) shall be first submitted to and approved in writing by the Local Planning Authority.

Reason - To ensure the development makes an adequate contribution to visual amenity. \*

- 7 All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding season following the occupation of the building or the practical completion of the development hereby approved, whichever is the sooner.

Reason - To ensure the development makes an adequate contribution to visual amenity and biodiversity.

- 8 Provision shall be made for services to be placed underground. No overhead wire or cables or other form of overhead servicing shall be placed over or used in the development of the application site.

Reason - In the interests of visual amenity.

- 9 The development hereby approved shall not be brought into use until a biodiversity enhancement plan and a pro-forma checklist clearly setting out the steps required to implement these enhancements has been submitted to, and approved by, the Local Planning Authority.

Note: the enhancement plan and checklist should be based on the recommendations in the various wildlife reports submitted in support of the application, presenting them in a clear and concise format suitable for use during construction site project management.

The development hereby permitted shall not be brought into use until the checklist approved under this condition has been completed, signed off by the project ecologist / wildlife consultant and approved in writing by the Local Planning Authority.

Reason: to protect and enhance biodiversity in accordance with Policy NE4 of the New Rushmoor Local Plan (2014-2032) and para 175 of the NPPF. \*

- 10 The development hereby permitted shall not be occupied until the disabled parking spaces shown on the approved plans have been constructed, surfaced and made available to occupiers of, and visitors to, the development as shown on the approved plans. Thereafter these parking facilities shall be kept available at all times for their intended purpose as shown on the approved plans.

Reason - To ensure the provision, allocation and retention of disabled parking on-site.

**Application No.  
& Date Valid:**

**21/00855/ADV**

**1<sup>st</sup> November 2021**

Proposal: Heritage Trail Sign Marker at **Westgate, Aldershot, Hampshire**

Applicant: Mr Paul Vickers

- Conditions:
- 1 No advertisement is to be displayed without the permission of the owner of the site or any other person with an interest in the site entitled to grant permission.
  - 2 No advertisement shall be sited or displayed so as to-
    - (a) endanger persons using any highway, railway, waterway, dock, harbour or aerodrome (civil or military)
    - (b) obscure, or hinder the ready interpretation of, any traffic sign, railway signal or aid to navigation by water or air; or
    - (c) hinder the operation of any device used for the purpose of security or surveillance or for measuring the speed of any vehicle.
  - 3 Any advertisement displayed, and any site used for the display of advertisements, shall be maintained in a condition that does not impair the visual amenity of the site.
  - 4 Any structure or hoarding erected or used principally for the purpose of displaying advertisements shall be maintained in a condition that does not endanger the public.
  - 5 The signage hereby permitted shall be carried out in accordance with the following approved drawings-  
  
Site plan labelled 2; Aldershot Heritage Trail (plan of sign)

# DEVELOPMENT MANAGEMENT COMMITTEE

Report of the Meeting held on Wednesday, 19th January, 2022 at the Concorde Room, Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr C.J. Stewart (Chairman)  
Cllr L. Jeffers (Vice-Chairman)

Cllr Mrs. D.B. Bedford  
Cllr P.I.C. Crerar  
Cllr Michael Hope  
Cllr J.H. Marsh  
Cllr S.J. Masterson  
Cllr T.W. Mitchell  
Cllr Sophie Porter  
Cllr Nem Thapa

Apologies for absence were submitted on behalf of Cllr Nadia Martin.

## **Non-Voting Member**

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

## **50. DECLARATIONS OF INTEREST**

There were no declarations of interest for this meeting.

## **51. MINUTES**

The Minutes of the Meeting held on 8th December, 2021 were approved and signed as a correct record of the proceedings.

It was noted that the Section 160 agreement that the decision relating to Planning Application No. 21/00171/FULPP – Land at former Nos. 1-5 Firgrove Parade, Farnborough, was subject to, had not been completed by 23rd December, 2021 deadline, therefore an extension of time had been sought.

## **52. PLANNING APPLICATIONS**

**RESOLVED:** That

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

- 21/00825/FULPP Flight Safety Building Farnborough Airport, Ively Road, Farnborough
- 21/00902/FULPP Farnborough Airport, Farnborough Road, Farnborough
- \* 21/00910/FULPP Queen Elizabeth Park, Cabrol Road, Farnborough
- 21/00354/FULPP Rowan Cottage, No. 37 Prospect Avenue, Farnborough
- (ii) 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. EPSH2201, be noted,
- (iii) the current position with regard to the following applications be noted pending consideration at a future meeting:
- ~ 20/00400/FULPP Land at former Lafarge Site, Hollybush Lane, Aldershot
- 21/00271/FULPP Block 3, Queensmead, Farnborough
- \* The Head of Economy, Planning and Strategic Housing's Report No. EPSH2201 in respect of these applications was amended at the meeting.
- ~ It was noted that commentary regarding an agreed site visit to the former Lafarge Site, would be added to Section A – Future Items for Committee.

### 53. APPEALS PROGRESS REPORT

The Committee received the Head of Economy, Planning and Strategic Housing's Report No. EPSH2202 concerning the following appeal decisions:

Application / Enforcement Case No.	Description	Decision
21/00276/FULPP	Against the refusal of planning permission for the erection of a one bedroom dwelling with associated parking at 81 Blackthorn Crescent, Farnborough.	New Appeal to be Determined
21/00364/FULPP	Against the refusal of planning permission for the erection of a first floor side extension at 16 Churchill Avenue, Aldershot,	Dismissed

**RESOLVED:** That the Head of Economy, Planning and Strategic Housing's Report No. EPSH2002 be noted.

54. **ENFORCEMENT AND POSSIBLE UNAUTHORISED DEVELOPMENT**

**Enforcement Reference No.**

**Description of Breach**

21/00063/TREE

Unauthorised pruning of Oak Tree subject to TPO458 consisting of removal of branches at 12 Twelve Arce Crescent, Farnborough.

Whilst the works had caused visual harm and damage to a TPO tree of amenity value, they were understood to have been carried out on behalf of the householder by, and on the basis of advice from, a 'Tree Surgeon'. Repeated attempts to contact or obtain a response from this operator using the details available had not been successful.

Prosecution of the householder, had been be an option and if successful, could have led to a fine. However, it would not have brought about restoration of the damaged tree, nor would it have affected the party who appeared to have solicited and carried out the works. The advice on the Council's website regarding private individuals contemplating works to trees or employing 'tree surgeons' had been updated and the householder's attention has been brought to it.

No further action would be taken.

21/00199/GENWRK

Unauthorised demolition or partial demolition of building at 16 Union Street, Aldershot outside of Planning Permission 07/00541/FUL granted on 6th November, 2007.

The Corporate Manager, Legal Services would be asked to issue a Stop Notice in the event of further or resumed unauthorised work on this site.

**RESOLVED:** That the Head of Economy, Planning and Strategic Housing's Report No. EPSH2203 be noted.

55. **THE GALLERIES - PLANNING REFERENCE 20/00508/FULPP**

The Committee received Report No. EPSH2205 on the proposed town centre regeneration at The Galleries, High Street, Aldershot (Planning Application No. 20/00508/FULPP). It was advised that the developer had approached the Council to seek a variation of the planning conditions to allow for demolition of The Galleries Shopping Centre, Nos. 12-18 Wellington Street and the adjacent derelict buildings at 99-101 High Street, in early 2022.



It was recommended that further to the resolution of the Committee at its meeting on 11 November, 2020, to GRANT planning permission subject to conditions and informatives on completion of a satisfactory S106 Planning Obligation, the proposed amendments to the conditions as set out be agreed.

The Committee **AGREED** to the variation of the planning conditions.

The meeting closed at 8.23 pm.

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## Development Management Committee

### Appendix "A"

**Application No. & Date Valid:**      **21/00825/FULPP**      **18th October 2021**

**Proposal:**      Erection of building with first floor link and parking in association with existing Training use at **Flight Safety Building Farnborough Airport Ively Road Farnborough**

**Applicant:**      Daryl Deacon

**Conditions:**      1      The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

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

19009 - 11 G, 19009-13 D, 19009-15 A, 19009-20  
19009-21, 19009-50 G, 19009-54 D, 19009-57 A  
19009-58 B, 19009-59 A

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

3      The external walls of the development hereby permitted shall be finished in materials as set out on the approved plans, unless alternative materials have been submitted to and approved in writing by Local Planning Authority. The development shall be completed and retained in accordance with the details so approved.

Reason - To ensure satisfactory external appearance.

4      Prior to the occupation of the development, details of surface water management within the application site shall be first submitted to and approved in writing by the Local Planning Authority. The surface water drainage scheme shall be completed in accordance with the so approved details.

Reason - To ensure satisfactory external appearance and drainage arrangements.\*

**Application No.  
& Date Valid:**

**21/00902/FULPP**

**16th November 2021**

Proposal:

Erection of 4 bay aircraft hangar, with associated apron, access, parking, extension of balancing pond, and biodiversity enhancement. at **Farnborough Airport Farnborough Road Farnborough Hampshire**

Applicant:

Mr Colm Doherty

Conditions:

- 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

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

1451-GTA-ZZ-XX-PL-A-0000

1451-GTA-ZZ-XX-PL-A-0011 rev. 2.0

1451-GTA-ZZ-XX-PL-A-0008 rev 2.0

1451-GTA-ZZ-XX-PL-A-0006 rev 2.0

1451-GTA-ZZ-XX-PL-A-0005 rev 2.0

1451-GTA-ZZ-XX-PL-A-0009 rev 2.0

1451-GTA-ZZ-XX-PL-A-0007 rev 2.0

1451-GTA-ZZ-XX-PL-A-0004 rev 3.0

Biodiversity Matrix

BNG SINC Report

Planning Noise Report. by Gebler Tooth of Anderson Acoustics. Dated November 2021.

Energy and Sustaoniability Statement. Tate Consulting. Dated 24/08/2021. File Ref C1494-TCL-ESS-001

Sustainable Drainage Systems Strategy. Webb Yates Engineers. ref. J4704-C-RP-0002 rev 01.

Transport Statement. WSP. Dated November 2021.

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

- 3 The external walls of the development hereby permitted shall be finished in materials as set out on the so approved plans or carried out in accordance with details to be first submitted to and approved in writing by the Local Planning Authority. The development shall be completed and retained in accordance with the details so approved.

Reason - To ensure satisfactory external appearance.

- 4 In the event that unforeseen ground conditions or materials which suggest potential or actual contamination are revealed at any time during implementation of the approved development it must be reported, in writing, immediately to the Local Planning Authority. A competent person must undertake a risk assessment and assess the level and extent of the problem and, where necessary, prepare a report identifying remedial action which shall be submitted to and approved in writing by the Local Planning Authority before the measures are implemented.

Following completion of measures identified in the approved remediation scheme a verification report must be prepared and is subject to approval in writing by the Local Planning Authority.

Reason - To ensure that the site is safe for the development permitted and in the interests of amenity and pollution prevention

- 5 1. Construction Environmental Management Plan

Prior to the commencement of development a Construction Environmental Management Plan shall first be submitted to and approved in writing by the Local Planning Authority. The CEMP should include, but not be limited to:

- a) Map showing the location of all of the ecological features
- b) Risk assessment of the potentially damaging construction activities
- c) Practical measures to avoid and reduce impacts during construction
- d) Location and timing of works to avoid harm to biodiversity features
- e) Responsible persons and lines of communication
- f) Use of protected fences, exclusion barriers and warning signs.

The CEMP should be implemented fully in accordance with the details so approved.

Reason: In the interest of avoiding adverse impact upon designated wildlife sites in accordance with policy NE4 of the Local Plan and the NPPF.

- 6 SINC compensation / Biodiversity net gain
- Within 6 months of the commencement of '(A) hangar 3' or '(C) New aircraft parking stand' (as set out on plan 1451-GTA-ZZ-XX-PL-A-0002 Rev. 4), as authorised by this permission, a programme of works to the land areas labelled as 'BNG Application Area' on plan no Figure 2 - Post Development Habitats Map' (within the submitted Biodiversity Net Gain Assessment & SINC Assessment) shall commence in order to achieve compensation for the loss of SINC and Biodiversity net gain in accordance with a suitably detailed Habitat Management Plan which shall be first submitted to and approved in writing by the Local Planning Authority. The Habitat Management Plan shall include, but not be limited to, the following;
- a) Description and evaluation of habitat features to be restored or enhanced
  - b) Ecological trends and constraints on site that might influence management
  - c) Aims and objectives of management
  - d) Appropriate management options for achieving aims and objectives
  - e) Prescriptions for management actions, together with a plan of management compartments accompanied by clear mapping
  - f) a work schedule (including timescales for commencement of the Habitat Management Plan and an annual work plan capable of being rolled forward over a five-year period)
  - g) Details of the body or organisation responsible for implementation of the plan
  - h) Ongoing monitoring and remedial measures
  - i) Legal and funding mechanisms by which the long-term implementation of the plan will be secured by the developer with the management body(ies) responsible for its delivery.
  - j) Monitoring strategy, including details of how contingencies and/or remedial action will be identified, agreed and implemented so that the development still delivers the fully functioning biodiversity objectives of the originally approved scheme.

The works detailed in the approved Habitat Management Plan shall be carried out and completed in accordance

with the approved details and timescale, and the works retained and maintained thereafter in accordance with the details as so approved.

Reason: In the interest of avoiding adverse impact upon designated wildlife sites and to secure a net gain of biodiversity, in accordance with policy NE4 of the Local Plan and the NPPF.

**Application No.  
& Date Valid:**

**21/00910/FULPP**

**18th November 2021**

Proposal: Installation of play area including play equipment and safety surfacing at **Queen Elizabeth Park Cabrol Road Farnborough Hampshire**

Applicant: Suzie Opacic

Conditions: 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

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

Elevation Plan  
Elevation A  
Elevation B  
Elevation C  
Elevation D

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

3 The development hereby approved shall be carried out in accordance with the recommendations and methods set out within the submitted Arboricultural Survey, Arboricultural Impact Assessment and Arboricultural Method Statement by Thompson Environmental Consultants Dated November 2011. For clarity the recommendations include;

Erection of tree protection fencing prior to commencement of works

Deployment of Methods described within Paragraph 5.6 and 6.10 when installing play equipment within the RPA of trees.

No tree felling or lopping.

Reason - To ensure that existing trees are adequately protected and to preserve their amenity value.

- 4 The development shall be carried out in accordance with the recommendations as set out within the submitted Preliminary Ecological Appraisal dated November 2021 by Thompson Environmental Consultants.

Reason - In the interest of biodiversity and not resulting in harm to protected species\*

- 5 Prior to the installation of any lighting within the application site, details of the illuminance including its spread along with details of the height and form of any such lighting shall be submitted to and approved in writing by the LPA.

Reason: In the interest of not disturbing protected species.

**Application No.  
& Date Valid:**

**21/00954/FULPP**

**8th December 2021**

Proposal:

Proposed roof extensions comprising; raising of front gable; hip to hipped gable extension (side) raising roof of rear projection.  
at **Rowan Cottage 37 Prospect Avenue Farnborough Hampshire**

Applicant:

Mr Lucas

Conditions:

- 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

Reason - As required by Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

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

01, 02, 03, 04, 05, 06 & 07

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

- 3 The external walls of the extension hereby permitted shall be finished in materials of the same colour and type as those of the existing building, and in the case of brickwork matching the existing bond and pointing, unless alternative materials have been submitted to and approved in writing by the Local Planning Authority. The development shall be completed and retained in accordance with the details so approved.

Reason - To ensure satisfactory external appearance.



# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Report of the Meeting held on Monday, 24th January, 2022 at the Council Offices,  
Farnborough at 7.00 pm.

## **Voting Members**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr Sophia Choudhary  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr Prabesh KC  
Cllr Sarah Spall  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr A.J. Halstead.

Cllr K Dibble attended the meeting as a Standing Deputy.

## **Non-Voting Member**

Mr. Tom Davies (Independent Member – Audit)

## **28. MINUTES**

The Minutes of the Meeting held on 22nd November 2021 be agreed and signed as a correct record of the proceedings.

## **29. MEETING ATTENDANCE - CLLR PRABESH KC**

At the previous meeting, the Committee was advised that Cllr Prabesh KC had been absent for three consecutive meetings of the Committee. The Committee had deferred making a decision on whether there were reasonable grounds for absence to give Cllr Prabesh KC the opportunity to make a full representation and remain a Member of the Committee. Since then, Cllr Prabesh KC had made contact with the Chairman and had explained the circumstances for his absence which were for personal reasons, and with some sensitivities. He had also provided a written apology and explanation which had been circulated to the Committee.

Having discussed the matter with Cllr Prabesh KC, the Chairman stated that she was content to accept Cllr KC's personal reasons, as reasonable grounds for non-attendance, and proposed that the Committee support this. During discussion, the point was made that it was good practice for every effort to be made to communicate

apologies for absence to the Chairman and Democracy Team, even if this had to be made through a third party.

**RESOLVED:** That Cllr Prabesh KC's reasons for non-attendance at consecutive meetings of the Committee be accepted as reasonable grounds for absence.

30. **STATEMENT OF ACCOUNTS 2019/20 - UPDATE 7**

The Committee received the Executive Head of Finance Report No. FIN2207, which informed Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the previous meeting on 22nd November 2021.

The Committee was advised that the Council had responded positively to further queries raised by Ernst & Young (EY) in December 2021. Further asset valuation enquiries had been raised in January 2022. The Council would need to respond to these to enable EY to provide an audit opinion. It was noted that the Executive Director (Mr Ian Harrison) and the Executive Head of Finance would be meeting with EY on 26th January 2022 to discuss any unresolved queries for the Council to respond to. EY would then be able to set out for the Council the impact on the audit opinion of the incomplete asset valuation information. Subject to the outcome of this meeting, the Executive Head of Finance would draft the updated cashflow forecast and Going Concern Note to enable the audit to conclude. The basis on which the audit would be concluded was set out in the Report.

The Committee was updated on the impact of the delayed conclusion of the 2019/20 audit of the 2020/21 financial statement. It was further noted that the 2021/22 audit was likely to commence in Autumn 2022. Further discussions would need to take place with EY to schedule the 2020/21 and 2021/22 audit work, all of which would be dependent on the 2019/20 audit being concluded.

Officers from both the Council and EY would be working towards a formal completion of the 2019/20 audit in early 2022. Subject to the outcome of the meeting between the Council and EY on 26th January 2022, the Council was hoping to be able to bring the 2019/20 audited accounts and audit opinion to the meeting on 28th March 2022. However, it was acknowledged that there remained some risk around the exact timing given the need to agree the final accounts position, review any proposed adjustments and a revision to the Council's financial statements.

During discussion, Members raised questions regarding: the quality of property records kept by the Council; the amount of time needed to provide the information required by EY on asset valuations; the implications of EY providing a qualified audit opinion; and, the need for a review of the audit process for 2019/20 so that lessons can be learned by both the Council and EY.

**RESOLVED:** That

- (i) the Executive Head of Finance Report No. FIN2207 be noted: and

- (ii) the indicative timetable for the approval of the 2019/20 Statement of Accounts and receiving the audit opinion, as set out in the Report, be noted.

31. **TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT 2021/22 - MID-YEAR REPORT**

Consideration of this item was deferred to the Special Meeting of the Committee on 15th February 2022.

32. **DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PUBLIC SECTOR AUDIT APPOINTMENTS AS THE 'APPOINTING PERSON'**

The Committee considered the Executive Head of Finance Report No. FIN2208, which set out proposals and options available to the full Council for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24.

It was noted that the current auditor appointment arrangements covered the period up to, and including, the audit of the 2022/23 accounts. The Council had opted into the appointing 'appointing person' national auditor appointment arrangements which had been established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. PSAA was currently undertaking a procurement exercise for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021, all local government bodies needed to make decisions about their external audit arrangements from 2023/24. Local government bodies had options to arrange their own procurement or they could join and take advantage of the national collective scheme administered by PSAA. The Committee was advised that the decision had to be taken in accordance with the Regulations (i.e. by the full Council) and that notice had to be given to PSAA of the Authority's intention to opt-in by 11th March 2022.

The Committee was being recommended to accept the PSAA's invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for the five financial years from 1st April 2023.

**The Committee**

- (i) **RECOMMENDED THE COUNCIL** to opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors and authorise; and
- (ii) **RESOLVED** that the Executive Head of Finance be authorised to sign the notice of acceptance on behalf of the Authority, subject to the decision of the full Council.

### 33. INTERNAL AUDIT - AUDIT UPDATE

The Committee received the Interim Audit Manager's Report No. AUD2201, which set out: work carried out by Internal Audit since the previous Report to the Committee in November 2021; an update on the overall progress on the 2021/22; and, an update on outstanding audit issues from reports issued in 2019/20 and 2020/21. Details of outstanding high risk issues for the two years 2019/20 and 2020/21 were set out in the appendix to the Report and included management updates and, in some cases, revised target dates.

Mr Thacker was thanked for his exceptional work as Interim Audit Manager and the Committee acknowledged the various working practices that had been put in place.

During discussion, further information was requested on various outstanding high-risk audit issues including: the card terminal at Princes Hall; estate management and commercial letting (debt write off); taxi licensing (manual inputting of data, 'Manage My Licence' IT based approach); and Alderwood Leisure Centre (payment records – system for manual reconciliations). Further clarification was sought on errors made and whether this was due to resource issues/staff absence due to sickness. The Committee was advised that, within the following year's Budget, there was an additional item for additional financial resources for corporate governance work. There was also a request for further information on the costs associated with the outstanding high-risk audit issues.

**RESOLVED:** That

- (i) the audit work carried out in Quarter 3 to date be noted;
- (ii) the update to the expected deliverables for Quarter 4 be noted; and
- (iii) the outstanding high-risk audit issues and engagement by the Services to address them be noted.

### 34. RUSHMOOR DEVELOPMENT PARTNERSHIP - SIX MONTHLY REPORT

The Committee received the Executive Director Report (No. ED2201), as the Council Shareholder on the progress review received from the Rushmoor Development Partnership (RDP) on its business plan. The Report provided a commentary on the progress and delivery through the Partnership during 2021 on the key regeneration sites agreed as part of the initial RDP business plan.

The Report advised that there had been significant progress since the approval of the initial business plan, particularly on Union Street, Aldershot, where the RDP had secured a planning consent during 2020 despite the pandemic and had supported the Council through its due diligence process that had facilitated a construction start on site in November 2021. Work on the Civic Quarter Masterplan had progressed well with two public consultations having been undertaken during 2021 to support the submission of an outline planning application. The disposal of Parsons Barracks car park had been concluded to enable the development of a care home, with the

proceeds being used to fund the work of the RDP to date, which had assisted with reducing pressure on the Council's financial position.

The Committee was advised that the partnership where Council and Hill staff worked together to continue to enable a commercial approach to be taken to bringing forward sites alongside the transition of the Council's and community's ambitions for both town centres. Overall, the Executive Director was of the opinion that the RDP had made a positive contribution to moving forward the Council's regeneration objectives over the past year.

**RESOLVED:** That the progress by the Rushmoor Development Partnership and the next steps for each of the current projects covered by the RDP business plan, as set out in the Executive Director Report No. ED2201, be noted.

The meeting closed at 8.38 pm.

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# POLICY AND PROJECT ADVISORY BOARD

Report of the Meeting held on Wednesday, 24th November, 2021 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

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

Cllr Gaynor Austin  
Cllr Jessica Auton  
Cllr Sophia Choudhary  
Cllr Mara Makunura  
Cllr Sophie Porter  
Cllr M.J. Roberts

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

## 17. MINUTES

The minutes of the meeting held on 22nd September, 2021 were agreed as a correct record.

## 18. HOUSING STRATEGY

The Board welcomed Strategy and Enabling Officer, Zoe Paine who was in attendance to give a presentation on the Housing and Homelessness Prevention Strategy 2022-2027. Tim Mills, Head of Economy, Planning and Strategic Housing was also in attendance.

Ms Paine, gave an overview of considerations during the process for compiling the new strategy through a collaborative approach, these included detailing what needed to be included and a summary of themes. The purpose would be to take an objective approach and to scope/reflect on what was right for the Council – would it support the Council's corporate vision and objectives?

A summary was given on the current strategy, which had been set out in four themes and ran until the end of 2022. It was noted that the Council's corporate context had changed since the existing strategy had been agreed and the new Vision for Rushmoor would need to be considered whilst scoping the new document. The Vision had identified, housing for every stage of life, as one of its six major ambitions and the Council's Business Plan had stated that enough homes and types of housing were available in Rushmoor.

It was noted that legislation stated that all housing authorities must update their strategy every five years. As part of the update, a review should be carried out of all forms of homelessness and a plan should be set out on how the Council would secure appropriate accommodation and support for people who may become homeless or were at risk of becoming homeless.

It was proposed that the Council would deliver a well researched document, which provided a clear approach to any housing themes identified as part of the scoping work. Engagement on the strategy would be carried out through work with the Board, consultation with partners and continued review and audit processes. In addition, it was suggested that a supporting delivery plan could help the team monitor implementation and progress of the strategy. Other interfaces and dependencies to consider whilst scoping the strategy were, the Council's Local Plan and Strategic Economic Framework, national housing and planning policies and funding models, partnership working with housing and service providers and the voluntary sector, and the work of other Local Authorities and Hampshire County Council (HCC).

The Board noted that the strategy would not be responsible for the delivery of some specific housing projects which were managed and resourced as part of the Rushmoor Housing Company or as part of the Property, Major Works and Regeneration Programme. Some constraints also needed to be considered such as, the ability to resource and deliver the project, Members' desire to maintain housing as a priority and any significant changes to national housing policy during the lifetime of the project.

Ms Paine shared a number of objectives with the Board, and Members were asked to consider the appropriateness of the suggested objectives and feedback with any additional areas that may be included. The proposed objectives were:

- Set out a clear approach to delivering housing which met a range of housing needs and aspirations in the borough
- Support the Council in its corporate objectives and to support the delivery of the Climate Change and Supporting Communities strategies
- Demonstrate transparency in the way in which the Council met its statutory housing duties
- To ensure that the borough's most vulnerable residents had access to accommodation and support appropriate to their needs

Ms Paine also shared a proposed approach to the process, this included a review of the current strategy, an update on housing needs and market data, an audit of the existing housing service provision, consultation/engagement with partners/stakeholders and drafting, approval, publication and implementation of the new strategy. Suggested scoping considerations were also shared, these included:

- Understanding needs and aspirations
- Adoption of an approach to maximise energy efficient, open market and affordable housing delivery with developers/stakeholders/Rushmoor Homes Limited, in line with Government policy and the Local Plan
- Best use of existing housing stock/empty homes
- Rough Sleeping and Temporary Accommodation Strategies



- Approach to homelessness prevention, advice and housing allocation

The proposed timescale was noted and it was felt that feedback on progress could be made to the Board in Spring 2022. The draft document would then, hopefully, be shared with the Cabinet in October 2022 and presented to Full Council in December for adoption.

The Board discussed the suggested objectives as set out and a number of common themes were identified, these included:

- Commitments to residents rather than objectives
- Affordability across different segments of the population, best use of stock - some residents not in properties that worked for their needs - consideration on how to get the right people, in the right home, at the right time of life
- Improved quality of all housing stock
- Climate change/sustainability priorities
- Identification of future need
- Wellbeing/vulnerability needs
- Constraints on available space to build on – how to maximise

The Board continued their discussions on the suggested approach, the following were highlighted:

- An allocation scheme – it was noted that Members could choose groups to be included in an allocation scheme, and currently military personnel were a priority within the system, however, the scheme was based on fairness for all residents
- Increase building opportunities on brown field sites – the Board were advised of forthcoming government proposals to accelerate the use of brown field sites in the future for development
- Consideration be given to how private sector housing management companies operate

**ACTION:**

<b>What</b>	<b>By Whom</b>	<b>By When</b>
To bring data collated to inform the strategy to the Board for consideration.	Tim Mills - Head of Economy, Planning and Strategic Housing Zoe Paine - Strategy and Enabling Officer	March 2022

The Chairman thanked Ms Paine and Mr Mills for their presentation and contribution to the meeting.

**19. BUSINESS PLAN**

The Board welcomed John McNab, Policy and Performance Manager and Rachel Barker, Assistant Chief Executive who were in attendance at the meeting to provide a presentation on the development and progress of the Council’s Business Plan 2022-25 and the details of the findings from a series of workshops held with Heads

of Services throughout October and November, 2021. The Board were being asked to consider the workshop findings and provide comment on what might be taken forward for consideration and inclusion in the next stages of the process.

Mr McNab, reported on the workshops that had been undertaken with Heads of Service and the Executive Leadership Team. Consideration had been given to significant cross-cutting issues which could impact the Council, existing plans and strategies and any proposed changes within individual services. The structure, content, priorities and activities of the existing business plan and the 2021 Residents' Survey feedback and PESTLE horizon scanning opportunities were also considered.

It was noted that feedback from the workshops had highlighted the following as potential areas for development:

- Community Engagement – suggestions included the use of a residents' panel, specific resident surveys and/or public consultation, however it was proposed that a Community Communications and Engagement Plan be developed and linked with the Business Plan in 2022.
- Business Plan Structure – suggestions included a reduction of levels (i.e. themes, priorities and key activities) making it a clearer, relatable and cohesive document that did more to articulate the outcomes the Council were aiming to achieve. The modernisation and transformation programme and equality and diversity work were also suggested as areas to include within the Plan.
- The way we work – it was suggested that a stronger narrative could be used for:
  - Organisational values – to include the Council's new organisational values
  - Information governance and security – data protection, data security and/or information governance should feature as a common principle in the way Council services are delivered
  - Financial stability – affordability and flexibility should be reflected in the delivery of activities within the Plan
  - Performance arrangements and measures – to include principles on how the priorities are delivered in a measured way to ensure tangible outcomes
- Key Priorities and Activities – a number of activities had been identified from the existing Business Plan that could be considered for retention and/or inclusion in the revised Plan (Appendix A). A list had also been consolidated of suggested new activities to be considered (Appendix B). The Board reviewed the lists.
- Guiding Principles – given the feedback and comments made on the structure and content of the Business Plan the following themes had been identified as guiding principles for the future refresh of the Plan:

- Focus on a smaller number of priorities and activities
- A simpler and more succinct document
- Balance in terms of affordability and capacity
- Focus of key outcomes and deliverables

The Board noted the next steps, which would be to present the principles and key activities identified as part of the evidence gathering phase to Informal Cabinet on 16th December, 2021 and subject to further refinements, a draft document could be presented to the Board at its meeting in January, 2022.

The Board discussed the findings from the workshops and made a number of comments. In summary, it was felt important to produce a clear, simple, succinct document that was easily understood by residents. It should have clear and achievable outcomes/commitments, underpinned by strong evidence and should take into account affordability and capacity. In response to a query, it was noted that it was yet unknown which of the items in Appendix B would be affordable and consideration of this would be made in the next phase of the refresh. A costing exercise should also be considered for each activity to assess its affordability.

Public engagement with hard to reach groups was also discussed, in particular with young people, where it was felt there had been a gap. This would be considered further as part of the next phase and as part of the potential for a Community and Communications Engagement Strategy.

**ACTION:**

<b>What</b>	<b>By Whom</b>	<b>By When</b>
To consider the best way to share the evidence from the officer workshops with Members	Rachel Barker – Assistant Chief Executive John McNab – Policy and Performance Manger	January, 2022

The Chairman thanked Ms Barker and Mr McNab for their presentation.

20. **WORK PROGRAMME**

The Board **NOTED** the current Work Plan.

The Chairman report that an update would be sought on the work of GT3 and the Farnborough Civic Quarter for the next meeting of the Progress Group.

Other items that were raised for consideration by the Progress Group were:

- Section 215
- Government Policy - Levelling Up White Paper
- Housing Strategy Group – request for meeting in early January, 2022

The meeting closed at 8.56 pm.

# OVERVIEW AND SCRUTINY COMMITTEE

Report of the Meeting held on Thursday, 9th December, 2021 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

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

Cllr Gaynor Austin  
Cllr Jib Belbase  
Cllr M.S. Choudhary  
Cllr K. Dibble  
Cllr L. Jeffers  
Cllr Mara Makunura  
Cllr Nem Thapa

Apologies for absence were submitted on behalf of Cllr R.M. Cooper and Cllr S.J. Masterson

## **18. MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Meeting held on 28th October, 2021 were **AGREED** as a correct record.

## **19. RUSHMOOR HOUSING LIMITED - SHAREHOLDERS REPORT**

The Committee welcomed Rushmoor Housing Limited's Chief Operating Officer, Tim Mills and Chief Financial Officer, Steve Ward, who were in attendance at the meeting to give a presentation on the background and content of the latest Shareholder Report.

The Committee noted that Rushmoor Housing Limited (RHL) had been set up in April 2020 to provide quality homes for rent in the Borough. The Council was the company's only shareholder and the Council's Chief Executive had been appointed as the shareholder representative. Governance arrangements required a shareholders report, which monitored the company's progress against its business plan, to be submitted to the Chief Executive every six months. The Report could then be referred to the Overview and Scrutiny Committee or the Corporate Governance, Audit and Standards Committee for consideration.

It was noted that between April 2020 – September 2021 a number of milestones had been reached. These included the purchase of RHL's first property, it's first tenant taking up residency and it's first planning permission granted on two properties. In addition, the company had drawn down its first funding tranche to start the important role of income generation. The first audit had also been undertaken, which had established that the company had a reasonable level of assurance. As part of the

audit, a number of actions had been identified to further strengthen the company's position moving forward.

The Committee reviewed the balance sheet and profit and loss account. It was noted that RHL borrowed funds from the Council at a commercial rate of 5.5%, (the Council borrowed at a rate of around 1.5% equalling an average 4% profit) to fund property development and the acquisition programme. It was expected that the company would be in loss whilst undertaking the development and purchase programmes but this loss would, in time, be recovered through rental income. In response to a query regarding future profits, it was noted that, initially, any outstanding debt would be paid off. Any further profit could then be used to either investment in more properties, discount rents and/or make dividend payments to shareholders.

It was noted that professional expertise was in place to support RHL. External architects, solicitors and employment agents had been engaged to support the work and a procurement process was underway to set up a panel of valuation surveyors. It was also noted that a contract was in place with Romans Estate Agents to manage the properties on behalf of RHL. However, as the property portfolio increased consideration could be given to bringing the management in house.

It was reported that the business plan estimated that property delivery would be in the region of 60 properties by 2023/24. However, it was noted that the Council had approached RHL to purchase 80 properties in Union Yard and the revised business plan, to be presented to the Council at its meeting in February, 2022, would reflect this increase. The revised business plan would also reflect revised timings of the programme to take account of a better understanding of resources required to deliver the programme, delays in transferring sites to RHL and subsequent delays in rental income. These would be reflected in budget planning.

The Committee noted issues the shareholder had been asked note as part of the Report, in particular:

- To achieve best consideration on lower profit rented properties
- To reduce development risk by preparation of sites, obtaining planning permission and dealing with issues of title in advance of transferring properties to RHL
- Provision of a new financial model – jointly developed to help assess viability of schemes
- Consideration being given to changing the Articles of Association to allow leasehold property purchases moving forward

With regard to staffing, the Committee noted that RHL had been operated by Council staff on a charged basis. Costs for October 2020 - March 2021 had been £27,500 and this would increase as the workload increased over the next two years as the company developed. In response to a query, it was noted that the additional workload had been added to existing staff contracts to ensure no time would be taken away from their existing roles. In respect of conflicts of interest, especially in relation to planning applications, it was advised that the internal audit report had stated that no conflicts had been found and that the Head of Economy, Planning and Strategic Housing had no input to planning applications made by RHL.

The Committee discussed the option of becoming a Registered Provider, however it was noted that becoming a Registered Provider would not be worthwhile at the present time. In respect of affordable rents it was noted that a subsidy would be required to make it work economically, therefore this would not be an option at the present time.

The Committee **ENDORSED** the report on Rushmoor Housing Limited and the Chairman thanked Mr Mills and Mr Ward for their presentation.

**NOTE:** Cllr K. Dibble declared a personal but non prejudicial interest in this item in respect of his involvement as a Member on the Board of Rushmoor Housing Limited and, in accordance with the Members' Code of Conduct, remained in the meeting during the discussion. Cllr M.S. Choudhary also declared an interest in that he is an Estate Agent by profession and, in accordance with the Members' Code of Conduct, remained in the meeting during the discussion.

## 20. **SUPPORTING COMMUNITIES**

The Committee welcomed Andrew Colver, Head of Democracy and Community, Emma Lamb, Community and Partnerships Manager and Tony McGovern, Community and Partnerships Officer, who were in attendance to give a presentation setting out the planned work and progress of the Supporting Communities Strategy and Action Plan. An update was also provided on the newly opened Community Grub Hub based in Aldershot. The Portfolio Holder for Democracy, Strategy and Partnerships was also in attendance.

The Committee noted the objective of the Strategy, which had been "to tackle the effects of poverty and deprivation and to have a positive impact on people's daily lives". It was reported that there had been a complex history relating to deprivation in some areas across the borough and the situation had been made more difficult by the coronavirus pandemic. Through partnership working with local organisations such as the Clinical Commissioning Group (CCG), Rushmoor Voluntary Services (RVS), Citizens' Advice (CA) and Hampshire County Council (HCC), amongst others, four priority areas had been identified, these were:

- Physical and mental health
- Young people
- Economic hardship
- Connecting communities

The way the Council had supported the work with the strategy was explained and the Committee was advised on spend to date, in particular on economic hardship and physical and mental health initiatives, in part due to the impacts of the pandemic. It was also noted that approximately £146,000 of external funding had been secured, partly due to specific funding relating to the pandemic.

The Committee noted areas of work in each of the four themes:

- Physical and Mental Health – activities included, mindfulness walks, “Talk Mental” a men’s mental health project, health inequalities and mental health support in schools
- Young People – raising aspirations through mock interviews/support to year 11 students, Kickstart placements, employment support via the North Hampshire Youth Hub, engagement with work on climate change and the potential creation of a Youth Panel
- Economic Hardship - the focus in this area had been the Grub Hub. Established as a Community Interest Company, the Grub Hub, Windsor Way, Aldershot had opened on 7th December, 2021. In the two days since opening its doors, 20 households had been supported, three volunteers had signed up, financial donations had been received and three requests for support, two for help with fuel bills and one for a fridge, had been dealt with. In addition, other projects to address economic hardship included the COVID Support Helpline, the Virtual Job Club and the community larder at Park Church.
- Connecting Communities – to tackle the issues around residents who were digitally excluded, this included initiatives such as the Keep Well and Stay Connected digital platform which offered advice, activities and video calling through the television, the Afghanistan resettlement programme and the wellness walks and heritage trails.

It was noted that partnership working had been essential to the projects that had been and would continue to be delivered as part of the Strategy. The relationships fostered with the NHS, local Clinical Commissioning Group (CCG), Rushmoor Voluntary Services (RVS), Citizens’ Advice and the Primary Care Networks (PCNs) amongst others, had allowed for collaborative working on mutual priorities, data sharing and access to funding streams, which in turn had assisted in the delivery of joint projects to tackle issues within the community.

The Committee was advised of the challenges the team faced, these included engaging with young people, the pandemic and funding streams. However, moving forward it was advised that the Strategy would undergo a review to ensure it was fit for purpose and continued to address the priority issues within the Borough. Other areas of focus included tackling health inequalities, joint messaging, securing external funding and shared learning.

The Committee discussed the presentation and raised issues around engagement with young people and how this would be addressed, it was felt that an understanding of what young people wanted was needed to allow for successful engagement. A discussion was also held on funding, in particular the need for local authorities to fill the gaps left by the reduction in funding from county councils. It was noted that relationships with Hampshire County Council at officer level had strengthened during the pandemic and stronger levels of support for projects ran by the Council were evident. These relationships would continue to be nurtured moving forward.

The Committee **ENDORSED** the work of the Supporting Communities Strategy and Action Plan and suggested that a recommendation be made to the Cabinet to ensure that the Supporting Communities project funding for 2022/23 would not be impacted.

**AGREED:**

ACTION	WHEN	WHO
To arrange a formal visit to the Grub Hub, Windsor Way, Aldershot	March 2022	Andrew Colver, Head of Democracy and Community

21. **WORK PLAN**

The Committee **NOTED** the current Work Plan.

It was noted that the meeting on 17th February, 2022 would include items on education and the Primary Care Networks.

Suggestion for future items included:

- Frimley Park Hospital
- Disability/Access monitoring within regeneration projects etc.

The meeting closed at 8.55 pm.

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# POLICY AND PROJECT ADVISORY BOARD

Draft Report of the Meeting held on Wednesday, 26th January, 2022 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

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

Cllr Gaynor Austin  
Cllr Sophia Choudhary  
Cllr Michael Hope  
Cllr Prabesh KC  
Cllr Mara Makunura  
Cllr M.J. Roberts

Apologies for absence were submitted on behalf of Cllr Jessica Auton and Cllr Sophie Porter.

Cllr Christine Guinness was in attendance as Standing Deputy.

## 21. MINUTES

The minutes of the meeting held on 24th November, 2021 were agreed as a correct record.

## 22. STRATEGIC ECONOMIC FRAMEWORK

The Board welcomed Mr Lee McQuade, Economy and Growth Manager, and Mr Tim Mills, Head of Economy, Planning and Strategic Housing, who were in attendance to give a briefing on the Council's Strategic Economic Framework (SEF). The purpose of the briefing was to provide an update following the business facing consultation process and on the high level objectives and action plan.

It was advised that the consultation process with businesses had taken place during November/December 2021. 125 responses had been received with the majority agreeing with all sections of the document. A few common themes had been identified from the comments made, in particular:

- The need to incorporate more on climate change and clean growth
- Use of easier to understand language/jargon
- Inclusion of working from home/remote working impacts
- The need for help now
- Need for ongoing and timely data
- Resourcing

The Board was advised on revisions made to the Framework following the comments from the previous meeting of the Board. The vision and key performance outcomes had also been streamlined following comments received. The vision would be supported by four strategic pillars;

- SP1: Business Environment – Business support, retention, innovation and inward investment
- SP2: Skills, Inclusion and Prosperity
- SP3: Transport Accessibility and Communications Infrastructure
- SP4: Place – Our Centres, Sites and Workspaces

The purpose of the strategic pillars had been to provide a framework for organising and managing the individual projects and actions described in the action plan and would also guide efforts in bringing together businesses and partners to deliver the key outcomes.

The next step would be to ensure that the SEF aligned with the Council Plan 2022-25 and, if published in time, the Levelling Up White Paper. It was then proposed that the finalised document would be presented to Cabinet in March 2022 for approval.

The Board discussed the draft document and **ENDORSED** the changes made. However, the “less is more” ethos was stressed to ensure aspirations/actions were achieved. Other areas discussed included:

- Apprenticeships/skills
- Inequality
- Digital connectivity/remote working spaces
- Carbon neutrality

Mr Mills advised that a balance would be required between delivery and partnership working to achieve the aims of the SEF. It was also noted that duplication of priorities needed to be avoided, for example, where a priority was included in its own strategy, such as climate change, this would be referred to but not detailed extensively. In response to a query regarding funding, it was noted that funding would be from external sources through bidding processes.

The Chair thanked Mr McQuade and Mr Mills for their presentation and it was advised that Mr McQuade would pick up, in more detail, on comments and queries with individual Members outside the meeting where required.

## 23. **COUNCIL PLAN DEVELOPMENT**

The Board welcomed John McNab, Policy and Performance Manager, and Rachel Barker, Assistant Chief Executive, who were in attendance at the meeting to provide a presentation on the development and progress of the Council Plan 2022-25. The Portfolio Holder for Democracy, Strategy and Partnerships, Cllr Adrian Newell, was also in attendance.

The Board reviewed the process undertaken to date, and what remained to be completed before the Council Plan was presented to the Cabinet and full Council in

February, 2022. The guiding principles, discussed at previous meetings and incorporated into the Plan, were reviewed and the structure of the document was outlined. The structure had been amended to incorporate a new “welcome and introduction” section, a brief explanation on the purpose of the Plan, infographics on the local area, key challenges, priorities and activities, the workforce and the way the Council worked and how performance and delivery would be monitored. A section had also been included on past achievements, which highlighted what the Council had said it would do and what had been achieved.

The Board was advised on the People and Place related priorities and key activities, which had been underpinned by supporting strategies and plans, these included:

- People
  - Roll out of phase two of the food waste collection service
  - Help people (especially young people) into employment
  - Develop a walking and cycling plan
  - Develop a new leisure centre in Farnborough
  - Encourage active and healthy lifestyles
  - Support apprenticeships through the Aerospace Research and Innovation Centre (ARIC)
- Place
  - Complete the Aldershot Town Centre redevelopments
  - Progress the Farnborough Civic Quarter developments
  - Develop the Southwood Country Park
  - Support the creation of quality new homes
  - Update facilities at Aldershot Crematorium
  - Progress an aerospace heritage project

The Board was asked to comment on the draft Plan, and to consider suitable measures for performance monitoring and reporting purposes for its delivery. Comments would be fed back to the Cabinet at its meeting on 8th February, 2022.

The Board discussed the continued development of the Plan and raised a number of issues, including;

- Engagement with young people and hard to reach groups, learning from best practice - it was noted that a Communications Plan would sit alongside the Council Plan to support this area of work
- Affordable homes/social housing/family sized homes – it was advised that this area was covered in the Local Plan
- Capture existing priorities/activities in the refreshed Plan
- The need to include the priority to become carbon neutral by 2030
- Use of partners around helping people to become more active
- Increased income generation across services
- Links between the Council Plan and Rushmoor Housing Limited

The Board discussed a proposed LGA Peer Review on the Council’s operations, it was advised that it was hoped that this would take place later in the year following the launch of the new Council website.

The Chair thanked Ms Barker and Mr McNab for their presentation.

## 24. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY

The Board welcomed James Duggin, Head of Operational Services who was in attendance to give a presentation on the Project Integra Joint Municipal Waste Management Strategy (JMWMS). Members were being asked comment on the document in the local context.

It was advised that the JMWMS aimed to deliver waste collection, treatment and disposal solutions that provided best value financially, whilst minimising environmental impact. The Strategy set out the strategic direction for the Project Integra Partnership, and would be supported by an operational partnership agreement and detailed action plan.

The key objectives of the Strategy were:

- Partnership working – through approval of the Strategy and adopting a whole systems approach to waste services across Hampshire
- Recyclable materials management – through a commitment to move to a twin stream system to dry recyclables and reduce contamination in all waste streams
- Waste reduction – through supporting the aim to reduce waste and increase the reuse of bulky waste
- Best practice – through a commitment to share best practice to improve performance and delivery
- Service delivery – through a commitment of consistent communications to support service delivery across the partnership

The implications for Rushmoor were detailed, these included the establishment of performance targets, possible changes to bins, vehicles and collection rounds. However, it was noted that these potential changes may not happen for several years.

The Board discussed the presentation and commented/raised queries as follows:

- Need to look at what others do – i.e. circular economy
- Train/teach young people to cook – the Board were made aware of the “Love Food – Hate Waste” campaign that the Council had used in the past, this initiative educated people with meal planning, recipe ideas etc. it was hoped that the Council could do more in this area moving forward
- Engage with large supermarkets on how they present food – it was noted that Project Integra lobbied supermarkets on packaging and food waste
- Flytipping and the impacts of the reduction in hours and lanes at the Household Waste Recycling Centre (HWRC) and resulting costs – it was noted that no significant impact had been recorded since the changes had been implemented and it was also advised that Rushmoor incurred the cost to

collect fly tipped items and Hampshire County Council covered the cost of disposal

- Twin streams system, how many others are doing this? – It was advised that there had been a push from Central Government to collect more waste separated at source across the country. The twin stream system protected the quality of recyclables increasing the percentage of items suitable for recycling
- What was the plan to help reduce contaminated waste streams? - it was noted that communications, crew training and a robust approach to rejecting bins that were contaminated were all options of tackling contaminated waste.

The Board **ENDORSED** the approach and requested that the item remain on the work plan for review. The Chair thanked Mr Duggin for his presentation.

## 25. **WORK PROGRAMME**

The Board **NOTED** the current Work Plan.

The meeting closed at 9.37 pm.

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