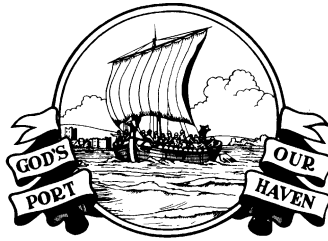




GOSPORT BOROUGH COUNCIL MEETING AGENDA

**Council Meeting
Wednesday 29 March 2023
6pm**



Notice is hereby given that a **MEETING** of the **COUNCIL OF THE BOROUGH OF GOSPORT** will be held in the **COUNCIL CHAMBER, TOWN HALL, GOSPORT, PO12 1EB** on **WEDNESDAY** the **TWENTY NINTH DAY** of **MARCH 2023** at **6PM**, **AND ALL MEMBERS OF THE COUNCIL ARE HEREBY SUMMONED TO ATTEND TO CONSIDER AND RESOLVE THE FOLLOWING BUSINESS –**

1. To receive apologies for Members for their inability to attend the meeting.
2. Declarations of Interest

All Members are required to disclose at this point in the meeting or as soon as possible thereafter, any disclosable pecuniary interest or personal interest in any item(s) being considered at this meeting.

3. Mayor's Communications
4. To confirm the minutes of the Council meetings held on 10 February 2023. (Pages 7 - 18)
5. To receive Deputations in accordance with Standing Order No. 3.4 and to answer Public Questions pursuant to Standing Order No.3.5, such questions to be answered orally during a time not exceeding 15 minutes.

(NOTE: Standing Order No. 3.4 requires that notice of a Deputation should be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON MONDAY 27 MARCH 2023 and likewise Standing Order No. 3.5 requires that notice of a Public Question should be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON MONDAY 27 MARCH 2023)

6. Questions (if any) pursuant to Standing Order No. 3.3

(NOTE: Members are reminded that Standing Order No. 3.3 requires that Notice of Question pursuant to that Standing Order must be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON TUESDAY 28 MARCH 2023)

7. To receive the following Part II minutes of the Boards of the Council (Pages 19 - 28)

To receive the following Part II Minutes of the Boards of the Council

8. CAPITAL STRATEGY REPORT 2023/24 (Pages 29 - 36)

The approval by full Council of the Capital Strategy is a requirement of the Prudential code for Capital Finance in Local Authorities (Prudential Code), and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) which were updated in December 2021

9. INVESTMENT STRATEGY REPORT 2023/24 (Pages 37 - 40)

The approval by Full Council of an Investment Strategy is a requirement of the Prudential Code for Capital Finance in Local Authorities (Prudential Code), and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) which were updated in December 2021.

10. Alverstoke Trust

To appoint a representative to the Alverstoke Trust.

**DAVID WILLIAMS
CHIEF EXECUTIVE**

**TOWN HALL
GOSPORT**

21 March 2023

FIRE PRECAUTIONS

(To be read by the Mayor if members of the public are present)

In the event of the fire alarm being activated, please leave the Council Chamber and Public Gallery immediately. Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

MEMBERS ARE REQUESTED TO NOTE THAT:

(1) IF THE COUNCIL WISHES TO CONTINUE ITS BUSINESS BEYOND 9.30PM THEN THE MAYOR MUST MOVE SUCH A PROPOSITION IN ACCORDANCE WITH STANDING ORDER 4.11.18

(2) MOBILE PHONES SHOULD BE SWITCHED OFF OR SWITCHED TO SILENT FOR THE DURATION OF THE MEETING

This page is intentionally left blank

Public Document Pack Agenda Item 4

MINUTES OF THE MEETING OF THE COUNCIL HELD ON 10 FEBRUARY 2023 AT 6.00 pm

Attendance:

The Mayor (Councillor Hutchison) (in the Chair)

Councillors Ms Ballard, Beavis, Bradley, Burgess, Casey, Chegwyn, Mrs Cully, Earle, Hammond, Herridge, Mrs Huggins, Hutchison, Hylands, Jessop, Johnston, Miss Kelly, Pepper, Philpott, Scard, Westerby, Durrant, Gledhill, Marshall, Maynard, Bradley and Cox

Also in attendance: Honorary Alderman Dickson.

TO RECEIVE APOLOGIES FOR MEMBERS FOR THEIR INABILITY TO ATTEND THE MEETING.

Apologies for non attendance were received from Councillors Raffaelli and Morgan and Honorary Alderman Hook.

DECLARATIONS OF INTEREST

Councillor Westerby declared a pecuniary interest in agenda items 10, 11 and 12 and left the meeting and took no part in the discussion or voting thereon.

MAYOR'S COMMUNICATION

The Mayor thanked the Deputy Mayor for attending the New Year's Day dip.

TO CONFIRM THE MINUTES OF THE COUNCIL MEETINGS HELD ON 15 DECEMBER 2022.

RESOLVED: That the minutes of the meetings held on the 15 December 2022 be signed as true and correct records.

TO RECEIVE DEPUTATIONS IN ACCORDANCE WITH STANDING ORDER NO. 3.4 AND TO ANSWER PUBLIC QUESTIONS PURSUANT TO STANDING ORDER NO.3.5, SUCH QUESTIONS TO BE ANSWERED ORALLY DURING A TIME NOT EXCEEDING 15 MINUTES.

There were none.

QUESTIONS (IF ANY) PURSUANT TO STANDING ORDER NO. 3.3

There was one public question in the name of Patrick Davies to Councillor Chegwyn.

This Public Question draws on experience of receiving poor or no response when contacting councillors, or being passed to council employees. Will the Council Leader establish a clear policy making councillors accountable for complaints / requests for information received from residents within their area of responsibility, to include the need for a reasonable time frame for such responses and to keep residents informed of any delays and / or reasons for such delays and to remind all councillors that they are servants to, not masters of, Gosport Borough residents.

Answer: I would hope that no Councillors need reminding that they are not masters of Gosport Borough Council residents. I would hope that all Councillors respond in reasonable time and that Council Officers do likewise. I see no need for a new protocol.

There were 8 Members questions.

Cllr John Beavis

Question to the Leader of the Council, Cllr Peter Chegwyn

What plans are in place to reinstate the allotments on the Manor Way Field in Lee on the Solent, how many will there be and when will work start.?

Answer: The work on the allotments will start asap, there were a number of things to look at, including the costings.

Supplementary question: Thank you. I note there is no funding in the Capital programme for allotments, how would they be paid for.

Answer: There is the possibility of using CIL funding and there is money allocated under different headings and that the schemes would be realistic and delivered within a timescale unlike before.

Stephen Philpott

Question to the Leader of the Council, Cllr Peter Chegwyn

The report to the Policy & Organisation Board on 22nd September 2022 said that, following an advertised tender process (quote), "TJ Waste have been identified as the winning Tenderer". Without necessarily naming the other companies, please could the Leader of the Council say how many others TJ Waste beat in the tender process?

Answer: I cannot answer that as I took no part in the process.

Supplementary Question: I can, there were no other tenderers in the process, just TJ Waste. Why therefore did the report to the Policy and Organisation Board on 22 September state that there was a winning tender which indicated there were others.

Answer: Thank you for answering the question, I understand there was one other bid, but on assessment it was not valid.

Cllr John Gledhill

Question to the Leader of the Council, Cllr Peter Chegwyn

What factors are taken into consideration when deciding which events pay for the use of Council land and which events get the use of the land for free? Who decides this and how is the reasoning behind the decision recorded?

Answer: I refer the Councillor to the debate held on fees and charges.

Supplementary question: Why are you limiting community groups by charging them to use the land, penalizing them.

Answer: We are not limiting them

Cllr Zoe Huggins

Question to the Leader of the Council, Cllr Peter Chegwyn

As the Leader confirmed on 15 December 2022 that a meeting has taken place with Parkrun, which was intended to engage the group in discussing seafront parking time changes which were implemented in August 2022.

Can the Leader confirm the date of the meeting held with Parkrun, who attended and the outcome of the meeting?

Answer: The meeting took place in the week after the Council meeting with two representatives of parkrun. It was a good meeting and the attendees understood the reasons for the amended policy.

Cllr Hammond

Question to the Leader of the Council, Cllr Peter Chegwyn

Can the Leader please update the Council on plans for Gosport Police Station?

Answer: Things are somewhat confusing, County Councillor Lesley Meenaghan said on Facebook that the Police Station had been saved, and that it would be used as accommodation for the Police and that it had been reported elsewhere that no decision had been made. Concern was therefore expressed that Cllr Meenaghan had stated otherwise. It was hoped that Donna Jones, as Police and Crime Commissioner should be able to confirm the plans for the site and there was also concern that it had been suggested that it would cost £10million to improve the site and redevelop a front desk. Members felt that this would be disappointing if there was not suitable Police Staff to man it.

Supplementary: Can the Leader confirm how many additional PCSOs have been recruited to the Borough.

Answer: There are no conformed new PCSOs and id there were to be any more they would be replacing those previously cut.

As a point of clarification an email was read from the Police and Crime Commissioner advising that she was aware of what had been published and expressed concern. £10m was a significant sum that could fund alternative police stations and she had no idea where this figure had been stated from. Nothing had been determined for the site.

Cllr Stephen Philpott

Question to the Leader of the Council, Cllr Peter Chegwyn

The free Community Skip Scheme was cancelled after 3rd December 2022 and the Council's website still says this was due to "unforeseen circumstances". Would the Leader of Council explain what these unforeseen circumstances were?

Answer: The skips scheme is postponed and not cancelled, due icy weather and ensuring the correct insurance is in place.

Supplementary: The website says that the skips are cancelled and due to unforeseen circumstances, does the Leader of the Council know anything about applying to the Environment Agency for a permit to allow the skips scheme to go ahead. If this is the case, did the skip scheme operate without the required licence prior to the 3 December 2022 which is an offence?

Answer: All aspects of the scheme will be legal when it restarts

Cllr Stephen Philpott

Question to the Leader of the Council, Cllr Peter Chegwyn

The report to the Policy & Organisation Board on 22nd September 2022 gave a maximum cost of the free community skip trial, based on a maximum of four skips, as £36,400, but this figure was revised at the meeting to £38,440. The report went on to say that the cost could reduce to £28,080 if the scheme finished earlier. Please could the Leader say what amount TJ Waste bid for the contract?

Answer: I had no part in the Tender process.

Cllr Stephen Philpott

Question to the Leader of the Council, Cllr Peter Chegwyn

The contract for the six-month trial ended early and the last six collection events were cancelled. Have TJ Waste billed the Council for these cancelled events and, if so, can the Leader tell me how much it has cost the Council not to provide the community skip collection events?

Answer: Those dates that have been postponed have not cost the Council.

Supplementary: If the contract was cancelled by the by the Council, are the Council required to pay for the non-collections.

Answer: The Council has not paid for collections that haven't taken place.

TO RECEIVE THE FOLLOWING PART I MINUTES OF THE BOARDS OF THE COUNCIL.

The Council received the Part I minutes of the Housing Board.

In answer to a Member's question, the Board was advised that residents were being supported with cost and that the rent increase averaged out at £3.96 per week. However

71% of residents received support with their rent in the form of housing benefit and the increase was below the rate of inflation.

RESOLVED:

- The revised HRA Business Plan Financial Model extract (Appendix A) and associated 2022/23 Revised Budget and 2023/24 Budget (Appendix B) is agreed.
- That Council Dwelling rents increase by 7% in line with the outcome of the government consultation results published in December.
- Service charges increase on average by 4%. Council provided heating services will increase in line with costs.
- The rent for all garages is increased by 10.1 % (CPI rate) in line with inflation, as agreed in the Garage Renewal strategy.

TO RECEIVE THE FOLLOWING PART II MINUTES OF THE BOARDS OF THE COUNCIL

RESOLVED: That the Part II Minutes of the Community and Environment Board on 10 January 2023 be presented and accepted by the Council.

It was noted that a budget updated would be provided to the Board.

RESOLVED: That the Part II Minutes of the Policy and Organisation Board on 18 January be presented and accepted by the Council.

It was noted that there had been a good debate and that there was unanimous support for the motion. The closure would create increased pressure and would leave 5000 patients needing a new surgery.

It was requested that thanks be placed on record to Councillor Raffaelli for his specialist knowledge and involvement.

It was believed that an extension had been agreed to the 1st August to allow options to be explored, it was accepted that this might not find a resolution, but at least there would time for sufficient consideration to be given. It was noted that the consultation had gone out there was no option on it for patients to advise that they wished the service to carry on as it was.

Members recognised the site was ideally located and there could be a detrimental impact on residents in the south of the Borough if the surgery closed.

A date was being confirmed for the Council to hear from the ICB on the wider health issues in Gosport.

MEDIUM TERM FINANCIAL STRATEGY & BUDGET (REVENUE & CAPITAL) 2023/24

Consideration was given to the report of the Borough Treasurer

An amendment was proposed and seconded as follows

Amendment:

Medium Term Financial Strategy & Budget (Revenue & Capital) 2023/24

That the recommendations to Agenda Item 9 - Medium Term Financial Strategy & Budget (Revenue & Capital) 2023/24 be amended as follows:-

Recommendation 2.2) be amended to:

A General Fund Budget for 2023/24 of £11,741,800 as set out in Appendix A (Amended) and broken down in Appendix C (Amended) including the changes described below:

i) Reductions to Revenue Estimates

| Savings Proposal | Impact on Level of Service & Service Outcomes | 2023/24 | 2024/25 & Future Years |
|--|--|---------|------------------------|
| | | £ | £ |
| Community & Environment Board | | | |
| Cease the provision of "Clean Up Initiatives" (including Community Skips Scheme) | Locally provided skips for waste disposal will be unavailable to residents | 123,750 | 123,750 |
| Remove provision for Exhibitions and Events at the Criterion | Planned exhibitions and events will not take place | 25,000 | 25,000 |
| Policy & Organisation Board | | | |
| Remove funding for Grants Panel | Funding to be re-directed to Gosport Voluntary Action to distribute | 57,200 | 57,200 |
| Reduction in Members Allowances Note: Members must have regard to the recommendations of the Independent Remuneration Panel's report considered by the Council on 20 July 2022 | Removal of the following allowances: <ul style="list-style-type: none"> • Vice Chairman P&O • Chairman of Service Boards and Regulatory Board • Chairman of Standards & Audit Sub-Board • Vice-Chairmen of Service Boards and Regulatory Board • Vice-Chairman Standards & Audit Sub-Board | 11,900 | 11,900 |

| | | | |
|--------------|--|----------------|----------------|
| | | | |
| Total | | 217,850 | 217,850 |

Additions to Revenue Estimates

| Increases to Board Estimates | 2023/24 | 2024/25 & Future Years |
|---|----------------|---|
| | £ | £ |
| Community & Environment Board | | |
| Reduce hours of operation of Beach Road Car Park to 10am to 6pm | 25,000 | 25,000 |
| Enhance weed spraying service to include spray and removal | 20,000 | 20,000 |
| CCTV | 36,850 | 36,850 |
| | | |
| Policy & Organisation Board | | |
| Re-instate contract with the Tourist Information Centre | 59,000 | 59,000 |
| Re-instate funding for Gosport Voluntary Action | 77,000 | 77,000 |
| Total | 217,850 | 217,850 |

Recommendation 2.16 be amended to:-

The Capital Programme 2022/23 to 2025/26 as set out in Appendix D (amended) is approved, including the changes described below:

i) Reductions to the Capital Programme

| Scheme Deletions / Reductions | | Scheme Cost £ |
|--|--|--------------------------|
| Policy & Organisation Board | | |
| Reduce | Criterion Building - Acquisition & Refurbishment | 950,000 |
| | | |
| Total | | 950,000 |

ii) Additions to Capital Programme

| Scheme Additions / Increases | | Scheme Cost £ |
|--|--------------------------------------|------------------|
| Community & Environment Board | | |
| Add | Pathway lighting | 172,500 |
| Add | Nobes Avenue Pavilion | 350,000 |
| Add | Manor Way Allotments and Rest Garden | 91,000 |
| Add | Stokes Bay War Memorial | 72,000 |
| Add | Brookers Field Pavilion | 75,000 |
| Add | Seafront Gym Equipment | 29,000 |
| Add | DSO Cemetery Team | 25,000 |
| Add | Grange Farm Dry Barn | 150,000 |
| Add | Heritage Repairs to Foreshore | 10,000 |
| | | |
| Total | | 974,500 |

Recommendation 2.17) be amended to:

That the Prudential Indicators as set out in Appendix E (amended) are approved

Recommendation 2.22

That the Council declare the Criterion Building surplus to requirements and seek to dispose of the asset on the open market; the capital receipt generated to be used as follows:

- i) to fund the shortfall of £24,500 between the cost of the new capital schemes and deletion of capital schemes set out in the amended Recommendation 2.16 (above)
- ii) the remaining sum received from the capital receipt be used to reduce the amount of borrowing being used to finance the Capital Programme in general

For the amendment: Councillors Councillor Beavis, Burgess, Casey, Gledhill, Huggins, Jessop, Philpott, Scard (8)

Against the amendment: Councillor Ballard, M Bradley, K Bradley, Chegwyn, Cox, Cully, Durrant, Earle, Hammond, Herridge, Hylands, Johnston, Kelly, Marshall, Maynard, Pepper, Westerby, The Mayor (18)

RESOLVED: That the motion is not carried.

For the recommendation: Councillor Ballard, M Bradley, K Bradley, Chegwyn, Cox, Cully, Durrant, Earle, Hammond, Herridge, Hylands, Johnston, Kelly, Marshall, Maynard, Pepper, Westerby, The Mayor (18)

Against the recommendation: Councillor Beavis, Burgess, Casey, Gledhill, Huggins, Jessop, Philpott, Scard (8)

RESOLVED: That the Council approve

2.1 A Revised General Fund Budget for 2022/23 of £11,252,830 as set out in Appendix A;

2.2 A General Fund Budget for 2023/24 of £11,741,800 as set out in Appendix A and broken down in Appendix C;

2.3 Any variation arising from the final Local Government Finance Settlement be accommodated by a transfer to / from the Revenue Financing Reserve;

2.4 That the level of Council Tax be increased by 2.99% for 2023/24;

2.5 It be noted that the Borough Treasurer has determined that the Council Tax Base for the financial year 2023/24 will be 27,056.0 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")];

2.6 That the following amounts be now calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

| | | |
|-----|-------------|--|
| (a) | £43,817,600 | Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. |
| (b) | £37,109,060 | Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. |
| (c) | £6,708,540 | Being the amount by which the aggregate at 2.6 (a) above exceeds the aggregate at 2.6(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act. |
| (d) | £247.95 | Being the amount at 2.6 (c) above (Item R), all divided by Item 2.5 above (Item T), calculated by |

the Council, in
accordance with Section
31B(1) of the Act, as the
basic amount of its
Council Tax for the year.

LOCAL COUNCIL TAX SUPPORT SCHEME FOR 2023/24

Councillor Westerby left the room and took no further part in the discussion or voting thereon.

Consideration was given to a report of the Head of Benefits, Procurement and Insurance updating Members on the revised Local Council Tax Support scheme for working age applicants introduced from 1st April 2022 and of the intention to make no changes to the scheme for the 2023/24 financial year.

A named vote was taken as follows:

For the recommendation: Councillors Ballard, Beavis, M Bradley, K Bradley, Burgess, Casey, Chegwyn, Cox, Cully, Durrant, Earle, Gledhill, Hammond, Herridge, Huggins, Hylands, Jessop, Johnston, Kelly, Marshall, Maynard, Pepper, Philpott, Scard, The Mayor

RESOLVED: That Council approves the Local Council Tax Support scheme for the 2023/24 financial year and notes the continuation of the unchanged statutory scheme for pension age customers.

LOCAL COUNCIL TAX SUPPORT SCHEME-EXCEPTIONAL HARDSHIP POLICY

Consideration was given to a report of the Head of Benefits, Procurement and Insurance detailing the review and updates made to the Local Council Tax Support (LCTS) Exceptional Hardship Policy originally introduced in 2017.

A named vote was taken on the recommendation.

For the recommendation: Councillors Ballard, Beavis, M Bradley, K Bradley, Burgess, Casey, Chegwyn, Cox, Cully, Durrant, Earle, Gledhill, Hammond, Herridge, Huggins, Hylands, Jessop, Johnston, Kelly, Marshall, Maynard, Pepper, Philpott, Scard, The Mayor

RESOLVED: That full Council approves the updated LCTS Exceptional Hardship Policy attached as Appendix 1 to this report.

COUNCIL TAX SUPPORT FUND POLICY 2023-24

his report sets out the details of the Council's Council Tax Support Fund Policy 2023/24 developed in response to the announcement by Central Government (alongside the 2023-

24 provisional local government finance settlement) for Local Authorities to distribute additional financial support to the most vulnerable households in England in receipt of Local Council Tax Support (LCTS) in the 2023/24 financial year.

The Council recognised the hardwork that had been undertaken by the Head of Benefits, Procurement and Insurance in delivering all three agenda items.

A recorded vote was taken on the recommendation.

For the recommendation: Councillors Ballard, Beavis, M Bradley, K Bradley, Burgess, Casey, Chegwyn, Cox, Cully, Durrant, Earle, Gledhill, Hammond, Herridge, Huggins, Hylands, Jessop, Johnston, Kelly, Marshall, Maynard, Pepper, Philpott, Scard, The Mayor

RESOLVED: That Council approves the Council Tax Support Fund Policy 2023/24 attached as Appendix 1 and gives delegated authority to the Head of Benefits, Procurement & Insurance in consultation with the Borough Treasurer to make technical amendments to ensure it meets the criteria set by Central Government and the Council.

APPOINTMENT OF THE MONITORING OFFICER

RESOLVED: That Peter Baulf, City Solicitor and Monitoring Officer at Portsmouth City Council, be appointed as Monitoring Officer for Gosport Borough Council.

ELECTION OF MAYOR AND DEPUTY MAYOR ELECT 2023/24

RESOLVED: That Councillor Martin Pepper be elected and Mayor Elect and Councillor Richard Earle be elected as Deputy Mayor Elect.

APPOINTMENT OF THE GRANTS SUB BOARD

RESOLVED: That Councillors Chegwyn, K Bradley, Hutchison, Burgess and Cully be appointed to the Sub-Board.

The Meeting concluded at 8.54 pm

The Mayor.

This page is intentionally left blank

A MEETING OF THE COMMUNITY & ENVIRONMENT BOARD WAS HELD ON 1 MARCH 2023

Councillors Westerby, Mrs Cully, Johnston, Miss Kelly, Maynard, Mrs Morgan and Jessop (Substituting for Mrs Huggins)

Part II

41. STOKES BAY EAST SEAWALL REPLACEMENT PROJECT AND STUDIES.

Consideration was given to a report by the Head of Streetscene updating Members on the Stokes Bay East Seawall Replacement Project and longer term option appraisal and design study.

Officers advised that there were two key parts to the project, the first of which is to replace the damaged part of the seafront. A detailed design and planning and consents are all in place but a check of the budget highlighted an increase in the forecast cost, due to inflation of construction materials and works. There is a resulting funding gap which will need to be closed through grants from HCC or Local Levy etc. The second piece of work is to look longer term, and get ahead of these issues. It was hoped that in the Autumn a better concept of what future defences might look like, could be communicated to Members.

Members were advised that local levy is focused on projects which sit outside the normal grant aid funding route, so there was optimism surrounding the bid as the project fits the criteria well.

Members advised the officers that whilst in principle they supported the work, Gosport were in no position to offer any additional funding, and were concerned that inaction would cause a major problem possibly putting the homes at risk in the long term.

Officers explained that the “Hold the Line” policy still stood, but may not be sustainable into the future if funding does not keep pace with climate change.

In answer to a Member’s question, Officers explained that the future plans would start with a long listing exercise, identifying every possible option, including the use of groynes, which then is reduced to two options, to address maintenance and aspirational requirements. At this point the heritage aspects would be addressed and might allow for regeneration funding bids. The aspirational project needs to be more than just a sea defence.

RESOLVED: That the board noted:

1. The Stokes Bay East Seawall Replacement Project has a significant funding gap that needs to be closed prior to construction procurement. A Planning Application and marine Licence will continue to be progressed.
2. The longer term Stokes bay Feasibility Study is appraising options for the sea defences in the wider bay and is expected to be completed in Autumn 2023

42. CONSTRUCTION OF FLOOD DEFENCE STRUCTURES AT FORTON

Consideration was given to a report by the Head of Streetscene updating members on progress with the Forton coastal defence scheme since the update in January 2023 and setting out the next stages for project delivery.

Officers introduced the report by reminding the Members that they had asked to see more details of the project to date, with a breakdown of the monies spent. The annex to the report shows a breakdown per year of the activity to show where and when the money has been spent.

In answer to a Members question Officers explained that over the 5 years of the project, money had been spent to to develop the project from options appraisal stage, through detailed design to the construction stage. This budget had been affected by Covid and rises in inflation, and without these rises, there may have been a surplus in the budget. Officers explained that the recent events increased construction costs due to inflation and would have likely exceeded the forecasted allowances in the business case. Therefore the project was paused on site.

Officers advised Members that the Forton scheme had certainty on the way forward and that is beneficial for the potential success of the Levy bid which has recently been submitted.

Members were advised that planning permissions would likely have to be renewed as it was unlikely that work would start before January 2024 due to, amongst other reasons, overwintering birds which restrict main construction works to an April to September window in any one year.

In answer to a question regarding the presence of badgers at the site, Officers advised that the consultant had completed the initial survey, and had advised over the potential relocation of the sett. This was a Southampton based organisation that were under contract but only paid if asked to carry out more tasks. Officers agreed to try again to contact the local specialist who Members felt would have more local knowledge, and be a less expensive option. It was agreed that there was nothing to be gained from attempting to relocate the sett now if there is a workable solution to construct the defence without disturbing the sett and which is legal requirement to consider. Any removal of badgers, carries risks that the sett area could be reoccupied later.

In answer to a Member's question Officers advised that the college were understanding of the delays, and had not to date raised any concerns, but would welcome knowing future updates.

Officers agreed to bring another progress report to the next meeting and update on the amounts spent.

RESOLVED: That the Board noted that this report provided further project details as requested at the previous Community and Environment Board held on 10 January 2023.

43. CONSTRUCTION OF FLOOD DEFENCE STRUCTURES AT ALVERSTOKE

Consideration was given to a report by the Head of Streetscene updating members on the Alverstoke coastal defence scheme since the update in January 2023 and sets out the next stages for the project.

Officers advised Members that the Alverstoke scheme was buildable but much more high risk than Forton due to the cable issue. Another contractor had been engaged to advise on working around the cables, but advised that whilst there was a solution but it was likely high cost and a safety concern. It also appears technically possible to move the cables but that would require the consent of the landowners, and potentially require compensation payments.

Officers advised Members that work is ongoing to evaluate delivery options for the scheme and review the scheme cost. Once concluded, it was agreed to bring a report to Board in which the available options for the way ahead were laid out, with costings, risks and worse case scenarios. As with the Forton scheme, Officers agreed to bring another progress report to the next meeting and update on the amounts spent.

RESOLVED: That the Board noted that this report provided further project details as requested at the previous Community and Environment Board held on 10 January 2023

44. ANY OTHER ITEMS

CHAIRMAN

Concluded at 7.07 pm

This page is intentionally left blank

**A MEETING OF THE POLICY AND ORGANISATION BOARD
WAS HELD ON 15 MARCH 2023**

The Mayor Councillor Hutchison

Councillors Burgess, Chegwyn, Hylands, Marshall, Pepper, Philpott and Raffaelli

78. NEW COUNCIL BRANDING

Consideration was given to a report of the Head of Communications seeking Board approval for the updated Gosport Borough Council branding.

The Board was advised that the proposal was for an update to the visual identity of Gosport Borough Council and that the Borough Crest remained intact. An addendum was proposed to the recommendation to reflect and clarify the continued retention of the crest. It would still be appropriate to use the crest for civic occasions and Council meetings.

The Board was advised that there was widespread use of the crest within the Borough, some of this was appropriate, voluntary sector, sports teams but it was also used more widely.

In creating an identity for the Council, that could be trademarked, any unauthorised use could be challenged, which could not happen with the existing crest as it had been in use for a significant period of time.

It was reiterated to the Board that there was no way of challenging existing use of the crest and that the proposed logo for the Council would add clarity to the identification of Council services.

A Member read out a letter from The Chairman of the Portsmouth and Gosport History Team expressing their concern at the removal of the crest and the Board was advised that the crest would not be being removed from important Civic occasions and requirements.

The Board was advised that the costs were paid to the professional design team at Portsmouth City Council and that this had already been spent.

Members expressed disappointment that effort could not be made to stop unlawful use of the crest.

Members debated the proposal and it was reiterated that the logo was intended to create an identity for the Council separate from its association with the crest.

Members sought additional clarification that the crest would be retained on items such as employee's uniform and it was advised that this could be possible.

Concern was expressed that a lot of misinformation had been circulated regarding the proposals, it was acknowledged that a petition had been submitted but that the subject of

the petition had never been considered as an option and that only a small amount of the population had signed it.

The recommendation was amended with an addendum to read; that the Board approve the new logo and the Borough Crest remain unaltered with the words 'God's Port, Our Haven' remaining intact.

RESOLVED: That the Board approved the new logo and the Borough Crest remain unaltered with the words 'God's Port, Our Haven' remaining intact.

79. COUNCIL PLAN

Consideration was given to a report of the Chief Executive detail the proposed Council Plan.

The Board was advised that the details provided were examples and not exhaustive as they would evolve and business as usual services would continue.

A Member sought clarification on proposals for the waterfront with regard to funding for the proposal as funding would be lost for developing on brown field sites.

The Board was advised that this was included in the budget and would open up the park with an attractive concession and had the potential to include other facilities such as Tourist Information.

A Member advised that they had believed it previously advertised that restaurants would be located on this site but that this was now not the case.

It was accepted that some of the issues concerning the bus station were in relation to there needing to be a provision for electric buses on site, which were larger than diesel.

Some Members also expressed concern that the Borough's housing need would not be met, the Board was advised that investigation into use of redundant car parking spaces was being considered.

The Board was also advised that there was still provision for allotments, and that were a number of projects throughout the Borough that were exciting.

The Board was advised that estimates for the waterfront improvements were £800,000.

RESOLVED: That the Board approve the Council Plan

80. ANNUAL GOVERNANCE STATEMENT 2021/22

Consideration was given to a report of the Annual Auditor detailing the draft Annual Governance Statement 2021/22.

RESOLVED: That the Policy and Organisation Board approve the Annual Governance Statement 2021/22

81. EY - AUDIT RESULTS REPORT 2021/22

Consideration was given to a report of the External Auditor summerising the findings to date form the 2021/22 external audit.

The Board was advised that it was recognised that there were delays.

The Key Findings of the report were the statement of accounts, which were being progressed and it was hoped would be completed within the next few weeks.

Any further amendments to the accounts arising until the conclusion of the audit would be agreed with the Borough Treasurer and chairman.

The Board was advised of an extrapolated error, but that this did not need to be corrected.

The work undertaken was crucial in ensuring that tax payers received value for money.

The Board was advised that there was concern raised about procurement within the report, however significant progress had been made, and it was hoped that the next reporting would show continued improvement and progress.

RESOLVED: That the Board note the report.

82. FINAL ACCOUNTS 2021/22

Consideration was given to a report of the borough Treasurer detailing the outturn position for the 2021/22 Financial Year and recommending approval of the statement of accounts.

The Board was advised that the report was presented to give Elected Members confidence that the council was operating in an environment free of errors.

The Board was advised that any errors identified had been extrapolated and and as a result no action needed to be taken

The Board was advised that the statement of accounts would be signed within the next few weeks and any amendments that needed to be made would be done so with the agreement of the section 151 officer and in consultation with the Chairman.

The statement of accounts would then be placed on the website for inspection.

RESOLVED that:

- i) The Board note the outturn position summarised in the report and the Narrative Report contained in the Statement of Accounts (Appendix A)
- ii) The Board approves the Statement of Accounts for 2021/22 at Appendix A
- iii) The Board approve the Letter of Representation at Appendix B.
- iv) The Board delegate to the Borough Treasurer in consultation with the Chairman of the Policy & Organisation Board the decision to agree any final changes to the financial statement arising from the completion of the audit.

83. TREASURY MANAGEMENT STRATEGY AND MRP POLICY 2023/24

Consideration was given to a report of the Borough Treasurer detailing the Council's policy for charging unfinanced capital expenditure to revenue (MRP) together with the expected treasury operations for this period. It fulfils a key legislative requirement.

The Board was advised that the Council was currently operating in a high interest environment, with relatively low interest rates predicted for the average bank of England base rate for 2022/23 of 0.98% and now the forecast for 2023/23 is an average of 3.63%, this had an impact on the cost of debt, however there was a positive increase in interest received on working capital and cash flow.

RESOLVED: That the Council approves

The minimum revenue provision policy identified in 2.1 and the treasury management strategy identified in 2.2

84. GBC WATERFRONT - BUS STATION REDEVELOPMENT DEDICATION OF COUNCIL FREEHOLD LAND AS PUBLIC HIGHWAY TO FACILITATE CONSTRUCTION AND OPERATION OF NEW BUS STATION

Consideration was given to a report of the Head of Housing setting out the details of the Council's proposed dedication of land to become public highway at Mumby Road and South Street, to facilitate the construction and operation of the new bus station, taxi rank, drop-off & short-term parking.

The Board was advised that the dedication was for a small area of land that would allow adoption as public highway but remain under Gosport Borough Council's ownership.

The Board recognised that the proposal had been delayed, it had been due to be finished but as yet was not yet started. The latest update was that it was due to be a 12 month project starting in May 2023.

Members expressed concern that this would impact on the funding, however it was hoped the project could be progressed.

That the Council:

- i) Approve the dedication of the four areas of land indicated on the two drawings at Appendix 2 as public highway.
- ii) Grant delegated authority to the Chief Executive Officer and Borough Solicitor & Monitoring Officer to conclude negotiations and agree details associated with i) above and complete the transaction

85. CONSULTATION DRAFT STATEMENT OF COMMUNITY INVOLVEMENT

Consideration was given to a report of the Manager of Planning Policy detailing the draft statement of community involvement.

RESOLVED: That the Board approves the draft Statement of Community Involvement (as set out in Appendix 1 to this Report) for public consultation purposes.

86. LOCAL DEVELOPMENT SCHEME

Consideration was given to a report of the Manager of Planning Policy seeking approval to publish the latest version of the Local Development Scheme.

The Board was advised that the timetable for the production of the Local Plan including the Regulation 19 consultation dates had been adjusted to take into account various factors outlined in the report.

A Members question acknowledged that since the Regulation 18 consultation a number of sites such as the Police Station and the Waterfront were no longer available and that this would increase the Borough's unmet housing need. Concern was expressed that as a result, neighbouring authorities would potentially need to pick up the additional housing, leading to building on the strategic gap and arterial routes.

The Board was advised that there was always a risk with putting forward a plan but the Government has made it clear that local authorities should continue with progressing their Local Plan notwithstanding that it is proposing changes to the planning system. This includes amending the Standard Method for calculating housing need which currently uses the 2014 household projections rather than more recent figures which identifies a smaller increase in household growth. In addition to this the census figures for Gosport for 2021 had shown a decline in the population by 0.9% so it was likely that requirements would be less.

The Board was advised that Worthing had recently been granted approval for their Local Plan with an unmet need, and with a protection of the Goring Gap as the inspector had used a pragmatic approach to the issues presented in coastal towns.

Concern was expressed at the level of housing required and acknowledged that work was ongoing with preparing the statement of common ground with PfSH members and that a statement of common ground was already in place with Fareham Borough Council.

That this Board:

Approves the Local Development Scheme (March 2023) (as set out in Appendix A).

87. ANY OTHER ITEMS

There were none.

CHAIRMAN

Concluded at 7.35 pm

This page is intentionally left blank

| | |
|----------------------|--|
| Report to: | COUNCIL |
| Meeting date: | 29 March 2023 |
| Title: | CAPITAL STRATEGY REPORT 2023/24 |
| Originator: | BOROUGH TREASURER |
| Status | FOR DECISION |

Purpose

The approval by full Council of the Capital Strategy is a requirement of the Prudential code for Capital Finance in Local Authorities (Prudential Code), and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) which were updated in December 2021.

Recommendations

Council is recommended to approve:

- The Capital Strategy for 2023/24

1.0 Introduction

1.1 This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 The report covers the following broad areas

- 1.2.1 Capital Expenditure and Financing (2.0)
- 1.2.2 Treasury Management (2.1)
- 1.2.3 Revenue Budget Implications (2.2)
- 1.2.4 Knowledge and Skills (2.3)

2.0 Capital Expenditure and Financing

Capital expenditure is where the Council spends money on the acquiring, creating, enhancing or adding life or value to an existing tangible or intangible fixed asset, that will yield benefits to the Council for a period of more than one year. This will include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that Council housing does not subsidise, or itself be subsidised, by other local services. HRA capital expenditure is recorded separately.

The planned capital expenditure between 2022/23 and 2025/26 is set out in the table below.

| Capital Expenditure | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------------|--------------|---------------|--------------|--------------|--------------|
| | Actual | Revised | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund Services | 1,000 | 6,875 | 3,358 | 2,155 | 1,097 |
| HRA | 3,316 | 3,932 | 6,525 | 7,600 | 3,700 |
| Total | 4,316 | 10,807 | 9,883 | 9,755 | 4,797 |

The capital strategy has 3 core aims:

Aim 1 - To support a medium term outlook:

- Allocating known resources to Capital Investment for current and future years, ensuring that in years where capital resources are limited, critical investment can continue to be made
- Aligning known resources and spending, ensuring that we do not apply uncertain or forecast resources to current investment, thus leaving potentially unfunded obligations in the future
- Smoothing out any significant gaps between capital investment needs and capital resources available by utilising contributions from revenue

Aim 2 - To maximise the capital resources available and the flexibility of their application:

- Setting aside capital funding for "match funding" opportunities, where these are aligned with the Council's strategic objectives in order to take advantage of "free" funding
- Reviewing contractually uncommitted schemes against newly emerging capital investment priorities
- Avoiding ring-fencing of capital resources, except where such ring fencing is statutory
- Using prudential borrowing for "invest to save" schemes, schemes which generate income or schemes which enhance the economy of the Borough

Aim 3 - Targeted capital investment:

- Annual review of all contractually uncommitted capital schemes which rely on non-ring-fenced funding to ensure that they remain a priority in the context of any newly emerging needs and aspirations
- Investment in programmes of a recurring nature that are essential to maintain operational effectiveness
- Invest in specific schemes that:
 - Have a significant catalytic potential to unlock the regeneration of the borough
 - Are significant in terms of the Council strategies that they serve
 - Are significantly income generating or efficiency generating
 - If not implemented would cause severe disruption to service delivery

The Capital Programme is the plan that underpins the Capital Strategy and has an important role to play in seeking to support the financial sustainability of the Council and its services. It is a key mechanism to:

- Meet the Council's statutory obligations for continued and sustainable service provision
- Support the delivery of Council priorities and strategies
- Improve the economy of the borough (and therefore the funding base of the Council)
- Improve the efficiency, effectiveness and cost of services
- Generate or maintain income for the Council

Governance : For large scale schemes, the Council will follow a full business case process which will include the review of an alignment with the Council's strategic objectives, the economic case for the borough, the financial case for the Council and involve a full options appraisal and financial appraisal with appropriate risk sensitivities. All such business cases will be prepared by appropriately qualified staff with expert advice as necessary and follow a proper approval and decision making process.

Additionally, Service managers bid annually to include projects in the Council's capital programme in accordance with the Council's Core Aims. The final programme is presented to Full Council in February each year.

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). The planned financing of the above expenditure is as follows.

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.

The Council is required to set aside prudent revenue provision for debt repayment (MRP) where borrowing or credit arrangements are used to finance General Fund capital expenditure. The Council's policy is to calculate MRP on expenditure that is funded by unsupported prudential borrowing by reference to the asset's useful life using the annuity method, starting in the year after the asset becomes operational. Updated guidance from the MHCLG in February 2018 introduced a maximum useful life of 50 years for MRP purposes including any expenditure incurred on investment properties that provide a revenue stream, except where a longer life is supported by an opinion from a suitably qualified professional adviser.

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 repayments and capital receipts used to replace debt. The CFR is expected to increase by £0.516m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

| Capital Financing Requirement | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|-----------------|------------------|-------------------|-------------------|-------------------|
| | Actual £'000 | Revised £'000 | Estimate £'000 | Estimate £'000 | Estimate £'000 |
| CFR - Non Housing | 20,450 | 21,962 | 22,478 | 22,118 | 21,453 |
| CFR - Housing | 61,447 | 61,447 | 61,447 | 61,447 | 61,447 |
| Total CFR | 81,897 | 83,409 | 83,925 | 83,565 | 82,900 |
| Net movement in CFR | (578) | 1,512 | 516 | (360) | (665) |
| Movement in CFR is represented by | | | | | |
| Net financing need for the year | 211 | 2,143 | 1,255 | 387 | 32 |
| * Less MRP/VRP/other movements | (586) | (631) | (739) | (747) | (697) |
| Movement in CFR | (375) | 1,512 | 516 | (360) | (665) |

2.1 Treasury Management

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.

Due to decisions taken in the past, the Council currently expects at 31st March 2023 to have around £63m borrowing at an average interest rate of 2.9% and £4m treasury investments at an average rate of 3.9%.

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 short-term loans (currently available at around 4.0% to 4.5%) and long-term fixed rate loans where the future cost is known but higher (currently 4.6% to 5.0%).

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Projected levels of the Council's total outstanding debt (solely borrowing) are shown below, compared with the capital financing requirement.

| Portfolio Position | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | Revised | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| External Debt | 57,750 | 63,000 | 70,750 | 73,750 | 73,750 |
| Other Long Term Liabilities | 0 | 0 | 0 | 0 | 0 |
| Gross Debt at 31 March | 57,750 | 63,000 | 70,750 | 73,750 | 73,750 |
| CFR | 81,897 | 83,409 | 83,925 | 83,565 | 82,900 |
| Under / (over) borrowing | 24,147 | 20,409 | 13,175 | 9,815 | 9,150 |

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

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.

| Operational boundary | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|----------------------|---------|----------|----------|----------|
| | Revised | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 |
| | 80,750 | 84,750 | 87,750 | 87,750 |

| Authorised limit | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------|---------|----------|----------|----------|
| | Revised | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 |
| | 85,174 | 89,361 | 92,462 | 91,613 |

Treasury 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.

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 term consideration is given to investing in higher yielding investments particularly pooled funds to balance the risk of loss against the risk of receiving returns below inflation. For both near-term and longer-term investments held in pooled funds, an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Investment levels are expected to average £10m during 2023/24.

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 and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Borough Treasurer (S151 Officer) and staff, who must act in line with the treasury management strategy approved by Council. The Policy and Organisation board is responsible for scrutinising treasury management decisions.

2.2 Revenue Budget Implications

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. The proportion of financing cost to net revenue stream is set out below.

| % Net Financing Costs to Revenue Stream | 2021/22 Actual | 2022/23 Revised | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate |
|---|-------------------|--------------------|---------------------|---------------------|---------------------|
| Non-HRA | 3.0% | 1.2% | 4.5% | 5.5% | 6.0% |
| HRA | 34.4% | 33.7% | 31.2% | 30.8% | 29.8% |

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 Borough Treasurer (S151 Officer) is satisfied that the proposed capital programme is prudent, affordable and sustainable because:

- Any prudential borrowing undertaken has been considered having regard for the CIPFA prudential code.
- Prudential borrowing undertaken has been for "Invest to Save Schemes" only
- The timing of borrowing decisions have been taken on the basis of the expected optimum time to minimise the overall cost of borrowing - determined on a net present value basis and informed by expert external advisors forecasts of interest rate projections

- The Council has a robust Medium Term Financial Strategy to support the delivery of its future savings requirements

2.3 Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Borough Treasurer and S151 Officer is a qualified accountant as is the Head of Finance.

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. 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.

3.0 CONCLUSION

The capital strategy report ensures the Council complies with CIPFA's latest prudential code for Capital Finance in Local Authorities.

| | |
|------------------------------------|---|
| Financial Services comments | As set out in the report |
| Legal Services comments | This report fulfils the Council's legal obligation under the Local Government Act 2003 to comply with CIPFA's latest prudential code for Capital Finance in Local Authorities and that Council approves the Capital Strategy prior to the commencement of the new financial year. |
| Equality and Diversity | N/A |
| Climate Change | No direct impact |
| Crime and Disorder | N/A |
| Service Improvement Plan | This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets. |
| Corporate Plan: | |
| Risk Assessment: | As contained in the report |
| Background papers: | |
| Appendix | N/A |
| Report Author/Lead Officer | Chris Ward |

This page is intentionally left blank

| | |
|----------------------|---|
| Report to: | COUNCIL |
| Meeting date: | 29 March 2023 |
| Title: | INVESTMENT STRATEGY REPORT 2023/24 |
| Originator: | BOROUGH TREASURER |
| Status | FOR DECISION |

Purpose

The approval by Full Council of an Investment Strategy is a requirement of the Prudential Code for Capital Finance in Local Authorities (Prudential Code), and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) which were updated in December 2021.

Recommendations

Council is recommended to approve the Investment Strategy as detailed in this report

1.0 Introduction

1.1 The Authority invests its money for two 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**); and
- held primarily for financial return i.e. the main reason for entering the investment or holding it is to earn money and not linked to treasury management activity (known as **commercial investments** where this is the primary purpose).

1.2 This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018.

2.0 Treasury Management Investments

2.1. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to average £10m during the 2023/24 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority’s policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

3.0 Commercial Investments

- 3.1 The prudential code defines commercial investments as “taken or held primarily for financial return i.e. the main reason for entering the investment or holding it is to earn money and not linked to treasury management activity.
- 3.2 The revised 2021 Prudential code states “that in order to comply with the Prudential code, an authority must not borrow to invest for the primary purpose of financial return”.
- 3.3 **Property Contribution:** The Council has a portfolio of properties that are leased out, in part for income generation purposes. During this financial year, the Council has not procured any new properties to add to this portfolio. The value of the existing portfolio is detailed in the table below. The Council approved a new commercial property asset strategy (P&O January 2023) together with a new Investments Buildings and Land Leasing Policy.

Property held for investment purposes

| Property held for Investment Purposes | Value at 31/3/2022 £000's |
|--|--------------------------------------|
| Property portfolio | 8,426 |
| TOTAL | 8,426 |

Security: If the Council decided to undertake a procurement process then it would seek to provide security for the investment in the following way:

- In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- Undertake a regular fair value assessment of the Authority’s investment property portfolio and use this to determine if the underlying assets provide security for capital investment.
- Should the 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.

Risk assessment: The Authority assesses the risk of loss before entering into, and whilst holding, property investments by undertaking regular rent reviews on its portfolio, utilising expert property advice (particularly for material holdings) and ensuring that where investments are made they are supported by investment appraisal techniques to quantify potential risks and opportunities.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority maintains a range of short-term liquid investments to access as required.

4.0 Proportionality

4.1 The Authority is partially dependent on investment activity returns to achieve a balanced Revenue Budget. The table below shows the extent to which General Fund expenditure is dependent on achieving the income from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected income, the Authority’s contingency plans for continuing to provide these services are to keep service costs under review and maintain financial resilience via its Reserves.

Proportionality of Investments

| | 2021/22 Actual £000's | 2022/23 Forecast £000's | 2023/24 Budget £000's | 2024/25 Budget £000's | 2025/26 Budget £000's |
|---|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund Net Expenditure | 11,879 | 11,254 | 11,742 | 12,465 | 12,626 |
| Commercial Property Investment Income | 502 | 631 | 535 | 554 | 573 |
| Proportion % | 4.23% | 5.61% | 4.56% | 4.44% | 4.54% |
| The proportion is the investment income divided by the General Fund service net expenditure as shown in the budget book and forward projections | | | | | |

5.0 Capacity, Skills and Culture

5.1 **Elected members and statutory officers:** Investment decision making is largely the responsibility of the Accounts team. The Borough Treasurer, the Head of Finance and the Group Accountant are qualified accountants. The team also utilises expert third-party advice regarding investment decision-making and has appointed Arlingclose as its Treasury Management advisor. The team regularly utilises investment appraisal techniques to quantify investment options and their opportunities and risks.

Commercial deals: Any commercial deals must be submitted to the Head of Finance for approval as well as to the Council’s Borough Solicitor.

Corporate governance: The Policy & Organisation Board can request reports regarding the Council’s investment processes, as can the Standards &

Governance Committee. Investments can also be reviewed by the Council's Audit team and also by External Auditors.

| | |
|-------------------------------------|---|
| Financial Services comments | As set out in the report |
| Legal Services comments | This report fulfils the Councils' legal obligation under the Local Government Act 2003 to have regard to CIPFA's Prudential code for capital finance in Local Authorities and that Full Council consider an Investment Strategy Report prior to the commencement of the new financial year. |
| Equality and Diversity | N/A |
| Climate Change | No direct impact |
| Crime and Disorder | N/A |
| Service Improvement Plan | N/A |
| Corporate Plan: | N/A |
| Risk Assessment: | As contained in the report |
| Background papers: | |
| Appendix | N/A |
| Report Author / Lead Officer | Chris Ward |