

Board/Committee:	FULL COUNCIL
Date of Meeting:	5 FEBRUARY 2020
Title	MEDIUM TERM FINANCIAL STRATEGY & BUDGET (REVENUE & CAPITAL) 2020/21
Author:	BOROUGH TREASURER
Status:	FOR DECISION

1. PURPOSE OF REPORT

- 1.1 The Council is required to set a "Balanced Budget" and to maintain adequate levels of Reserves. The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2020/21 (both Revenue & Capital) and the associated level of Council Tax necessary to help fund the Budget.
- 1.2 The report also considers the overall financial position both for 2020/21 and forecasts for future years and looks at the future outlook for both spending and funding and the likely consequences for Council services moving forward.
- 1.3 In that context, wider recommendations are made regarding the levels of reserves to be maintained in order to maintain the overall financial health of the Council in the medium term and guard against future uncertainty.
- 1.4 In particular, this report is set out in five sections:
 - (a) **A Medium Term Financial Strategy** covering our financial aims over the forthcoming three years in context of the economic and financial context for Local Authorities and for Gosport;
 - (b) **The Budget for 2019/20 (revised) and for 2020/21**, including recommendations for Council Tax for 2020/21;
 - (c) **Estimated reserves** over the period 2019/20 to 2023/24;
 - (d) **The statement of the Section 151 Officer** on the robustness of the budget in compliance with the requirements of the Local Government Act 2003; and
 - (e) **The Capital Programme 2020/21 to 2023/24** (and associated Prudential Indicators), which should be read in the context of supporting reports covering the Council's Capital Strategy, Investment Strategy and Treasury Management Strategy.
- 1.5 In summary, the report outlines the overall current and medium term financial position of the Council's General Fund, recommends a Budget for 2020/21 that maintains the financial health and resilience of the Council and proposes an associated increase in Council Tax for 2020/21 of £5 (paragraph 2.4). The financial position of the Housing Revenue Account (HRA) and recommendations for rent and service charge levels for 2020/21 is subject to a separate report.
- 1.6 To assist the Council in their consideration of the Budget proposals, all Members have been issued with a draft Budget Book for 2020/21 which incorporates all

General Fund, Housing Revenue Account and Capital Budgets and provides an analysis by Board, Service and Capital Scheme.

2. RECOMMENDATIONS

It is recommended that the following be approved:

- 2.1 A Revised General Fund Budget for 2019/20 of £10,603,120 as set out in Appendix A;
- 2.2 A General Fund Budget for 2020/21 of £10,282,110 as set out in Appendix A and broken down in 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 £5 per annum for a Band D property for 2020/21;
- 2.5 It be noted that the Borough Treasurer Officer has determined that the Council Tax Base for the financial year 2020/21 will be 27,039.1 [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 2020/21 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£45,185,476	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£38,946,216	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£6,216,200	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)	£230.75	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.

- (e) Valuation Bands (Gosport Borough Council)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
153.83	179.47	205.11	230.75	282.03	333.31	384.58	461.50

Being the amounts given by multiplying the amount at 2.6 (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 in different valuation bands.

- 2.7 That it be noted that for the financial year 2020/21 Hampshire County Council is proposing the following amounts for the precept to be 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:

Valuation Bands (Hampshire County Council)

2.8

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
857.52	1000.44	1143.36	1286.28	1572.12	1857.96	2143.80	2572.56

That it be noted that for the financial year 2020/21 the Hampshire Police & Crime Commissioner is consulting on the following amounts for the precept to be 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:

Valuation Bands (Hampshire Police & Crime Commissioner)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
140.97	164.47	187.96	211.46	258.45	305.44	352.43	422.92

- 2.9 That it be noted that for the financial year 2020/21, we estimate that Hampshire Fire and Rescue Authority will propose the following amounts for the precept 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:

Valuation Bands (Hampshire Fire & Rescue Authority)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
46.04	53.71	61.39	69.06	84.41	99.75	115.11	138.13

- 2.10 That having calculated the aggregate in each case of the amounts at 2.6(e), 2.7, 2.8 and 2.9 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2020/21 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,198.36	1398.09	1597.82	1797.55	2197.01	2596.46	2995.91	3595.10

- 2.11 The Borough Treasurer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire County Council, Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.
- 2.12 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2020/21, which represents a £5 increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act.
- 2.13 As the billing authority, the Council has not been notified by a major precepting authority (Hampshire County Council, the Police and Crime Commissioner for Hampshire or the Hampshire Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2020/21 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.
- 2.14 Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in the report.
- 2.15 The Capital Programme 2019/20 to 2022/23 as set out in Appendix D is approved.
- 2.16 That the Prudential Indicators as set out in Appendix E are approved
- 2.17 That the Pay Policy Statement 2020/21 as set out in Appendix F is approved

Members should note that:

The Section 151 Officer has a duty to report to Members on the Robustness of the Estimates and the Adequacy of Reserves (as described in Section 7). Accordingly, any amendments put before the Council for consideration must also include a written Statement by the Section 151 Officer.

In accordance with statute, the Budget Report is required to incorporate a number of specific recommendations. Amendments may require those recommendations to be

altered and therefore need to be precisely written in order to have legal effect and be capable of adoption by the Council.

Due to the requirements set out above, it is necessary for any amendment to be discussed in sufficient time to be drafted by the Section 151 Officer so that it includes the Section 151 Officers Statement alongside precisely worded recommendations that the Council can properly consider and have legal effect.

3. MEDIUM TERM FINANCIAL STRATEGY

3.1 The Medium Term Financial Strategy (MTFS) is designed to meet the following overall aim:

"In year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services, improving the overall prosperity of residents and businesses and ensuring adequate financial resilience"

3.2 Over the next 3 years, the Council has a forecast budget deficit to remedy amounting to £1.7m. This compares to a forecast deficit of £1.4m from February 2019 and reflects two strategic issues:

- i) Loss of income from the decision by Hampshire County Council (HCC) to withdraw recycling income from collection authorities and
- ii) The potential outcome of the Fair Funding review and Business Rate "reset" due to be implemented in 2021/22 which will likely result in reduced Government funding generally for District Councils as well as the removal of retained business rates growth (i.e. the annual uplift in business rate income retained since 2013/14).

3.3 The environment in which the MTFS and Budget is set is characterised by the following factors:

- i) Broader economic performance and projections forward;
- ii) Public Finance and Funding projections; and
- iii) Factors that influence our spending base.

3.4 Economic Projections. How the UK economy is performing (both on its own and in the context of broader global performance) shapes Government decisions on the total amount of public service spending it will undertake and against which priorities, as well as private sector confidence in making local investment decisions. GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Whilst the economy is growing albeit at a slower rate (and, it should be noted that unemployment remains historically low, the employment rate is 76%) any longer-term slowdown or recession will put pressure on the Government to review spending patterns against its tax returns. However, economic sentiment has improved since the General Election result of 12 December 2019 and the removal of the political uncertainty that has been a characteristic of Westminster politics over the last two years. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as

Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

- 3.5 Public Finance and Funding Projections. This report deals with the implications of the Provisional Local Government Finance settlement (announced on 20 December 2019) at paragraph 5.1 but as yet, until there has been a Comprehensive Spending Review (which is likely to take place over the summer of 2020), there are no specific concrete long-term funding projections for that can be made. Not least as reforms to how Local Government finance is operated, managed and ultimately distributed formed a key part of the Conservative Party manifesto and this will presumably draw upon the Fair Funding Review that has been underway and subject to consultation over the last few years. What is clear, however, is there are likely to be more funding opportunities for the Council regarding infrastructure investment, Town Centre investment and other manifesto priorities that seek to 'level up' the performance of the UK.
- 3.6 Over the past 9 years (since 2011/12), Central Government funding to Councils has reduced by over 40% in real terms. Future assumptions for both funding and spending for the Council is summarised below and described in more detail later in the report (paragraph 5.2).
- i) Government Grants (Local Government Finance Settlement) - Expected to remain static at an average of £0.4m from 2021/22 through to 2023/24; albeit having to absorb the loss of Revenue Support Grant (RSG) funding as of this financial year (2019/20);
 - ii) Business Rates - Forecast to reduce from £3.7m in 2019/20 to £3.2m in 2023/24 relating mainly to the impact of losing all Business Rate Growth from 2013/14 onwards (amounting to £0.7m) arising from the potential impact of the Fair Funding Review and the Business Rate Reset (to be introduced as part of the introduction of the 75% Business Rate Retention scheme); and
 - iii) Council Tax - Assumed to increase from £6.1m in 2019/20 to £6.8m in 2023/24 based on a £5 increase in Band D Council Tax for 2020/21 and the same increase thereafter over the time period of the MTFS; alongside modest forecast growth in the Council Tax Base.
- 3.7 Council Spending Projections. The cost of steady state services continues to grow. The largest component of the Council's costs is staff costs, which is forecast to grow by 2.5% per annum. Within this cost base; there has been a windfall regarding employer pension costs (over the next three years) as the Hampshire Pension fund is no longer in deficit following actuarial review in the summer of 2019. Additional payments budgeted to address this particular issue are now no longer required. However, the actuarial review also highlighted the fact that our workforce average age is getting progressively older which, in turn, requires additional proportions of regular employer pension contributions to be made. This is a long-term issue for our cost base.
- 3.8 A further issue is the recent decision by Hampshire County Council to make savings by stopping the payment of recycling credits to Hampshire collection authorities. This will commence in April 2021 and will create £290k of pressure per annum for Gosport Borough Council, equivalent to 60% of the MTFS annual deficit reported to Council in February last year. Other main spending areas, including premises, supplies and services expenditure are based on actual inflation experienced for

2019/20 and then CPI thereafter. Pay inflation more generally in the economy continues to grow, currently at 3.6%, and this will provide upward pressure on general inflation and, therefore, the cost of our contracts.

Impact on Gosport

3.9 There are a number of conclusions pertinent to Gosport that can be drawn from these factors:

- i) It would be prudent to assume that core funding from central Government is unlikely to increase in the near term, not least as work is completed to reform the overall Local Government Funding system, which could see a reduction in Business Rates retained by District Councils. However, we need to be alive to other forms of grant funding (e.g. for infrastructure projects) that could be available. These are of a capital nature and whilst will not alleviate pressures on the Revenue Budget in the short-term, could over time help raise prosperity generally in the Borough and reduce the pressure on Council services;
- ii) Other funding streams (i.e. Council Tax) will also remain relatively static and are unlikely to increase materially; as developer sentiment remains cautious regarding both residential and economic growth; and
- iii) Our cost base will continue to grow and at a rate, in the near-term, that will be faster than corresponding funding increases as inflation becomes an increasing factor and we have to contend with no waste recycling income. Examining our approach to Fees and Charges is therefore a key activity for 2020/21

3.10 As such, our assessment of the future financial deficit over the three financial years beginning 2021/22 is outlined in the table below:

Financial Year	2021/22	2022/23	2023/24
Deficit £k	544	1,008	1,713

Response (Strategy)

3.11 The Council has a strong track record of being able to live within its means, make savings and secure financial resilience. For instance, key General Fund reserves (comprising the Stability and Resilience Reserve, Revenue Financing Reserve and the General fund Balance) have built prudently over time and currently stand at just under £7m. Adequate reserves are a necessary requirement of financial resilience enabling any in-year deficits between funding and spending to be “smoothed out” over time as well as enabling investments to be made that will improve the financial sustainability of the Council in the future. Given the widely expected substantial funding reductions to District Council’s over the coming years and the Council’s known future cost pressures, the adequacy and targeted use of reserves has never been more important.

3.12 In overall terms, the reduction in funding coupled with the increased costs to the Council are expected to result in an overall budget deficit of £1.7m by 2023/24. The

Administration's strategy to meet this challenge is a multi-faceted approach to maintain a stable financial position and undertake targeted investment in services to improve sustainability and safeguard resilience.

3.13 The Revenue Budget and Capital Investment proposals include a wide range of potential actions that can either generate savings or grow income. Looking forward, the Administration's financial strategy will:

- Continue to pursue efficiency by operating zero based budgeting and undertaking regular contract reviews; for instance reducing our banking costs by almost 25% for Budget 2020/21;
- Develops partnership working to realise savings and service resilience; which will see further savings in the Environmental Health Partnership with Fareham in 2020/21;
- Enhances income generation from existing or new investments such as the property portfolio and financial investments; our capital investment in the Alver Valley will deliver new rental streams next Financial Year with a new café and also the year after with a new Garden Centre; and
- Invest in the Borough for regeneration to stimulate employment and also to increase funding by improving the Business Rate Base and the Council Tax Base for the Council; this will also positively improve prosperity for the Borough generally and reduce the dependency on Council Services.

The Budget for 2020/21 has been constructed undertaking this approach and over £0.5m of savings have been identified, more than meeting the previous MTFS annual deficit target; with additional work underway to identify further opportunities over the coming three years.

4 REVISED BUDGET 2019/20

4.1 The Budget for 2019/20 as set out in Appendix A has been revised upwards from £10,447,000 to £10,603,120. This, however, reflects 'carry forwards' of unspent budget from 2018/19 due to slippage in spending which will now take place in 2019/20. Excluding carry forwards, the underlying budget position for 2019/20 represents a saving of just over £300k.

4.2 The key changes between the Original Budget 2019/20 and the proposed Revised Budget 2019/20 are as follows:

Expenditure 2019/20

Board and service expenditure has been revised upwards from £10,447,000 to £10,603,120, an increase of £156,120.

The key increases in spending / reduction in income include:

- £75,000 of special maintenance activity for Gosport play areas;
- £30,000 to improve and install new signage across the Borough;

- £120,000 to support Flood Prevention defences in the Borough, notably in Stokes Bay;
- £60,000 to enable development of a Borough Economic Development Strategy and related initiatives; and
- £55,000 for the Borough Local Development Plan.

These expenditure items total £340,000 and have been offset by reductions in spending in the following areas:

- £175,000 reduced net expenditure for Housing Benefits, which reflects a more general trend of reduced Housing Benefit claims as Universal Credit is rolled out.

Funding 2019/20

Funding has remained almost constant, falling slightly from £10,464,670 to £10,429,540, a minor reduction of £35,130.

Reserves 2019/20

The projected position for our key reserves, based on the Revised Budget, is detailed in the table below:

Reserve	Amount at 31/03/2019	Projected 31/03/2020
	£k	£k
General Fund Balance	890	1,000
Revenue Financing Reserve	4,104	3,713
Stability & Resilience Reserve	2,028	2,060

5. PROPOSED BUDGET 2020/21

Funding – The Provisional Local Government Finance settlement 2020/21

5.1 The key announcements from the Provisional Local Government Finance Settlement, announced on the 20 December 2019, which are relevant to Gosport are as follows:

- The basic Council Tax referendum principle of a 2% increase is confirmed (or a higher limit of either 2% or £5 for all shire District Councils for a Band D property);

- The Queen’s Speech confirmed the Conservative Party manifesto commitment to undertake a fundamental review of business rates, with the suggestion of additional relief for high street premises and small businesses;
- The Business Rates Settlement Funding Assessment (SFA) has been increased by 1.6% (i.e. Revenue Support Grant and Business Rate Retention funding);
- The New Homes Bonus will continue for another year but there is a clear signal from Government that it intends to phase out the current system by 2023-24; in favour of a ‘more targeted’ system which the Government will consult on during Spring; and
- Continuation and enhancement of funding for the Flexible Homelessness Support Grant and the Homelessness Reduction Grant, equating to a £60k increase of this (ring-fenced) funding for the Council.

5.2 The table below details the key funding streams from Government:

Funding Stream	2019/20 (Current Year)	Forecast 2020/21	Difference
Revenue Support Grant	£0.0m	£0.0m	£0m
New Homes Bonus	£0.27m	£0.08m	£0.19m
Benefits Administration Grant	£0.38m	£0.37m	£0.01m
Total Government Grants	£0.65m	£0.45m	£0.20m

5.3 All other previous funding from Central Government is routed through the level of Business Rates that the Council is able to retain. Whilst Government funding remains a meaningful amount for the Council (at £0.45m), it has become a small proportion of the overall funding for the Council¹ (at 4%).

5.4 For 2020/21, the Council will receive £85,470 in New Homes Bonus funding and the Council is currently estimating £371,100 in Benefits Administration Grant.

5.5 The final grant settlement should be available by the end of January / early February and it is recommended that any variation should be accommodated by a transfer to / from the Revenue Financing Reserve. Other key forms of funding are Business rates and Council tax and our assessment of future revenue streams from both are outlined below.

Business rates - 2020/21 & future forecasts

5.6 The Retained Business Rates system is extremely complex and subject to a significant degree of inherent risk.

5.7 In broad terms, the Council currently retains 21% of all Business Rates received and this is characterised by a complex formula which includes the following:

¹ Including Council Tax, Business Rates and Benefits Administration Grant

- i) An initial starting point of 40% retention of all business rates received;
- ii) Reduced by a fixed amount "tariff" which increases annually by the rate of inflation;
- iii) Any growth in Business Rates (above a pre-determined baseline²) is reduced by a "levy" of 50%;
- iv) A "safety net" set at 7.5% below a pre-determined baseline³ below which retained Business Rates will not fall (set at £2,317,061 for 2020/21); and
- v) A General Fund grant reimbursement under Section 31 of the Local Government Act 2003 to compensate local authorities for business rates foregone as a result of the government's nationally determined additional business rate reliefs (e.g. for small business).

In overall terms therefore, the Council currently retains 21% of Business Rates⁴ amounting to £3,899,870 for 2020/21, with any additional Business Rates received above this being received at 20% (i.e. the Council's 40% share reduced by the levy of 50%). There has been an increase in the Settlement Funding Assessment of 1.6% (the first increase in over a decade) which has increased the council's baseline funding level for Business Rates by the same amount.

- 5.8 In 2017/18 the National Non Domestic Rate system was subject to a re-valuation. This revised both the rateable values and the multiplier. The entire re-valuation is financially neutral at a national level, with the increase in rateable values overall offset by a reduction in the multiplier.
- 5.9 The Retained Business Rates system for Local Authorities is likewise intended to be financially neutral. This however, will not be the case and there will inevitably be "winners" and "losers" across the country. The key risk, which exists and will remain for future years until all appeals are resolved is the extent to which successful appeals are greater or less than the assumed allowance for appeals contained within the new multiplier set by Government.
- 5.10 A particular factor for Local Authorities has been a recent challenge by NHS Trusts in the Midlands regarding the rates they pay and that they should be treated as charitable bodies (thereby receiving a rates discount, potentially backdated). A recent High Court ruling (12th December 2019) found in favour of Local Authorities, however, the Trusts can still appeal against this decision and this issue therefore remains a financial risk to the Council.
- 5.11 As outlined above, the estimation of business rate receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine whether a rating appeal is successful and the level of reduction granted with the Council having no right of challenge.

² Known as the Business Rates Baseline, set in 2013/14 and increased by inflation each year

³ Known as the Business Rates Baseline, set in 2013/14 and increased by inflation each year

⁴ After deducting the "tariff"

5.12 Forecasts for future retained Business Rates will be affected significantly by the review of the system announced in the Queen’s Speech. We will continue to assume that reforms will follow the path signalled, i.e. the introduction of the Fair Funding Review and accompanied by a 75% Business Rates Retention scheme both taking effect for the financial year 2021/22. In summary, the Fair Funding Review will determine the overall level of general Government funding that the Council will retain from the 75% Business Rate Retention system. The introduction of the 75% Business Rate Retention system will be accompanied by a “Reset” which will remove all currently retained growth in Business Rates since 2013/14 (currently amounting to £0.7m) and allocate this funding based on relative need across all local authorities through the Fair Funding Review. In effect, the critical issue for the Council is the extent to which any business rates growth removed will be redistributed back to Gosport for “Need”. At a national level, all expectations are that there will be a net re-distribution of funding away from District Councils in favour of Unitary and County Councils to recognise the pressures on both Adults and Children’s Social Care.

5.13 Other variables, as mentioned, include the level of successful appeals, the level of mandatory reliefs awarded and future inflation levels. Future forecasts of retained business rates over the next 3 years have been based on the following:

- No real growth in the Business Rate base;
- Uplifts in Business Rates due to increases in the rate of inflation (as estimated by the Office for Budget Responsibility);
- A full Business Rate Reset, meaning that business rate growth since 2013/14 amounting to £0.7m is no longer retained from 2021/22 onwards; and
- Successful appeals will amount to 4.7% of the Business Rate Base.

Financial Year	2020/21	2021/22	2022/23	2023/24
Business Rates £k	3,899	3,302	3,284	3,249

5.14 A Stability and Resilience Reserve was established to help mitigate against the risks outlined above. The risk to future levels of Retained Business Rates from 2020/21 onwards has never been more uncertain. Maintaining this reserve at the levels proposed in this Budget (£2m) is critical to safeguard against the significant volatility that could occur both as a result of the potential introduction of the new 75% Retained Business Rate Retention scheme as well as the existing risks surrounding appeals and the level of business rate growth / loss more generally.

Council Tax Amount 2020/21

5.15 For 2020/21, Council Tax will represent almost 60% of the Council's total revenue funding, as Government funding has reduced this has become an increasingly more important and dependent funding source for the Council.

5.16 Council Tax for the average Council Tax payer in Gosport (Band B) currently amounts to £1,346.94, of which £175.58 (13%) is the Gosport Borough Council element. In response to inflationary pressures faced by Councils, the Provisional Local Government Finance Settlement for 2020/21 confirmed a Council Tax increase limit (i.e. referendum threshold) of either 2% or £5 for all shire District

Councils, whichever is the higher. For Gosport Borough Council, a £5 increase is the higher limit.

- 5.17 The proposals for the 2020/21 Budget are based on increasing the Council Tax by £5 representing an increase of just under 10 pence per week for the average Band D taxpayer in Gosport. At present, 59% all residents pay the full amount of Council Tax with 41% being entitled to some form of discount, exemption or Local Council Tax Support.
- 5.18 The Council's future forecasts for the period 2021/22 to 2023/24 have been estimated on the basis of a £5 increase per annum for a Band D Taxpayer.

Council Tax Base 2020/21

- 5.19 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as 27,039.1 for 2020/21, having taken account of all estimated changes in properties, discounts and exemptions for the coming year.

Collection Fund Balance (Council Tax Element) 2019/20

- 5.20 The Collection Fund is the account into which are paid amounts collected in respect of Council Tax and out of which are paid the Council Tax precepts to:
- Hampshire County Council (72% share)
 - Gosport Borough Council (13% share)
 - Hampshire Police & Crime Commissioner (11% share)
 - Hampshire Fire and Rescue Authority (4% share)

In the event that actual Council Tax income receivable is different from the estimated income (informed by the calculation of the Council Tax Base) upon which the precepts are based, then a surplus or deficit will arise.

- 5.21 For 2019/20, it is estimated that the Collection Fund will be in deficit by £176,900, the Gosport Borough Council element of that amounts to £23,060, less than 1% of the Council Tax income we expect to receive. As part of forecasting our future tax base, we adjust our forecasts for losses on collection, in part to take account of fluctuations on income received. We also maintain the Stability and Resilience reserve for any larger and more strategic fluctuations in funding levels.

Total Council Tax Income 2020/21 & Future Years

- 5.22 Considering the Council Tax increase, Council Tax Base and position on the Collection Fund, the total Council Tax income for 2020/21 is estimated at £6,216,200. As Government funding reduces and costs rise with inflation, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £6,777,800 by 2023/24 and is based on the following assumptions:
- Annual increases in the amount of Council Tax of £5 per annum for a Band D Tax payer from 2021/22 onwards; and

- Growth in the Council Tax Base of circa 2.3% over the period.

Financial Year	2020/21	2021/22	2022/23	2023/24
Council Tax £k	6,216	6,412	6,592	6,778

Total Funding 2020/21

In taking account of the factors detailed above; total funding for the Council in 2020/21 is estimated at £10,572,640.

Revenue Budget 2020/21

The overall aim of the Council's Medium Term Financial Strategy is to match "In Year" spending with "In Year" income and funding over the medium term with the use of the Revenue Financing Reserve and the Stability and Resilience Reserve being used to "smooth out" the necessary savings required to meet the forecast budget deficit over the next 3 years. The savings required, per annum, as detailed in the MTFS are £0.57m. Our Reserves are fundamental to maintaining the financial resilience of the Council especially in uncertain times such as now, giving the Council the ability to respond to any potential "financial shocks" without resorting to quick and severe reductions to services. Crucially, it is also essential that the Council has the financial capacity to be able to fund spend to save initiatives that support the delivery of the future savings necessary to ensure continued financial viability and delivery of good quality Council services. Given the uncertainty associated with Local Government funding and the potential introduction of the 75% Business Rate Retention system in 2021/22, it is vital that these Reserves are maintained and used wisely for their intended purpose.

The proposed Budget for 2020/21 has been prepared to accommodate the savings identified in the MTFS last year of £0.5m as a consequence of the following:

- Further funding reductions from Government
- Inflationary costs and other cost pressures

The requirement for savings has been offset to an extent by the following:

- An increase in Council Tax of £5 per Band D property
- Savings from the Hampshire Local Authorities pension fund no longer being in deficit

5.28 The key changes between the Original Budget 2019/20 and the proposed Budget 2020/21 are as follows:

Expenditure 2020/21

Board and service expenditure is estimated at £10,282,110 a slight decrease of £165,000 from the Original Budget for the current year of £10,447,110.

Where spending has increased within the budget; these are predominantly due to a range of inflationary and economic pressures outside of the Council's control, such as:

- Inflationary pressure (including pay inflation) - £419,000;
- Increase in 'steady-state' employer contribution pension costs - £22,000;
- Car parking fees not matching budgeted assumptions - £94,000;
- Reduction in waste recycling income from reduced global prices for paper and card material – £55,000; and
- Increase in maintenance costs for Leisure facilities - £30,000.

Despite these pressures and the financial context that the Council faces, the Administration is still able to propose a number of important Budget enhancements that, in particular, will enhance the environment of the Borough as well as supporting some of our key community groups. These total just over £300,000 and include:

- Enhancing the Council's contribution to Voluntary organisations by £35,000 to a total of £253,000. £10,000 of this increase will be split pro-rata across all the organisations we currently support, such as the Citizens Advice Bureau (CAB). The remainder, £25,000, will be used for a specific project with the Gosport Voluntary Association (GVA) for Befriending and Surgery Sign Posting;
- Enhancing the resources available to support Members via training courses by £5,000;
- Enhancing resources available for weed control on Borough pavements and footpaths by £40,000 as well as compensating for a further £30,000 reduction in contributions by HCC for this activity;
- Continuing our Tree Planting scheme to enhance the environment of the Borough, by maintaining the additional £30,000 provided for 19/20 into 20/21. This will help facilitate achievement of our 1,000 trees in 1000 days pledge alongside other pledges received across the Borough;
- Investing £25,000 for marketing material to encourage Borough residents to undertake more recycling as, whilst income from the sale of recycled material has dropped, increasing recycling rates is an important objective for the Borough, not least to reduce waste that goes to landfill;
- Installing additional Electric Vehicle charging points, particularly in Council owned car-parks by ear-marking £20,000 to be used alongside any grants the Council can obtain in order to encourage residents to utilise this

environmentally friendly vehicle technology as it becomes more readily available;

- Ear-marking £110,000 for a wide range of improvements, special maintenance and refurbishments across the Borough, including:
 - Rewilding of unused tarmac land in Lee with a wildflower area;
 - Pathway replenishment from Gafirs to Gilkicker;
 - Refurbishing our welcome to Gosport signage;
 - Replacing old railings in Privett Park;
 - Building a new path from Cherque Way café to Noahs Lake;
 - Replacing lights and additional maintenance for the Millennium Bridge; and
 - Planting a real Christmas tree in Gosport High Street.
- Procuring a range of new litter bins, for £9,000 around the Borough, including along the sea fronts; and
- Ensuring a revenue contribution from the General Fund to the Capital Programme of £486,540 to ensure strong annual funding streams for an ambitious Capital Programme as outlined at Section 9. This contribution includes £45,000 to fund Health and Wellbeing equipment in Stanley Park for residents to use.

Key reductions in spending and additional income include (*brackets indicate a saving*):

- Improvement in interest from Treasury Management activities – (£50,000);
- One-off Special Maintenance items not being required (e.g. specific flood prevention activity which, instead, is being funded via the Capital Programme) – (£120,000);
- Staff savings from service reviews and natural wastage as well as allowing for our current vacancy rate – (£296,000);
- Reallocation of costs from the General Fund to the HRA account to take account of management responsibilities – (£99,000);
- Range of efficiency savings, including savings made within our banking and cash handling contracts, Building Services partnership and reduced consultancy costs – (£164,000); and
- Saving from Pension Fund no longer being in deficit – (£648,000).

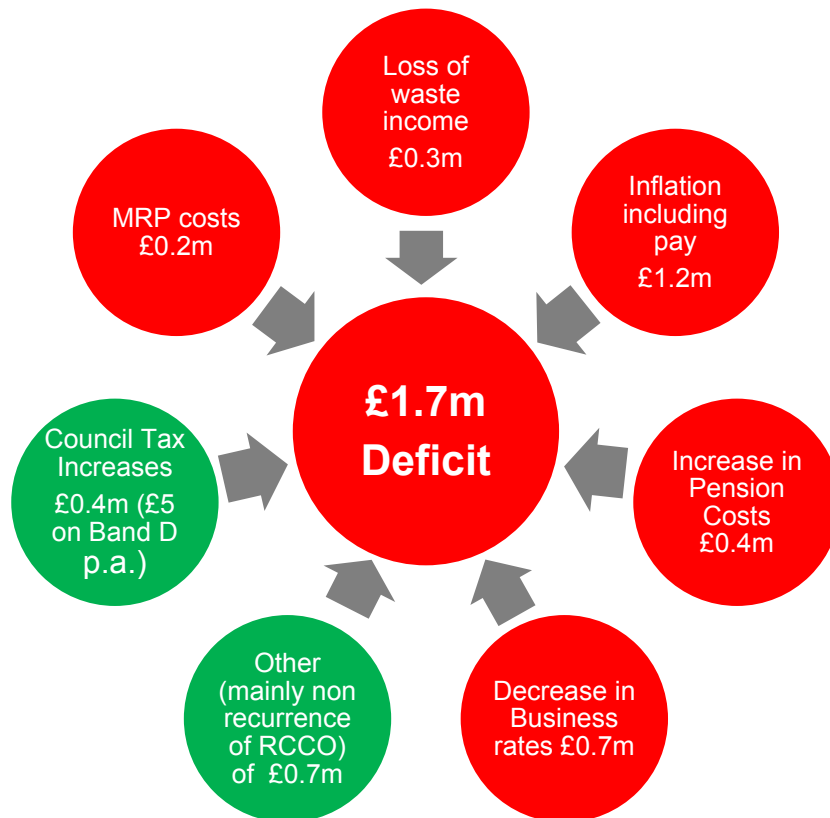
5.29 Looking ahead to 2021/22 and beyond, the combined impact of the Fair Funding Review, the 75% Business Rate Retention Scheme (including the "full reset"), loss

of waste recycling income plus inflationary costs will cause a deficit between funding and spending and the support of Reserves will be required in order to "smooth out" the necessary savings over a manageable timescale. Retaining adequate Reserves is consistent with maintaining the continued financial health of the Council. Reserves are described in more detail in Section 6 of the report.

- 5.30 A summary of the proposed Budget 2020/21 is set out in Appendix B and the Budgets for each of the Boards are included at Appendix C.

Revenue Forecasts to 2023/24

- 5.31 A new medium term forecast has now been completed to cover the period 2021/22 to 2023/24 (i.e. after including the savings and cost pressures incorporated into the 2020/21 Budget and incorporating the further financial year of 2023/24). All of the financial assumptions have been comprehensively revised and a savings requirement for the new period has been estimated at £1.7m and is summarised below:



- 5.32 The key issues behind the 3 year deficit are the forecast funding reductions of £0.7m arising from the potential introduction of the Fair Funding Review and the Business Rate Reset which accompanies the introduction of the 75% Business Rate Retention Scheme, the loss of our waste recycling income and inflationary costs (including Pension increases) which are not fully offset by increases in funding (from Council Tax and Business Rates).

- 5.33 The most significant assumptions in the medium term future forecasts for the period 2021/22 to 2023/24 are described below:

- An underlying assumption that the impact of the Fair Funding Review in 2021/22 and the Business Rate Reset which accompanies the introduction of the 75% Business Rate Retention Scheme will result in a £0.7m reduction in funding;
- No provision has been made for transitional relief from this potential impact of the funding reductions, particularly since any relief may have “wound out” by the final year of the forecast;
- Reductions in funding for the New Homes Bonus over the whole period, assuming it will be completely phased out by 2023/24 (although it is likely that there will be some form of New Homes funding but there is no detail as to how it will as yet be distributed);
- An increase in the Council's pension obligations for ongoing employer contributions given our aging workforce as well as provision of funds to help smooth any additional payments required in case the pension fund moves into deficit position;
- A Council Tax increase of £5 increase per annum for a Band D property for 2021/22 to 2023/24 plus an average increase in the Council Tax Base of circa 2% over the MTFS period;
- An underlying zero growth assumption for changes in Business Rates from 2021/22 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs and loss of Enterprise Zone subsidy that the Council received from Government;
- Indexation uplifts on retained Business Rates of 2.0% per annum from 2021/22, to 2023/24;
- An average inflationary provision covering all pay and prices amounting to 5% per annum over the MTFS period;
- The loss of waste recycling income from Hampshire County Council (£0.29m per annum from 2021/22);
- Interest rates on any new borrowing of 1.6% for 2020/21, 1.3% for 2021/22 and 1.6% for 2022/23;
- Investment rates on any new lending assumed to be 1.41% per annum between 2020/21 to 2022/23; and
- An assumption of providing sufficient budgets to deliver "steady state" services across the Council.

5.34 The proposed Fair Funding Review and 75% Business Rates retention scheme create a significant degree of uncertainty of the Council's future forecasts. The Fair Funding Review, i.e. a "Needs Based Review", is aimed at re-distributing funding across Local Authorities to where it is most needed based on the cost drivers of services and the demand for services. It has the potential to both withdraw any Business Rate growth received from 2013/14 (which for Gosport amounts to £0.7m) and increase the "Tariff" on Business Rates paid over to the Government too.

- 5.35 Unless new money is awarded to Local Government in the forthcoming Comprehensive Spending Review, all expectations continue to be that the Business Rate growth that has been experienced by District Councils amounting to £1.5 billion nationally (and £0.7m for GBC), will be re-distributed through the Fair Funding review, on a "Needs Basis" which is likely to favour Upper Tier and Unitary Councils to meet the growing pressures in Adults and Children's Social Care.
- 5.36 The estimated 3 Year Savings Requirement of £1.7m is recommended to be phased evenly over the next 3 years (see table below), drawing on reserves where necessary in order to "smooth" the impact on services. This provides for a managed reduction in spending, giving good opportunity for alternative income / efficiency initiatives to take effect and balanced with a financially responsible approach to achieving the necessary savings over the period.

Financial Year	Revised Underlying Budget Deficit £	In Year Target £	Revised Cumulative Saving £
2021/22	0.544m	0.57m	0.57m
2022/23	1.008m	0.57m	1.140m
2023/24	1.713m	0.57m	1.710m

- 5.37 Depending on the Council's ability to deliver savings, there may be a requirement to draw on Reserves in the MTFS years for "smoothing out" the savings requirements in a managed way.
- 5.38 The savings strategy described above, and having proper regard for the uncertainty surrounding future Government Funding (i.e the Fair Funding Review), can only work if the Council retains the level of Reserves set out in this report. The flexibility afforded by Reserves at these levels will ensure that in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. Conversely, if the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.
- 5.39 The overall Budget Deficit over the next 3 years at £1.7m represents circa 14% of the Council's General Fund budget. Against a backdrop of significant reductions in

Government funding and associated savings over the past 8 years, this will be a challenge for the Council. Nevertheless, with a proposed even profile of savings of £0.57m per annum for the next 3 years, pursuing the Medium Term Financial Strategy will provide opportunities for this to be achieved through measures to stimulate both the Business Rate Base and Council Tax Base, additional income opportunities, service reviews and further integrated working with partners.

5.40 Further analysis of the Council's Medium Term Financial Forecasts is set out in Appendix B.

6 RESERVES

6.1 In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are crucial to maintain financial resilience in order to be able to respond to “financial shocks” without having to revert to the alternative of quick and severe reductions in services. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for Gosport). Importantly, as described above, they also enable differences between expenditure and funding levels to be “smoothed out” and managed in a planned way over time.

6.2 The General Fund Working Balance is the minimum level of balances, on a risk basis, that the Council should not breach. The Working Balance is now £1m. This has been set at a level that is consistent with the Council's level of potential financial risks and enables the Council to meet unexpected demands on its resources such as increased inflation or demand for statutory services, therefore providing a cushion against uneven cash flows.

6.3 The Revenue Financing Reserve (RFR) is the Council's primary vehicle for driving through savings initiatives of both a Revenue and Capital nature and remains a critical part of the Council's overall Medium Term Financial Strategy. The RFR is also used to ensure that fluctuations in annual maintenance requirements can be met, to underwrite any uninsured risks and meet any necessary redundancy costs.

6.4 Following a proposed withdrawal to the RFR of £390,780 in the current year, the proposed Budget for 2020/21 includes a withdrawal of £196,010), bringing the total estimated balance on the Reserve to £3.5m.

6.5 The Stability and Resilience Reserve (SRR) was established in 2014/15 to help safeguard against the significant increase in risk and volatility arising from the introduction of the Business Rate Retention Scheme and the Council Tax Support Scheme together with the uncertainties in future levels of Central Government support. This reserve currently stands at £2m.

6.6 With the removal of Revenue Support Grant, Core Government funding from 2021/22 is likely to remain relatively constant but will represent just 4% of total funding.

6.7 Council Tax income carries a low to medium financial risk, it amounts to £6.2m in 2020/21 and comprises 59% of all funding. Risks associated with Council Tax relate

mainly to the cost of the Local Council Tax Support Scheme and the level of exemptions and discounts awarded.

- 6.8 The New Homes Bonus at £85k in its current form is a particular risk and dependent on the delivery of additional homes over and above 0.4% each and every year. And it is uncertain how this funding stream will be reformed in the future.
- 6.9 The most significant financial risk to the Council's funding is Retained Business Rates. This amounts to £3.8m in 2020/21 and circa 37% of all funding. This is expected to fall to 30% of all funding post the potential implementation of the 75% Business Rate Retention Scheme. With the introduction of the new Business Rate re-valuation from April 2017 and the forthcoming 75% Business Rate Retention system, Business Rate Retention income has never been more uncertain. It is likely that £0.7m of Business Rate growth will be removed from GBC and appeals against the 2017 valuation is likely to be significant. For example, historically 80% of each new valuation list is appealed. Whilst a "safety net" mechanism is in place for a reduction in income⁵ of more than 7.5% (currently), this area of funding is particularly uncertain.
- 6.10 As described, the majority of Council funding is exposed to some risk but the Business Rate Retention Scheme and Government Funding (combined representing 41% of the funding base) are subject to the most potential volatility.
- 6.11 It is vital that the SRR is maintained at healthy levels to guard against the real and significant funding risks facing the Council over the medium term. The proposed Budget for 2020/21 set this Reserve just over £2m which represents cover of 20% of total annual funding.
- 6.12 In view of the need to continue to make savings in a smooth and managed way over the next 3 year period and the particular funding uncertainties, it is both financially responsible and prudent to maintain these reserves at the proposed levels.

7 Statement of the Section 151 Officer in Accordance with the Local Government Act 2003

- 7.1 Section 25 of the Local Government Act 2003 ("the Act") requires the Chief Financial Officer to report to the Council on the following matters:
- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax; and
 - The adequacy of proposed financial reserves
- 7.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2019/20. Particular uncertainties exist regarding the impact of how the Business Rates system will operate and the 75% Business Rates Retention Scheme. The extent of successful appeals and mandatory reliefs which also affect Retained Business

⁵ The reduction is measured against the Business Rate Baseline of £2,464,771 rather than Retained Business Rates of £3,674,000

Rates. Additionally, the extent to which inflation on costs can be matched by equivalent increases in funding from Council Tax, Business Rates and Government grant is a key risk.

- 7.3 A minimum level of revenue reserves must be specified within the Budget. The Local Authority must take full account of this information when setting the Budget Requirement.
- 7.4 Should the level of reserves fall below the minimum approved Working Balance of £1m, either arising from an overspend in the previous year or the current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose a spending freeze until a balanced budget is approved by the Council.
- 7.5 Given the scale of the forecast budget deficit of £1.7m and the significant uncertainty regarding Council funding, it is vital that the Council maintains its reserves at the levels set out in this report in order to provide financial resilience for the forthcoming 3 year period.

(a) Robustness of the Budget

- 7.6 In setting the Budget, the Council should have regard to the strategic and operational risks facing the Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority funding levels.
- 7.7 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
- 7.8 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Section 5 and use the following sources as their evidence base:
 - Government funding as set out in the provisional settlement for 2020/21 and future assumptions informed by current consultation documents
 - A "no growth" assumption for Retained Business Rates on the basis that any income arising from growth will be offset by both appeals and reliefs
 - An assumption that the current rateable value will be reduced by 4.7% arising from appeals against the 2017 rating list and based on Government estimates of the likely national cost of appeals
 - Increases in Council Tax within the likely referendum limits
 - Inflation on Retained Business Rates and prices informed by inflation estimates from the Office for Budget Responsibility
 - Prudential borrowing requirements based on approved Capital schemes
 - Balances and contingencies based on a risk assessment of all known financial risks

- 7.9 Savings contained within the Budget are those where Board Chairmen and Senior Management assess the confidence level of achievement is medium and above. Responsibility and accountability for delivering the savings rests with Board Chairmen and Senior Management and progress will be monitored throughout the year as part of the Budget Monitoring process.
- 7.10 The most volatile budgets are Housing Benefits, Homelessness, Interest Payable and Receivable and General Maintenance. Budget provision has been made available to cover these risks both directly within Service budgets as well as maintaining an adequate Revenue Financing Reserve.
- 7.11 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the Council will incur in order to deliver current levels of service.
- 7.12 Board Chairmen and Senior Managers will be given regular budget updates to ensure that action to address any potential over or underspend is taken promptly.

(b) The Adequacy of Proposed Financial Reserves

- 7.13 The Council's General Fund Working Balance, Revenue Financing Reserve (RFR) and Stability & Resilience Reserve (SRR) have been proposed at levels that are consistent with the Council's financial risks over the medium term.
- 7.14 The Working Balance at £1m represents 10% of General Fund revenue spending, and is supplemented by the RFR and SSR for the Council's highest financial risks.
- 7.15 The RFR is appropriately set to ensure adequate financial capacity exists to support the cost of implementing the necessary savings required for future years. The SRR has been set at 20% of annual funding and is expected to be sufficient to accommodate funding volatility over the next 2 to 3 years.
- 7.16 The Council maintains a number of other Earmarked Reserves for specific purposes and known future liabilities. These include⁶:
- The Revenue Financing Reserve
 - The Stability and Resilience Reserve
 - Homelessness Support Grant Reserve
- 7.17 At the proposed levels, the Council reserves are sufficient to accommodate the Council's financial risks and maintain the Council's overall financial health.

8 PAY POLICY STATEMENT 2020/21

- 8.1 The Council's Pay Policy Statement for 2020/21 is attached at Appendix F for approval.

⁶ A full list of earmarked reserves can be found at page 59 of the Annual Report and Accounts 2018/19

9 CAPITAL PROGRAMME 2019/20 TO 2022/23

- 9.1 The Capital Programme is a key mechanism for the Council to achieve its objectives and enhance services for Borough residents. Officers have been reviewing existing projects and the potential for new projects as part of Budget preparation. The financial analysis in this report has compared current forecasts of expenditure against the capital budgets set in the February 2019 Budget.
- 9.2 The current programme was agreed by Council in February 2019. Expenditure to take place in this financial year has been reviewed against the Budget agreed and plans have been updated accordingly; including making provision for expenditure in future years where this is required. The refreshed financial profile for existing projects is detailed at Appendix D. Key movements are outlined below, by Board:

Existing Projects

Policy & Organisation Board

- a) The NNDR system is now planned to take place in 2020/21; thereby shifting proposed expenditure of £144k from this financial year into 2020/21;
- b) Additional IT System upgrades; will add £100k of cost into 2020/21. This will address required updates for payment collection systems and also for geospatial software (required to support local planning and other services);

Economic Development Board

- c) Intensive work has taken place to examine how the former MOD Daedalus site could be regenerated with particular emphasis on commercial and industrial uses for the site. This work, as yet, has not provided a viable solution despite detailed studies involving the Council, Solent LEP, Homes England and other partners. It is estimated that £100k will be spent in this financial year with a further £25k per annum in the next three financial years to continue feasibility work and engagement with relevant partners;
- d) The viability of regenerating the waterfront area by the Gosport Bus and Ferry terminals continues to be examined. This work has been successful in outlining a number of options for redevelopment; including in the context of broader Town Centre regeneration. The project had a total budget of £1,299k for this financial year, which will be utilised as follows (incorporating a minor underspend):
- i. £987k to be spent in 2020/21 as a match funding contribution from the Council to support Town Centre regeneration activity with Hampshire County Council and the Solent LEP; and
 - ii. £200k over the following two financial years to enable marketing activity of the bus depot site for further development in line with the feasibility studies undertaken.
- e) There is a £250k budget for Heritage Action Zone (HAZ) funding. This will be utilised for a D Day war memorial (£50k) in this financial year with the remainder for further HAZ feasibility work, as well as funding for a footbridge between the Bastion South banking and Millennium Promenade; and

- f) Work to upgrade and maintain the Forton Lake bridge has been completed; with in-year expenditure of £280k which incorporates slippage from previous years due to the complexity of the works required;

Community Board

- g) Work is underway to develop the Alver Valley via the building of a café, which will open in Spring 2020 and which will provide income to the Council; this scheme will incur £500k expenditure in 2019/20 and £71k in 2020/21. In addition, work is also underway to develop a Garden Centre to open in the following Spring, also providing material income to the Council, with expected costs of £159k in this financial year for detailed feasibility and project management;
- h) Work, alongside a range of partners, is underway to develop and improve Flood Defences in the Borough. This programme represents the latest assessment of progress and cost; the Alverstoke scheme will incur just under £100k of expenditure in 2019/20 and a further £422k in 2020/21. The Forton scheme will incur £81k cost in 2019/20 and £497k in 2020/21. The Seafield scheme will expend £133k in 2019/20 with provision of £2,777k in the later years (of which £1,107k will be met by other partners). The Council continues to work positively with its Flood Prevention partners to secure additional external funds for these schemes;
- i) Work has also completed, in time for the 2019 summer holidays on the Lee-on-Solent Splash Park; this is projected to incur £430k of cost in this financial year;
- j) The Council receives every year from Central Government a grant to support residents to adapt homes for required Disabled Facilities. Expenditure is linked to demand for the adaptations which is lower than the grants provided by Government; as such our projection for expenditure this year is £600k compared to £737k in the February budget;
- k) Every year, the Council procures new residential properties to support demand for social and affordable housing in the borough. On average the Council procures 6 to 10 houses or dwellings per annum and we are projecting expenditure of £1,458k in this financial year. After 2019/20; we will no longer procure properties as the Council will instead (as detailed below) begin a social housing building programme to add to its existing stock; and
- l) There is an existing project to refurbish the Gosport Ice Rink which requires £67k of funds in FY 2020/21 to contribute to improvements at this important leisure site.

Future Projects

- 9.3 The capital programme for next financial year and beyond has a number of new proposals that reflect the priorities for Gosport and its residents, across a wide range of areas. These include:

Economic Development Board

- a) The Council was recently successful in obtaining agreement in principle from the Ministry of Housing, Communities and Local Government (MHCLG) for a grant of £1,800k for HAZ Town Centre projects. Officers are currently working with MHCLG to definitively secure the funding and to allocate it to related projects. The aim of these projects is to support regeneration of culturally significant sites in the centre of Gosport but also, in doing so, enhancing their viability in supporting local economic growth. At present £1,100k of the £1,800k is required for capital projects relating to:
- i. Development of High Street Shop frontage;
 - ii. Development of the former Grammar School building, working alongside Hampshire Cultural Trust (HCT);
 - iii. Royal Arms development; and
 - iv. The Gosport Museum and Art Gallery.

Community Board

- b) The Community Board agreed in September 2019 to propose six projects for inclusion into the capital programme that would improve existing play and leisure facilities in open spaces across the Borough, such as in Walpole Park. These have been included in the proposed programme; with £53k for expenditure in this financial year (2019/20) and the remaining budget (£623k) in 2020/21. A further £45k (in 2020/21) will be utilised for Health and Wellbeing equipment in Stanley Park;
- c) Officers are examining how to make the existing grounds maintenance services, currently run by Sodexo, more efficient and effective. This includes consideration of bringing these services back in-house; potentially to include undertaking a broader range of services than currently offered by Sodexo and thereby enabling revenue savings. To enable this option, if this decision is taken, £634k of capital funds has been earmarked for the procurement of relevant equipment and machinery;
- d) Gosport requires a new cemetery to provide additional capacity in the Borough; importantly continuing to ensure that residents in the Borough have the choice to be buried in the Borough in the future if that is their wish. The scheme is in its early stages but we have provisioned £580k for the new cemetery;
- e) Following the successful opening of the Lee-on-Solent Splash Park, a new project has been added to the capital programme to refurbish the Stokes Bay splash park; at a projected cost of £250k. This will enable operational resilience of the site;
- f) The existing capital programme includes provision for three flood defence schemes at Seafield, Forton and Alverstoke. There is a requirement for a fourth scheme to enhance existing flood defences at Stokes Bay, which have been severely damaged in recent storms and are in danger of collapse. The Stokes Bay road and local area would require extensive remedial action in the event of severe flooding; as such the Council is in discussions with Hampshire County Council (HCC), the Environment Agency and our Flood Prevention partners to identify funding sources alongside Council resources. At present, until detailed

feasibility studies have been completed, we have earmarked £500k for this work to be partially funded by our Community Infrastructure Levy (CIL) funds; and

- g) The Council is keen to increase the availability of social and affordable housing in the Borough; particularly to address our current need for 1 and 2 bed properties and also properties that are adapted for residents with disabilities. The Council has identified a large number of Council owned sites that, over the next three years, could to our existing stock. Work is underway to develop a housing project to enable this house building programme and we have earmarked £7,600k over the next three years to enable a building programme. This will be financed via our existing HRA reserves, HRA revenue contributions and also Right to Buy receipts. Officers are in discussion with Homes England and others to seek access to Central Government grants for this important work.

9.4 The revised programme facilitates a further £8m of expenditure (total programme cost of £39m compared to £31m in February 2019). This additional expenditure will be predominantly funded by:

- a) Increasing borrowing by just over £1.3m to finance schemes that provide for reduced costs in the General Fund and / or enhanced income (such as the new cemetery and the equipment required for Grounds Maintenance);
- b) Utilising Community Infrastructure Levy (CIL) funds of £0.6m;
- c) Other grants and contributions increasing by £0.4m, in particular the HAZ grant from MHCLG (partly offset by reducing use of our Disabled Facilities grant);
- d) To fund our social housing building programme; from transfers into the HRA capital programme from HRA revenue contribution and reserves totalling £5m; and
- e) Also using a further £0.6m of HRA reserves to part fund the Seafield flood protection scheme.

9.5 There can be a direct impact on revenue budgets arising from the Capital Programme both positive and negative. All revenue implications arising from the Capital Programme have been taken into account in the proposed Budget 2020/21 and the forecasts for future years.

9.6 In the current climate, it is important that the Council directs its available capital resources in a balanced way towards both essential service provision as well as regeneration activities and invest to save schemes. Investing in regeneration and schemes that stimulate employment is likely to improve overall prosperity within the Borough, reducing the need for Council services which better enables savings to be made. Additionally, increased employment has a positive financial impact on the Council's funding from Business Rates which will support the Council's future viability and the sustainability of high quality services to residents.

9.7 The amount of capital expenditure funded through borrowing continues to be strictly controlled since it must be demonstrated that the revenue consequences are affordable in line with the Prudential Code, in practice this means that borrowing can only be used for "Invest to Save" schemes where the saving is identifiable and can be removed from the Council's Revenue Budget.

10 CONCLUSION

- 10.1 The proposed Budget 2020/21 of £10,282,110 is balanced, has been prepared on the basis of a council tax increase of £5. It is also consistent with the need to balance spending with income and funding over the medium term.
- 10.2 The Council's future forecasts require that savings of £1.7m, either through reduced costs and / or additional income will be required over the next 3 years. It is proposed that these savings be phased at £0.57m per annum from 2021/22 to 2023/24 inclusive in order to provide for a broadly evenly managed programme to be implemented over the period. There are opportunities for this to be achieved by pursuing the Council's MTFS designed to stimulate the tax base (Council Tax and Business Rates), income generation opportunities, service reviews and continued joint working with partners.
- 10.3 Significant risks to the Council's future funding still remain over the next 3 years, particularly relating to the future operation of the Business Rates system and the 75% Business Rate Retention Scheme to be potentially implemented in 2021/22 with the continuing risks of Business Rate appeals. A Comprehensive Spending Review is likely to take place this summer which will hopefully provide greater certainty for financial planning. The Council's forecast of a 3 year deficit of £1.7m is a central (or "base case") assumption which could realistically change by +/- £0.3m and is a key reason why the Council's Reserves need to be retained at adequate levels.
- 10.4 The proposed Budget for 2020/21 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, with Reserves at this level, the overall financial health of the Council is currently sound providing a good degree of resilience against an uncertain future.

Financial Implications:	All of the financial implications associated with the recommendations are described within the body of the report.
Legal Implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan:	The budget submissions reflect both service improvement plans and the corporate plan. The report includes an assessment of the risks in the Council's budget and forward projections as described in Section 12.
Risk Assessment:	
Background papers:	Budget Book Budget working papers Capital Programme 2019/20 to 2021/22

Appendices/Enclosures:	A. General Fund Budget 2020/21 B. General Fund Forecast to 2023/24 C. Summary of Service Board Budgets 2020/21 D. Capital Programme 2019/20 to 2022/23 E. Prudential Indicators F. Pay Policy 2020/21
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Appendix A

GENERAL FUND BUDGET

SUMMARY OF REVISED 2019/20 AND ESTIMATE 2020/21

	ORIGINAL 2019/20 £'000	REVISED 2019/20 £'000	ESTIMATE 2020/21 £'000
GENERAL FUND BUDGET			
COMMUNITY BOARD	5,608	5,905	5,983
ECONOMIC DEVELOPMENT BOARD	959	1,015	966
POLICY AND ORGANISATION BOARD	3,880	3,682	3,333
TOTAL NET EXPENDITURE	10,447	10,602	10,282
REVENUE CONTRIBUTION TO CAPITAL	0	74	487
TRANSFER TO/(FROM) RESERVES			
GENERAL FUND WORKING BALANCE	110	110	0
REVENUE FINANCING RESERVE	(160)	(391)	(196)
STABILITY AND RESILIENCE RESERVE	66	32	1
BUDGET TOTAL	10,463	10,427	10,574
FINANCED BY			
COUNCIL TAX	(6,135)	(6,135)	(6,216)
GOVERNMENT GRANTS	(655)	(654)	(457)
BUSINESS RATES	(3,675)	(3,640)	(3,900)
FUNDING TOTAL	(10,465)	(10,429)	(10,573)
BALANCES			
GENERAL FUND WORKING BALANCES			
B/FWD	890	890	1,000
CHANGE	110	110	0
C/FWD	1,000	1,000	1,000
REVENUE FINANCING RESERVE			
B/FWD	4,104	4,104	3,713
CHANGE	(160)	(391)	(196)
C/FWD	3,944	3,713	3,517
STABILITY AND RESILIENCE RESERVE			
B/FWD	2,028	2,028	2,060
CHANGE	66	32	1
C/FWD	2,094	2,060	2,061

Appendix B

GENERAL FUND PROJECTION TO 2023/24			
	2021/22 £'000	2022/23 £'000	2023/24 £'000
A 2020/21 BASE BUDGET	10,033	10,033	10,033
B BUDGET INCREASES / (DECREASES)			
PENSIONS	22	44	367
INFLATION	371	796	1,229
MRP	35	127	198
INTEREST	70	111	110
ELECTIONS	(53)	52	45
LOCAL DEVELOPMENT PLAN	46	(59)	(39)
INSURANCE	(75)	(76)	(77)
PROPERTY INCOME	(19)	(24)	(24)
FEES AND CHARGES	(30)	(36)	(36)
WASTE RECYCLING	290	293	296
	657	1,228	2,069
C PROJECTED BUDGET TOTALS (A+B)	10,690	11,261	12,102
D FUNDING			
COUNCIL TAX (SEE BELOW)	(6,413)	(6,593)	(6,778)
GOVERNMENT GRANTS (SEE BELOW)	(431)	(376)	(362)
BUSINESS RATES (SEE BELOW)	(3,302)	(3,284)	(3,249)
CONTRIBUTION TO / (FROM) RESERVES	0	0	0
	(10,146)	(10,253)	(10,389)
E BUDGET DEFICIT (C+D)	544	1,008	1,713
COUNCIL TAX			
COUNCIL TAX BASE	27,202.1	27,385.1	27,580.1
COUNCIL TAX - BAND D	£235.75	£240.75	£245.75
COUNCIL TAX INCOME	(6,413)	(6,593)	(6,778)
GOVERNMENT GRANTS			
REVENUE SUPPORT GRANT	0	0	0
NEW HOMES BONUS	(69)	(14)	0
BENEFITS ADMINISTRATION GRANT	(362)	(362)	(362)
GOVERNMENT GRANTS	(431)	(376)	(362)
Savings to meet budget requirement	Revised Underlying Deficit	In Year Target	Revised Cumulative Saving
YEAR 1 (2020/21)	544	570	570
YEAR 2 (2021/22)	1,008	570	1,140
YEAR 3 (2022/23)	1,713	570	1,710
BUSINESS RATES			
NNDR1	(6,637)	(6,975)	(7,169)
COLLECTION FUND (SURPLUS) / DEFICIT	0	0	0
EZ	(374)	(138)	0
TARIFF	4,871	4,968	5,068
S.31 GRANTS	(1,042)	(1,062)	(1,084)
RETURNED BRRS SURPLUS	(190)	(190)	(190)
LEVY	70	113	126
BUSINESS RATES	(3,302)	(3,284)	(3,249)
	0	0	0

Appendix C

OVERVIEW OF GENERAL FUND BOARD REVENUE BUDGETS 2020/21

1. All members have been issued with a draft budget book for 2020/21 that while primarily containing the Council's General Fund (GF) budgets by Board and Service also contains the Housing Revenue Account (HRA) budgets within Community Board and a summary of the Capital Programme by scheme. This Appendix provides an overview of the GF budgets
2. Each of the three Board budgets comprise a number of services, each service in turn comprises of a number of managerial 'cost centres' which facilitate the management and delivery of services by budget holders and managers
3. Board budgets may be presented by the individual services (e.g. Parking, Waste etc.) as in the budget book and may also be presented by the type of service expense that are incurred (e.g. Premises, Transport etc.). These types of service expense are set down nationally for local authorities to follow.
4. The tables below show the each of the Council's spending Boards, firstly by their services as contained in the budget book and secondly by the type of expense.

APPENDIX C cont.

COMMUNITY BOARD - BY SERVICE	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,607,610	5,904,530	5,983,180	296,920	78,650	375,570
LEISURE & CULTURE	2,192,950	2,332,200	2,274,190	139,250	(58,010)	81,240
WASTE	1,354,690	1,400,180	1,510,110	45,490	109,930	155,420
STREETSCENE	359,310	453,410	592,810	94,100	139,400	233,500
COMMUNITY SAFETY	369,410	294,120	301,500	(75,290)	7,380	(67,910)
ENVIRONMENTAL SERVICES	520,160	467,260	446,230	(52,900)	(21,030)	(73,930)
MISC ENVIRONMENTAL & TRANSPORT	515,810	623,970	536,760	108,160	(87,210)	20,950
CEMETERY	(30,780)	(19,350)	(19,310)	11,430	40	11,470
HOME ADAPTATION GRANTS	7,540	13,070	12,910	5,530	(160)	5,370
PRIVATE SECTOR HOUSING	71,420	78,150	77,170	6,730	(980)	5,750
HOMELESSNESS	341,650	350,570	355,350	8,920	4,780	13,700
OTHER GENERAL FUND HOUSING	(94,550)	(89,050)	(104,540)	5,500	(15,490)	(9,990)

COMMUNITY BOARD BY TYPE OF EXPENSES	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,607,610	5,904,530	5,983,180	296,920	78,650	375,570
EXPENDITURE	10,112,350	10,245,270	10,313,240	132,920	67,970	200,890
EMPLOYEES	26,120	25,560	26,130	(560)	570	10
PREMISES	691,470	964,580	781,580	273,110	(183,000)	90,110
TRANSPORT	9,660	9,720	9,720	60	-	60
SUPPLIES & SERVICES	1,688,990	1,748,460	1,749,650	59,470	1,190	60,660
THIRD PARTY PAYMENTS	4,236,600	4,232,140	4,325,150	(4,460)	93,010	88,550
TRANSFER PAYMENTS	202,000	236,410	236,410	34,410	-	34,410
SUPPORT SERVICES	2,342,500	2,112,900	2,269,100	(229,600)	156,200	(73,400)
CAPITAL/FINANCING	915,010	915,500	915,500	490	-	490
INCOME	(4,504,740)	(4,340,740)	(4,330,060)	164,000	10,680	174,680
FEES & CHARGES	(3,666,470)	(3,499,380)	(3,486,720)	167,090	12,660	179,750
NON FEES & CHARGES	(838,270)	(841,360)	(843,340)	(3,090)	(1,980)	(5,070)

APPENDIX C cont.

ECONOMIC DEVELOPMENT BOARD BY SERVICE	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	959,210	1,015,120	966,040	55,910	(49,080)	6,830
ECONOMIC PROSPERITY	215,070	272,020	264,840	56,950	(7,180)	49,770
MARKET	(17,630)	(11,640)	(8,540)	5,990	3,100	9,090
TOWN HARBOUR FORESHORE	216,560	217,470	218,970	910	1,500	2,410
EVENTS	83,230	56,440	63,250	(26,790)	6,810	(19,980)
PROPERTIES	179,590	179,450	137,870	(140)	(41,580)	(41,720)
MARKETING AND TOURISM	178,390	169,880	196,250	(8,510)	26,370	17,860
LOCAL DEVELOPMENT FRAMEWORK	104,000	131,500	93,400	27,500	(38,100)	(10,600)

ECONOMIC DEVELOPMENT BOARD BY TYPE OF EXPENSES	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	959,210	1,015,120	966,040	55,910	(49,080)	6,830
EXPENDITURE	1,199,270	1,282,110	1,231,090	82,840	(51,020)	31,820
EMPLOYEES	-	500	600	500	100	600
PREMISES	176,880	204,350	188,190	27,470	(16,160)	11,310
TRANSPORT	700	700	700	-	-	-
SUPPLIES & SERVICES	337,120	467,350	348,200	130,230	(119,150)	11,080
THIRD PARTY PAYMENTS	57,730	74,810	76,400	17,080	1,590	18,670
TRANSFER PAYMENTS	-	-	-	-	-	-
SUPPORT SERVICES	412,450	324,100	406,700	(88,350)	82,600	(5,750)
CAPITAL/FINANCING	214,390	210,300	210,300	(4,090)	-	(4,090)
INCOME	(240,060)	(266,990)	(265,050) ✓	(26,930) ✓	1,940 ✓	(24,990)
FEES & CHARGES	(163,170)	(152,990)	(179,460)	10,180	(26,470)	(16,290)
NON FEES & CHARGES	(76,890)	(114,000)	(85,590)	(37,110)	28,410	(8,700)

APPENDIX C cont.

POLICY AND ORGANISATION BOARD BY SERVICE	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,880,290	3,683,470	3,332,890	(196,820)	(350,580)	(547,400)
REGISTRATION OF ELECTORS	242,090	244,810	233,310	2,720	(11,500)	(8,780)
LOCAL LAND CHARGES	23,730	22,860	26,310	(870)	3,450	2,580
HOUSING BENEFITS	754,580	580,300	724,500	(174,280)	144,200	(30,080)
LOCAL TAXATION	283,010	299,410	332,450	16,400	33,040	49,440
DEVELOPMENT SERVICES	870,500	852,190	968,850	(18,310)	116,660	98,350
LICENSING & REGISTRATION	42,100	38,580	35,960	(3,520)	(2,620)	(6,140)
ASSISTANCE TO VOLUNTARY ORGS	218,170	218,170	253,170	-	35,000	35,000
CORPORATE & CIVIC EXPENSES	1,087,000	1,155,490	1,112,700	68,490	(42,790)	25,700
MISCELLANEOUS SERVICES	1,065,070	1,070,640	466,770	5,570	(603,870)	(598,300)
OTHER CORPORATE AREAS	(705,960)	(798,980)	(821,130)	(93,020)	(22,150)	(115,170)

POLICY AND ORGANISATION BOARD BY TYPE OF EXPENSES	Orig Budget 19/20	Revised Budget 19/20	Original Estimate 20/21	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,880,290	3,683,470	3,332,890	(196,820)	(350,580)	(547,400)
EXPENDITURE	33,572,390	29,151,650	28,760,610	(4,420,740)	(391,040)	(4,811,780)
EMPLOYEES	874,620	931,590	298,500	56,970	(633,090)	(576,120)
PREMISES	1,350	9,480	9,550	8,130	70	8,200
TRANSPORT	5,640	6,900	6,840	1,260	(60)	1,200
SUPPLIES & SERVICES	941,690	890,400	733,650	(51,290)	(156,750)	(208,040)
THIRD PARTY PAYMENTS	304,000	306,890	293,490	2,890	(13,400)	(10,510)
TRANSFER PAYMENTS	26,031,680	21,839,100	21,983,400	(4,192,580)	144,300	(4,048,280)
SUPPORT SERVICES	4,085,770	4,024,290	4,201,480	(61,480)	177,190	115,710
CAPITAL/FINANCING	1,327,640	1,143,000	1,233,700	(184,640)	90,700	(93,940)
INCOME	(29,692,100)	(25,468,180)	(25,427,720)	4,223,920	40,460	4,264,380
FEES & CHARGES	(479,210)	(490,610)	(474,750)	(11,400)	15,860	4,460
NON FEES & CHARGES	(29,212,890)	(24,977,570)	(24,952,970)	4,235,320	24,600	4,259,920

Appendix D

CAPITAL PROGRAMME 2019/20 TO 2022/23 COMMUNITY BOARD - HOUSING (HRA)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
1	IMPROVEMENTS TO HOUSING STOCK	-	-	3,300	4,000	3,300	3,300
2	PURCHASE OF PROPERTIES	-	-	1,458			
	NEW BUILD	7,630			1,000	2,540	4,090
	Board Total			4,758	5,000	5,840	7,390

Project costs funded by GBC			
2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
3,300	4,000	3,300	3,300
1,458			
	1,000	2,540	4,090
4,758	5,000	5,840	7,390

CAPITAL PROGRAMME 2019/20 TO 2022/23 COMMUNITY BOARD - HOUSING (GENERAL FUND)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
1	DISABLED FACILITIES	-	-	600	600	600	600
	Board Total			600	600	600	600

Project costs funded by GBC			
2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000

**CAPITAL PROGRAMME 2019/20 TO 2022/23
COMMUNITY BOARD - NON HOUSING**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Project costs funded by GBC			
								2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
1	ALVER VALLEY COUNTRY PARK	1,636	1,065	500	71			279	71		
2	GRANGE FARM GATEWAY	310		159	64	47	40	159	64	47	40
4	FORTON COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	683	105	81	497						
5	ALVERSTOKE COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	632	117	93	422						
6	SEAFIELD COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	3,057	147	133	5	1,457	1,315			878	792
7	HILL HEAD TO PORTSMOUTH HARBOUR ENTRANCE BEACH MANAGEMENT PLAN	92	90	2							
8	CAR PARK RESURFACING & UPGRADING	-	-	138				138			
9	PROVIDE LIGHTING TO PATHWAYS WITHIN LEISURE PARKS, GARDENS & OPEN SPACES	247	35		212				50		
10	PUBLIC CONVENIENCES REFURBISHMENT	462	346	116				116			
11	PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES	175	77	46	52			46	52		
12	ESSENTIAL PAVING IMPROVEMENTS & UPGRADES	105	5		100				100		
13	STOKES BAY - WET & DRY PLAY AREA	399	374	25				25			
14	STANLEY PARK - PHASED REFURBISHMENT	72	48	24				24			
15	RENEW INTERPRETATION BOARDS ACROSS THE BOROUGH	31	7	24				24			
16	ICE RINK REFURBISHMENT & IMPROVEMENT	105	38		67				67		
17	COCKLE POND - WATER CIRCULATION SCHEME	100			100				100		
18	COCKLE POND - FOOTWAY REPAIRS	180			100	80			100	80	
19	COMMUNITY SPACE MANOR WAY	145	54		91				91		
20	PARHAM ROAD - FLOOD MEASURES	25			25				25		
21	STOKES BAY ROAD, EAST AND WEST CAR PARKS - DRAINAGE UPGRADE	40		40				40			

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Project costs funded by GBC			
								2019/20	2020/21	2021/22	2022/23
								£'000	£'000	£'000	£'000
22	CAR PARK TICKET MACHINES - PHASED UPGRADE OF ALL MACHINES	221	139	49	33			49	33		
23	LEESLAND ROAD PLAY AREA - REFURBISHMENT	81			81				81		
24	ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED	65	10	55				55			
25	LEE-ON- SOLENT SPLASH POOL	648	218	430				430			
26	STOKES BAY HOME PARK - UPPER SITE STORE SHED REPLACEMENT	84			84				84		
27	BROOKERS FIELD - ROOF REPLACEMENT	40			40				40		
28	TUKES AVENUE OPEN SPACE - PLAY ZONE	120			120						
29	STOKES BAY - GYM EQUIPMENT	45		18	18	9					
30	NOBES AVENUE OPEN SPACE - NEW PAVILLION	350			350						
31	WALPOLE PARK - INCLUSIVE PLAY ZONE	135			135						
32	GRANGE FARM - OFFICE REFURBISHMENT	35		35							
33	SPLASH PARK - STOKES BAY	250				250				250	
34	PLAY AREA - KINGS ROAD	100				100				100	
35	STOKES BAY SEAWALL	500			250	250			50	250	
36	BRIDGEMARY BOWLING GREEN	15			15				15		
37	FORTON BOWLING GREEN	10			10				10		
38	ELMORE LAKE - WATER RETENTION WORKS	70			70				70		
39	PROVISION OF A NEW CEMETERY	580			65	65	450		65	65	450
40	GROUNDS MAINTENANCE SERVICE - PURCHASE OF EQUIPMENT AND MACHINERY	634			460		174		460		174
41	LEISURE CENTRE CHANGING PLACES FACILITIES	50			50				50		
	Board Total			1,968	3,587	2,258	1,979	1,385	1,678	1,670	1,456

**CAPITAL PROGRAMME 2019/20 TO 2022/23
ECONOMIC DEVELOPMENT BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Project costs funded by GBC				
								2019/20	2020/21	2021/22	2022/23	
								£'000	£'000	£'000	£'000	
1	WATERFRONT REGENERATION	1,485	198	100	987	100	100	100				
2	ALVERBANK HOTEL - EXTERNAL REPAIRS & REDECORATION	70	22	48				48				
3	FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS & ELECTRICAL UPGRADE	406	126	280				280				
4	DAEDALUS REGENERATION	543	367	101	25	25	25	101	25	25	25	25
5	CHRISTMAS LIGHTS	25		25				25				
6	HERITAGE ACTION ZONE (FEASIBILITY STUDIES/MATCH FUNDING)	250		50	200			50	200			
7	GOSPORT MUSEUM & GALLERY (CAPITAL GRANT)	100			30	70						
8	HAZ TOWN CENTRE PROJECTS	1,000			200	400	400					
	Board Total			604	1,442	595	525	604	1,212	125	125	

**CAPITAL PROGRAMME 2019/20 TO 2022/23
POLICY & ORGANISATION BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
1	CCTV - REPLACEMENT & UPGRADES	-	-		15	15	15
2	IT - PC REPLACEMENT PROGRAMME	-	-	30		5	5
3	IT - SERVER REPLACEMENT	-	-	65	40	40	40
4	IT - SYSTEM UPGRADES	-	-	39	160	40	40
5	TOWN HALL MAJOR REPAIRS - ELECTRICS	-	-	18	10	10	10
6	TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS	-	-	30	15	15	15
7	TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY	-	-	19	10	10	10
8	TOWN HALL MAJOR REPAIRS - ADAPTIONS	-	-	27	15	15	15
9	FINANCE SYSTEM UPGRADE	-	-	15		65	
10	IT - GENERAL DATA PROTECTION REGULATION (GDPR) UPGRADES	-	-	7	10		
11	REPLACEMENT OF NNDR SYSTEM	144	-		144		
12	DIGITAL STRATEGY (CHANNELSHIFT)	148	13	33	102		
13	DESKTOP UPGRADE	80	-	80			
	Board Total			363	521	215	150

Project costs funded by GBC			
2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
	15	15	15
30		5	5
65	40	40	40
39	160	40	40
18	10	10	10
30	15	15	15
19	10	10	10
27	15	15	15
15		65	
7	10		
	144		
33	102		
80			
363	521	215	150

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
	Total Capital Programme			8,293	11,150	9,508	10,644

Project costs funded by GBC			
2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
7,110	8,411	7,850	9,121

SUMMARY FINANCING STATEMENT

	2019/20 £,000	2020/21 £,000	2021/22 £,000	2022/23 £,000	Total £'000
<u>EXTERNAL RESOURCES</u>					
SPECIFIC CAPITAL GRANTS - GF	600	830	1,070	1,000	3,500
DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF	221	402			623
DEVELOPER CONTRIBUTIONS - CIL	53	583	9		645
OTHER GRANTS AND CONTRIBUTIONS - GF	309	924	579	523	2,335
<u>LOCAL RESOURCES</u>					
DEPRECIATION - HRA	3,018	3,018	3,018	3,018	12,072
REVENUE CONTRIBUTION - HRA	282	982	282	1,609	3,155
RESERVES - HRA	1,458	1,000	2,540	2,763	7,761
RESERVES - HRA (TO GF PROGRAMME)	115	115	993	892	2,115
REVENUE CONTRIBUTION - CAPITAL	74	500			574
REVENUE RESERVE FOR CAPITAL	810	161	90	475	1,536
CAPITAL RECEIPTS - GF	55	200			255
CAPITAL FUNDING REQUIREMENT - GF	1,298	2,435	927	364	5,024
TOTAL FUNDING	8,293	11,150	9,508	10,644	39,595

Appendix E

Prudential Indicators

PRUDENTIAL INDICATORS

Capital Expenditure	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund Services	2,130.0	3,535.0	6,150.0	3,668.0	3,254.0
HRA	3,687.0	4,758.0	5,000.0	5,840.0	7,390.0
Total	5,817.0	8,293.0	11,150.0	9,508.0	10,644.0

Capital Financing	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Resources	1,154.0	1,183.0	2,739.0	1,658.0	1,523.0
Local Resources (excl. borrowing)	4,663.0	5,812.0	5,976.0	6,923.0	8,757.0
Borrowing	0.0	1,298.0	2,435.0	927.0	364.0

Capital Financing Requirement	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
CFR - Non Housing	19,918.0	21,216.0	23,468.0	23,730.0	23,357.0
CFR - Housing	61,789.0	61,789.0	61,789.0	61,789.0	61,789.0
Total CFR	81,707.0	83,005.0	85,257.0	85,519.0	85,146.0
Net movement in CFR	0.0	1,298.0	2,252.0	262.0	(373.0)
Movement in CFR is represented by					
Net financing need for the year	0.0	1,298.0	2,435.0	927.0	364.0
* Less MRP/VRP/other movements	0.0	0.0	(183.0)	(665.0)	(737.0)
Movement in CFR	0.0	1,298.0	2,252.0	262.0	(373.0)

Portfolio Position	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt	73,500.0	76,000.0	80,000.0	83,000.0	83,000.0
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0
Gross Debt at 31 March	73,500.0	76,000.0	80,000.0	83,000.0	83,000.0
CFR	81,707.0	83,005.0	85,257.0	85,519.0	85,146.0
Under / (over) borrowing	8,207.0	7,005.0	5,257.0	2,519.0	2,146.0

Operational boundary	2019/20	2020/21	2021/22	2022/23
	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000
	82.1	86.1	89.1	89.1

Authorised limit	2019/20	2020/21	2021/22	2022/23
	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000
	89.8	95.3	97.7	98.0

Appendix F

GOSPORT BOROUGH COUNCIL

PAY POLICY STATEMENT

2020/21

1. Purpose

This statement is produced in accordance with Section 38(1) of the Localism Act 2011, and sets out the Council's policies relating to the pay of its workforce for the financial year 2020/21, and in particular:

- the remuneration of its Chief Officers/highest paid employees
- the remuneration of its "lowest paid employees"
- the relationship between the remuneration of its Chief Officers and those who are not Chief Officers.

2. Shared working arrangements

With effect from 1 October 2016 an arrangement was implemented with Portsmouth City Council to share management and leadership arrangements with both councils retaining their clear identities as individual councils. Under this arrangement Gosport Borough Council pays a contribution to Portsmouth City Council, the figure for 2020/21 is £160,000 plus. As a consequence there is no longer a Chief Executive as Head of Paid Service or Borough Treasurer employed directly by Gosport Borough Council. This arrangement was also extended further to other posts including the Housing Services Manager, Head of Payroll and Head of Human Resources.

3. Definitions

For the purpose of this pay policy statement, the following definitions apply.

3.1 **Pay**, in addition to salary, includes any charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.

3.2 **Chief Officer**, prior to 1 October 2016, referred to the following roles within the Council:

- Chief Executive, as Head of Paid Service,
- Borough Solicitor and Deputy Chief Executive (who is also the Council's Monitoring Officer),
- Borough Treasurer,
- Housing Services Manager

In addition, in accordance with the definition set out in the Localism Act and the Government's statutory guidance, this term for this purpose also refers to those officers who report directly to the statutory or non-statutory officers, i.e. the following Section Heads:

- Head of Policy and Community Safety
- Head of IT
- Head of Finance
- Head of Local Taxation
- Head of Internal Audit
- Head of Housing
- Property Services Manager
- Housing Needs and Advice Manager
- Neighbourhood Operations Manager
- Borough Solicitor & Monitoring Officer
- Head of Electoral Services & Emergency Planning
- Head of Customer Services and Civics
- Senior Democratic Services Officer
- Assistant to the Chief Executive & Head of Planning and Regeneration

- Development Manager
- Planning Policy Manager
- Conservation Manager
- Economic Development & Regeneration Manager
- Head of Human Resources
- Head of Payroll
- Head of Streetscene
- Head of Housing Benefits, Procurement and Insurance

3.3 **Lowest paid employees** refers to those employees employed at the lowest grade level (Grade 1) of the Council's pay framework. This definition has been adopted because this is the lowest pay level in the Council, excluding Apprentices.

3.4 **Employees who are not Chief Officers** refers to all employees who are not covered by the Chief Officer group indicated at 3.2.

3.5 **Highest paid employee** will refer to the highest paid individual in Gosport Borough Council following the introduction of the shared working arrangement from 1 October 2016. This reflects the individual not responsible for directing the organisation but who receives the highest remuneration, due to the specialist skills or expertise held.

4. Pay framework and remuneration levels

4.1 General Approach

The Council recognises the need to exercise the greatest care in managing scarce public resources. The level of remuneration is a very important factor in both recruitment and retention of high quality employees dedicated to fulfilling the Council's business objectives and delivering services to the public, but this has to be balanced by ensuring remuneration is not, nor seen to be, unnecessarily excessive. Each council faces its own unique challenges and retains flexibility to cope with various circumstances.

Gosport Borough Council is aware that its pay levels for the Chief Executive and statutory and non-statutory Chief Officers have been low in comparison with the other authorities in the region, and nationally. The situation is kept under regular review.

The Government considers that large salary packages for new appointments, which should be considered by full Council, are those above the threshold of £100,000. In accordance with the revised guidance issued in February 2013, a lower threshold of £95,000 is used for this Council.

4.2 Responsibility for decisions on remuneration

Statutory and non-statutory Chief Officers of this Council are covered by the Joint National Council for Local Authorities' Conditions of Service for Chief Executives and Chief Officers; the JNC terms and conditions are incorporated in contracts of employment.

Any corporate changes to pay or grading for these officers are considered by the Council's Policy and Organisation Board.

Section Heads as listed at 3.2 and employees who are not Chief Officers are covered by the NJC for Local Authorities' Services Conditions of Service. The level of pay is determined in accordance with national pay scales. Any changes to the formally agreed terms or conditions for all staff are considered by the Council's Policy and Organisation Board.

4.3 Salary Grades and Grading Structure

The Council's grading structure for Section Heads and all employees who are not Chief Officers consists of one spot point salary and 14 grades – grades within the pay scales are allocated to posts through the national job evaluation scheme, thus ensuring fairness and equality in the

application of pay. The allocation of a spot salary or grade depends on the nature and complexity of the job and the consequent need for a learning curve, and progression within grades is normally by annual increments, subject to satisfactory performance.

Section Heads listed at 3.2, who report directly to statutory and non-statutory Chief Officers also listed in that paragraph, are responsible for a particular function, with some employees at a lower level (e.g. secretarial) also reporting direct to statutory or non-statutory Chief Officers. Grades for Section Heads vary from grade 9 to grade 14 within the structure (attached), depending on the level of duties and responsibilities of each post and as evaluated in accordance with the national scheme.

Grade	Salary with effect from 1 April 2019 (subject to change once the 2020 pay award is agreed)
1	£17,364 - £17,711
2	£17,711 - £18,426
3	£18,795 - £19,171
4	£19,554 - £21,166
5	£21,589 - £23,836
6	£24,799 - £26,999
7	£27,905 - £31,371
8	£32,029 - £36,876
9	£37,849 - £41,675
10	£42,683 - £45,591
11	£46,549 - £49,425
12	£50,410 - £53,493
13	£54,562 - £59,622
14	£61,411 - £67,104

The lowest paid employees within the authority, i.e. those whose posts have been evaluated at the lowest grade, which is grade 1. Apprentices are paid outside of the pay grades based on the Authority's Apprenticeship rate.

The highest paid employee post 1 October 2016 is a Section Head (£37,849 to £67,104). Additional supplements are applicable for any employees managing other employees from other local authorities, see section 8 below. The comparison between the lowest paid and the highest paid is 3.9:1.

The highest paid salary, at the top of the grade is, 2.6 times the median average salary (£25,804) of the whole workforce. This is considered to be a fair and reasonable pay multiple, striking an appropriate balance which recognises the need to adequately recompense the different levels of duties and responsibilities. The reduction in the pay multiple is reflective of the removal of several senior posts within the Council and the introduction of shared working practices.

Increases in pay are made in accordance with national pay negotiations; there are separate negotiations for statutory and non-statutory Chief Officers. Section Heads pay will be increased with any pay increase agreed nationally in line with national negotiations.

4.4 Remuneration – level and elements

In considering pay, the Council takes into account market rates, individual performance and the need for equality and consistency in the way grades are applied.

5.0 Chief Officers

Statutory and non-statutory Chief Officers are not covered by the Council's job evaluation scheme and do not therefore receive any increase in grade where duties and responsibilities increase.

Given the significant reduction in the size of the Council's Management Team over recent years, there have been considerable increases in duties and responsibilities for all these officers.

Following the implementation of the shared working arrangement from 1 October 2016 changes in pay for Chief Executive or Chief Officers are no longer applicable.

6.0 Other Officers

The salaries of Section Heads and other employees who are not Chief Officers are in accordance with the national tables, with increases applied following national pay negotiations.

The only other pay increases occur where employees are progressing contractually through a grade, or where a job is re-evaluated to recognise substantial additional duties/responsibilities. The majority of the Council's staff are on the top of their grade and have not therefore received incremental progression.

7.0 Grading Structure and Progression

The Council's grades consist of incremental points, other than a few spot point salaries. The use of a grade recognises and allows for employees to gain knowledge and expertise in the job. Appointments are made on merit and on the appropriate point of the grade, taking into account the level of skills and knowledge of the successful applicant. The decision is made by the Appointment Panel; the salary applied on appointment is subject to regular monitoring, and formally reviewed through the Equal Pay Audit.

All the Council's employees are subject to the same performance management process. Whilst there is no formal performance related pay for any of the Council's officers, increments can be withheld where performance is unsatisfactory, and enhanced incremental progression or one-off honorarium payments can also apply to recognise and reward exceptional performance. The scheme covering merit increments/honoraria provides clear guidance relating to the circumstances in which such payments can be made, and the size of the payment, which must be commensurate with the work being rewarded. Such awards can only be approved by the Chief Executive, following corporate consideration, and they are centrally monitored for fairness and consistency.

8.0 Additions to Salary

The responsibility of Returning Officer attracts an additional payment once every two years on completion of the work, this being the frequency of local elections. The payment is made in accordance with the Hampshire scale of fees, and is made to whichever officer undertakes that responsibility.

There are other supplements applied to the salaries of Section Heads; for instance where a Section Head requires a practising certificate or professional membership by law in order to fulfil their contractual duties, and where a Section Head is managing the functions across more than one Council; in the latter case, a 15% supplement is applied for managing the function (and staff within it) in one additional council, and 25% where this applies to two or more councils. Supplements are also provided for additional duties on top of an existing Section Head role; such as a 15% supplement for the Head of Planning and Regeneration who is also Assistant to the Chief Executive. The only other additional payments applying to Section Heads or other employees are those recognising work out of normal hours, overtime or stand-by, in accordance with National and Local Conditions of Service.

All officers are entitled to claim an allowance for attendance at evening committee meetings, in accordance with the Council's formal Local Agreement, which depends on the amount of time involved. All officers who are nominated as "Essential" or "Casual" car users can apply for a loan from the Council to purchase a vehicle, the interest rate currently being 2.5%, in accordance with the formal Local Agreement. Car user designations are reviewed annually to consider whether

there is sufficient justification to continue the allowance. All officers of the Council have the option to join the Hampshire County Council pension scheme, which is a contributory scheme with varying rates dependent on salary level.

The following elements of remuneration are determined by corporate policies or arrangements which apply to all permanent employees of the Council, regardless of their pay level, status or grading within the Council:

Market Supplements

A Market Supplement payment may be made if there is a clear business need, supported by effective market data, where a post is difficult to recruit to or to retain key members of staff, in addition to the normal reward package.

The supplement payment will be made in strict accordance with the Recruitment and Retention Policy and will be reviewed biennially. The full Recruitment and Retention Policy will be provided on request.

The Council does not make any bonus payments.

9.0 Payments on Termination of Employment

There are no additional payments made on termination of employment, other than in situations of redundancy or early retirement. The provisions relating to such payments are set out in the Council's Statement on Early Retirement and Discretionary Payments, and the Redundancy Policy, which are approved by Policy and Organisation Board. Were there to be any severance packages beyond the threshold of £95,000, they would be subject to approval by the Council.

The provisions relating to flexible retirement, whereby an officer with sufficient service and of the appropriate age can request to take immediate payment of pension but remain in employment on less hours or in a lower graded role, are also included in the Statement referred to. Where any additional payments are required in accordance with pension provisions, these applications are subject to approval by Policy and Organisation Board. The provisions are exercised where appropriate savings can be made whilst still retaining the necessary knowledge and experience.

Early payments of pension on compassionate grounds are considered by Policy and Organisation Board and approved in very exceptional circumstances only.

Early payments of pension on medical grounds are considered in accordance with the requirements of the Pension Regulations, with advice from an independent Occupational Health Physician.

10. Re-employment of Officers

Where an officer has been made redundant or taken early retirement, staff will not normally be re-employed after retirement, although in certain circumstance it could be mutually beneficial for casual work to be undertaken where it is available. This involves work of a casual call-in nature, with no guarantee of work being offered and no obligation to agree to the request, for example to provide cover for an absent employee. The rate of pay would depend on the work being undertaken.

A former employee cannot re-join the organisation following a redundancy, in any capacity including as a contractor, consultant, a permanent or temporary member of staff or a casual worker within 12 months of their termination date. Before agreeing to any such termination, a full search is always made for any possible suitable alternatives to avoid the situation arising, but there are times when redundancies/early retirements cannot be avoided.

The Council will in such cases, as in any recruitment exercise, take the necessary action to ensure that the any future appointments are made on merit, selecting the most suitable person for the relevant post. Any necessary adjustments to pension (or payments made) would be made in accordance with the relevant Regulations.

11. Publication of Information

The Council publishes information relating to senior employees (those earning £58,200 and above as defined by the Government's transparency agenda), number of staff whose remuneration was at least £50,000, the organisation structure and grading structure, vacant posts, the pay multiple, and a range of equality data, on its website.

12. Review

This statement is reviewed on an annual basis, as required by legislation, and approved by full Council.

Associated Documents

The following documents also relate to pay, grading and retirement provisions:

Grading Structure
Statement on Early Retirement and Discretionary Payments
Redundancy Policy
Guidance on the Award of Merit Increments and Honoraria
People Management Strategy
Hampshire Election Fees 2019/20