

Board/Committee:	FULL COUNCIL
Date of Meeting:	3 FEBRUARY 2021
Title	MEDIUM TERM FINANCIAL STRATEGY & BUDGET (REVENUE & CAPITAL) 2021/22
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 2021/22 (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 for 2021/22 and the forecasts for future years considering the future outlook for both spending and funding and the likely consequences for Council services moving forward. In 2020/21 Gosport faced unprecedented financial challenges resulting from COVID which are expected to continue in 2021/22.
- 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 the Council's financial aims over the forthcoming three years in context of the current economic and financial climate and recognising the impact of COVID;
 - (b) **The Budget for 2020/21 (revised) and for 2021/22**, including recommendations for Council Tax for 2021/22;
 - (c) **Estimated Reserves** over the period 2020/21 to 2024/25;
 - (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).
- 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 2021/22 that maintains the financial health and resilience of the Council and proposes an associated increase in Council Tax for 2021/22 of £5 for a Band D Council Taxpayer (paragraph 2.4). The financial position of the Housing Revenue Account (HRA) and recommendations for rent and service charge levels for 2021/22 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 2021/22 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 2020/21 of £11,946,970 as set out in Appendix A;
- 2.2 A General Fund Budget for 2021/22 of £10,503,100 as set out in Appendix A and broken down in Appendix D;
- 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 2021/22;
- 2.5 It be noted that the Borough Treasurer Officer has determined that the Council Tax Base for the financial year 2021/22 will be 26,722.80 [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 2021/22 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£48,540,093	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£42,240,193	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£6,299,900	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)	£235.75	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
£	£	£	£	£	£	£	£
157.17	183.36	209.56	235.75	288.14	340.53	392.92	471.50

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 2021/22 we estimate that Hampshire County Council will propose 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 categories of the dwellings shown below:

Valuation Bands (Hampshire County Council)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
900.30	1,050.35	1,200.40	1,350.45	1,650.55	1,950.65	2,250.75	2,700.90

- 2.8 That it be noted that for the financial year 2021/22 the Hampshire Police & Crime Commissioner will propose 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
£	£	£	£	£	£	£	£
150.97	176.14	201.30	226.46	276.78	327.11	377.43	452.92

- 2.9 That it be noted that for the financial year 2021/22, we estimate that Hampshire & Isle of Wight 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 & Isle of Wight Fire & Rescue Authority)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
46.95	54.78	62.60	70.43	86.08	101.73	117.38	140.86

- 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 2021/22 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,255.39	1,464.63	1,673.86	1,883.09	2,301.55	2,720.02	3,138.48	3,766.18

- 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 & Isle of Wight 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 2021/22, 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 & Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2021/22 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 2020/21 to 2023/24 as set out in Appendix E is approved.
- 2.16 That the Prudential Indicators as set out in Appendix F are approved
- 2.17 That the Pay Policy Statement 2021/22 as set out in Appendix G is approved

Members should note that:

- 2.18 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.
- 2.19 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.

2.20 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.

3. MEDIUM TERM FINANCIAL STRATEGY

Overall 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 £2.1m (+/- £0.5m arising from future uncertainty). This compares to a forecast deficit of £1.7m estimated in February 2020 and reflects the following:

- (i) The challenges posed by the COVID-19 pandemic and the lack of opportunity to fully develop and implement a savings programme consistent with the forecast savings requirement of £0.570m for 2021/22 as set out in the Budget Report in February 2020
- (j) The rolling 3 year forecast moving on a further year to now incorporate 2024/25

3.3 There remains significant uncertainty regarding the future forecast which is estimated could vary between +/- £0.5m arising from the following:

- The outcome of the forthcoming Comprehensive Spending Review
- The outcome of the Fair Funding review
- The outcome of the Business Rate Retention review
- The length and depth of any recession and the impact on employment arising from COVID-19 and therefore the extent to which Council Tax Income and Business Rates Income will rise or fall.
- The extent to which a Pensions deficit may arise on the Local Government Pension Scheme following the next triennial revaluation (and currently estimated at £0.3m per annum)

Context

Spending

- 3.4 The cost of steady state services continues to grow. The largest component of the Council's costs is staff costs (including pensions). Other significant elements of the cost base include the contracts for Urbaser and Housing related contracts and these are inflation linked.
- 3.5 Additionally, the impact of the ongoing emergency response to the COVID 19 pandemic and its legacy impact over the medium term will continue to shape the Council's spending needs in the future.

Funding

- 3.6 Over the past 10 years (since 2011/12), Central Government funding to Councils has reduced by over 40% in real terms. Future funding levels remain uncertain (as previously mentioned). Whilst Central Government has indicated that there are no plans to return to the "Austerity" measures of the past, the Council will be exposed to:
- The overhaul of the Local Government Funding system (including Business Rates Retention)
 - The economic impact of any recession
- 3.7 Whilst the outcome of the overhaul of the Local Government Funding remains uncertain, the direction of travel is expected to be a transfer of funding away from District Councils towards Upper Tier Authorities.
- 3.8 Similarly, any recessionary impact is expected to be negative but improving over the period of the forecast.
- 3.9 The forecast financial deficit for the three financial years beginning 2022/23 is outlined in the table below:

Financial Year	2022/23	2023/24	2024/25
Deficit £k	1,117	1,783	2,161

Response (Strategy)

- 3.10 The Council has a strong track record of being able to live within its means, make savings and secure financial resilience. 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 funding reductions to District Council's over the coming years, the Council's known future cost pressures and the desire to support the Borough's recovery from the pandemic, the adequacy and targeted use of reserves has never been more important.

- 3.11 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 £2.161m by 2024/25. 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.
- 3.12 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.
 - Develop partnership working to realise savings and service resilience; which will see further savings in the Environmental Health Partnership with Fareham
 - Enhance income generation from existing or new investments such as the property portfolio and financial investments; the Council's Capital Investment in the Alver Valley which will deliver new rental streams next Financial Year and the introduction of advertising sponsored media through the Gosport Commercialisation programme.
 - 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.

4 REVISED BUDGET 2020/21

- 4.1 The Budget for 2020/21 as set out in Appendix A has been revised upwards from £10,282,110 to £11,946,970. This, however, reflects 'carry forwards' of unspent budget from the prior year.
- 4.2 The key changes between the Original Budget 2020/21 and the proposed Revised Budget 2020/21 are as follows:

Expenditure 2020/21

Board and Service expenditure has been revised upwards from £10,282,110 to £11,946,970, an increase of £1,664,860

The key increases in spending / reduction in income include:

- Spending increase of £3.0m for COVID-19 related Expenditure (before government Grants)
- Offset by:
 - Government Specific Grant - Sales Fees and Charges Compensation Scheme - £0.8m
 - Universal Credit / HRA charges - £0.4m
 - Other underspendings - £0.1m

Funding 2020/21

Funding has increased, from £10,572,640, to £15,125,240, an increase of £4,552,600

This increase is due to:

- An increase in government grants of £1.3m, mainly provided to fund COVID-19 expenditure
- Additional Business Rate Grants of £2.6m received in the current year to compensate for the Expanded Retail and Nursery Relief schemes but not accounted for until 2021/22. This sum has been transferred to the Stability and Resilience Reserve to be drawn down in 2021/22 to match the period when the loss arises.
- Additional Business Rate Grants (Income Compensation Grant) of £0.4m received in the current year to compensate general losses in Business Rate income arising due to COVID-19. These losses are accounted for over the three year period 2021/22 to 2023/24 and have been transferred to a Reserve entitled "Income Compensation Scheme Reserve" to be drawn down equally over the period to match the losses.

Note:

The Variances in the budget book reflect the additional expenditure and lost income to Gosport BC from COVID-19. The additional net cost to the Council of COVID-19 overall is expected to be £0.5m and is summarised below:

- Additional Costs - £1.9m
- Lost Income - £1.1m
- Less:
- Sales Fees & Charges Grant - £0.8m
- Covid 19 Emergency Grant - £1.3m
- Universal Credit / HRA charges - £0.4m

The net costs of Covid 19 amounting to £0.5m have been met from the Revenue and Financing Reserve with no impact on operational budgets.

5. PROPOSED BUDGET 2021/22

Funding – The Provisional Local Government Finance Settlement 2021/22

5.1 The key announcements from the Provisional Local Government Finance Settlement, announced on the 20 December 2021, which are as follows:

- A 1 year Settlement only pending the forthcoming Comprehensive Spending Review
- General funding to Council has increased by inflation measured by the Consumer Price Index (CPI) at 0.55%

- A new "one-off" Lower Tier Services grant has been awarded of £106,680.
- COVID 19 Support as follows:
 - Emergency Grant for the legacy impact of COVID-19 into 2021/22 of £452,000
 - Continuation for a 3 month period of the Sales, Fees and Charges Compensation Scheme for lost income directly arising from COVID-19 (funded at circa 70% of losses)
 - A Local Council Tax Support Grant (to compensate for rises in claimant demand) of £95,000
- Council Tax increase thresholds of:
 - 2.0% or £5 for Shire District Councils
 - 2.0% for Upper Tier and Unitary Councils
 - 3.0% for Adult Social Care (Upper Tier Authorities only)
 - 2.0% for Fire & Rescue Authorities
 - £15 for Police and Crime
- Continuation and enhancement of funding for the Flexible Homelessness Support Grant and the Homelessness Reduction Grant, equating to a £120k increase of this (ring-fenced) funding for the Council.

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

Funding Stream	2020/21 (Current Year) £m	Estimate 2021/22 £m	Difference £m
Revenue Support Grant	0.0	0.0	0
New Homes Bonus	0.086	0.154	0.068
Benefits Administration Grant	0.343	0.317	-0.026
COVID Funding	1.346	0.453	-0.893
Local Council Tax Support Grant (One Off)	-	0.095	0.095
Lower Tier Services Grant	-	0.107	0.107
Total Government Grants	1.775	1.126	-0.649

5.3 All other previous funding from Central Government is routed through the level of Business Rates that the Council is able to retain. Government funding is now an increasingly small part of total Council revenue.

The final grant settlement should be available by early February, it is not expected to vary significantly from the provisional settlement and it is recommended that any variation should be accommodated by a transfer to / from the Revenue Financing Reserve.

5.4 Whilst the Local Government Finance Settlement is a significant factor in determining the Council's overall financial position and therefore any necessary savings, other

significant factors that will affect the Council's future Savings Requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government. These are described in the paragraphs that follow.

Business Rates - 2021/22 & Future Forecasts

- 5.5 The Retained Business Rates system is extremely complex and subject to a significant degree of inherent risk.
- 5.6 In broad terms, the Council currently retains 19% of all Business Rates received and this is characterised by a complex formula which includes the following:
- 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 baseline) is reduced by a "levy" of 50%;
 - iv) A "safety net" set at 7.5% below a pre-determined baseline below which retained Business Rates will not fall; 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).
- 5.7 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. 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.
- 5.8 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. The Covid 19 pandemic will affect the level of business rate income as the economy shrinks and then begins to recover with potential business failures, reduced collection rates and increased business rates appeals. The government has stated that it will fund by way of grant 75% of the Council's business rate losses in 2020/21 only.
- 5.9 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 and phased out between 2022/23 and 2024/25; and
- Successful appeals will amount to 4.7% of the Business Rate Base.

Based on the assumptions described, forecast Business rate income is estimated as follows:

Financial Year	2021/22	2022/23	2023/24	2024/25
Business Rates £k	1,225	3,103	2,873	2,842

- 5.10 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 2021/22 onwards has never been more uncertain.

Council Tax Amount 2021/22

- 5.11 Council Tax will represent around 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.
- 5.12 Council Tax for the average Council Tax payer in Gosport (Band B) currently amounts to £1,398.09 of which £179.47 (12.8%) is the Gosport Borough Council element. In response to inflationary pressures faced by Councils, the Provisional Local Government Finance Settlement for 2021/22 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.
- 5.13 The proposals for the 2021/22 Budget are based on increasing the Council Tax by £5 representing an increase of 7 pence per week for the average Band B taxpayer in Gosport. At present, 48% all residents pay the full amount of Council Tax with 52% being entitled to some form of discount, exemption or Local Council Tax Support.

Council Tax Base 2021/22

- 5.14 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as 26,722.80 for 2021/22, having taken account of all estimated changes in properties, discounts and exemptions for the coming year and the impact of Covid 19 on the economy i.e. a worsening of collection rates and an increase in Local Council Tax support claimants. This represents a reduction of Band D equivalent properties of 316.3.

Collection Fund Balance (Council Tax Element) 2020/21

- 5.15 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 (71% share)
- Gosport Borough Council (13% share)
- Hampshire Police & Crime Commissioner (12% share)
- Hampshire & Isle of Wight 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.

For 2020/21, it is estimated that the Collection Fund will be in deficit by £186,670, the Gosport Borough Council element of that amounts to £23,960. New government rules arising from the impact of Covid require this deficit to be split between pre 2020/21 and 2020/21 with the latter spread over 3 years. The overall deficit factored into the 2021/22 Council Tax income is £3,306 (note the change in the deficit is a reduction of 19,754 between 2020/21 and 2021/22).

Total Council Tax Income 2021/22

- 5.16 A Council tax increase of £5 per annum will raise, in total, an additional £80,400 in 2021/22. Ordinarily, an increase of £5 would raise an additional £135,200 however this has been offset by an expected reduction in overall collection rates and an increase in the number of Local Council Tax Support discounts awarded. These reductions are included in an overall reduction in the taxbase (previously described) of the equivalent of 316 Band D equivalent properties and give rise to an associated reduction in income of £74,600. Taken together, alongside the reduction in the Collection Fund deficit of £19,800 between years, overall Council Tax income has risen by £80,400.
- 5.17 Considering the Council Tax increase, Council Tax Base and position on the Collection Fund, the total Council Tax income for 2021/22 is estimated at £6,296,594

Total Council Tax Income 2021/22 & Future Years

- 5.18 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 future forecasts for the period 2022/23 to 2024/25 have been estimated on the basis of a £5 increase per annum for a Band D Taxpayer (£3.89 for the average Band B Taxpayer in Gosport).
- 5.19 The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £6,926,390 by 2024/25 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 2.2% over the period.
 - Economic Recovery over the period and reduction in the cost of providing Local Council Tax Support

Financial Year	2021/22	2022/23	2023/24	2024/25
Council Tax £k	6,297	6,512	6,710	6,296

Total Funding 2021/22 (Council Tax, Business Rates & Government Grants)

5.20 In taking account of the factors detailed above; total funding for the Council in 2021/22 is estimated at £8,647,630. As mentioned, income levels are depressed due to the requirement to account in 2021/22 for the deficit incurred in 2020/21 related to the Expanded Retail and Nursery Reliefs scheme as well as other general COVID related losses in Council Tax and Business Rates. The vast majority of these losses have been recompensed by Government Grants which were also received in 2020/21 and set aside in Reserves and matched against the years in which they are required.

Revenue Budget 2021/22

5.21 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.

5.22 The proposed Budget for 2021/22 has been prepared to accommodate the following:

- Inflationary costs and other cost pressures in general
- The anticipated impact of COVID -19 in terms of:
 - Additional Costs
 - Losses of income from sales, fees and charges
 - Reduced levels of funding from Council Tax and Business Rates
 - Transfers of sums from Reserves, specifically set aside to compensate for the COVID related deficits in Business Rates and Council Tax
- An increase in Council Tax of £5 per Band D property
- A Revenue Contribution to Capital (funded from the Revenue Financing Reserve) in order to meet the costs associated with the New Capital Investment proposals set out later in this report

5.23 The key changes between the Original Budget 2020/21 and the proposed Budget 2021/22 are as follows:

Expenditure 2021/22

5.24 Board and service expenditure is estimated at £10,503,100 a slight increase of £221,000 from the Original Budget but less than the rate of inflation.

5.25 Spending has increased within the Budget predominantly due to a range of inflationary and economic pressures outside of the Council's control, such as:

- Pay inflation - £80,000

- Cost of Financing the Approved Capital Programme (i.e. Borrowing costs) - £110,000
- Waste contract - £85,000
- Reduction in waste recycling income from reduced global prices for paper and card material - £70,000

Despite these pressures and the financial context that the Council faces, the Administration has been able to generate the following savings:

- Insurance £100,000

- 5.26 A summary of the proposed Budget 2021/22 is set out in Appendix A and the Budgets for each of the Boards are included at Appendix D.
- 5.27 A Covid-19 Reserve has been established to deal with any legacy Covid-19 costs in the sum of £652,000. This represents estimated additional costs amounting to £452,000 and the estimated net loss of income of £200,000 that will not be received under the Sales, Fees & Charges Compensation Scheme from Central Government.
- 5.28 As previously mentioned, an Income Compensation Reserve has been established in 2020/21 to fund the general losses in Business Rate and Council Tax income. There is a draw down from this reserve of £146,750 in the year, the remaining funds will be drawn down over the following two years.

Revenue Forecasts to 2024/25

- 5.29 A new medium term forecast has now been completed to cover the period 2022/23 to 2024/25 (i.e. after including the savings and cost pressures incorporated into the 2021/22 Budget and incorporating the further financial year of 2024/25). All of the financial assumptions have been comprehensively revised and a savings requirement for the new period. It is now estimated that the savings required for the new 3 year period 2022/23 to 2024/25 will now be £2.161m (or £4.32m cumulatively over the period).
- 5.30 The savings required over the next 3 years commencing 2022/23 as detailed in the MTFS are £0.721m per annum.
- 5.31 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,
- 5.32 The most significant assumptions in the medium term future forecasts:

Spending

- An assumption of providing "steady state" services across the Council
- Inflation on pay and prices of £1.1m
- Increase in Pension costs of £0.4m
- Reduction in Waste Recycling income from HCC of £0.2m from 2022/23

- Interest rates on any new borrowing of 0.52% for 2022/23, 0.25% for 2023/24 and 0.44% for 2024/25
- Investment rates on any new lending assumed to be 0.1% per annum between 2022/23 to 2024/25

Funding

- An overall funding reduction in funding arising from the implementation of the Fair Funding Review and Business Rate Retention scheme of £0.5m
- A reduction in Business Rates from the Enterprise Zone of £0.4m now that the 7 year period where the Council retained the incremental business rates has ended
- A residual underlying zero growth assumption for changes in Business Rates from 2021/22 onwards, to reflect the uncertainty relating to material changes of use, appeals and mandatory reliefs
- Indexation uplifts on retained Business Rates of 1.80% per annum from 2022/23, to 2024/25
- Reductions in funding for the New Homes Bonus, assuming it will be completely phased out by 2022/23
- A Council Tax increase of £5 increase per annum for a Band D property for 2022/23 to 2024/25, accompanied by an improving taxbase, in total yielding £0.6m over the period

5.33 It is important to recognise that this forecast extends beyond the multi-year Spending Review planned for the coming year, the Fair Funding Review and the revised Business Rate Retention Scheme due to be implemented in 2022/23. It also moves 2 years beyond these events and makes broad assumptions at the macroeconomic level pending any indicative information at the local level. Consequently there remains a significant level of uncertainty surrounding the £2.161m forecast deficit which could realistically vary between +/- £0.5m.

5.34 The estimated 3 Year Savings Requirement of £2.161m 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 £
2022/23	1.117m	0.720m	0.720m
2023/24	1.783m	0.720m	1.440m
2024/25	2.161m	0.721m	2.161m

- 5.35 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.
- 5.36 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.
- 5.37 The savings strategy described above, and having proper regard for the uncertainty surrounding the legacy impact of Covid-19 and future Government Funding, 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.

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 Council's forecast Reserve position is set out below:

Reserve	Amount at 31/03/2021	Projected 31/03/2022
	£k	£k

General Fund Balance	1,000	1,000
Revenue Financing Reserve	3,550	2,369
Stability & Resilience Reserve	4,622	2,179

- 6.3 The General Fund Working Balance is the minimum level of balances, on a risk basis, that the Council should not breach. 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.
- 6.4 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.
- 6.5 In 2020/21 it is estimated there will be a withdrawal from the RFR of £542,280 to cover the increased net expenditure arising in 2020/21 which includes the financial impact of Covid 19 on the Council's finances. The proposed Budget for 2021/22 includes a withdrawal of £1,180,620 mainly to finance the capital programme. This leaves a total estimated balance on the Reserve to £2.369m as at the end of March 2022.
- 6.6 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. The reserve will include at 31/03/2021 additional Business Rate Grants of £2.6m received in the current year to compensate for the Expanded Retail and Nursery Relief schemes but not accounted for until 2021/22. This sum will be drawn down in 2021/22 to match the period when the loss arises. The Reserve is expected to hold a balance of £2.179m as at the end of March 2022.
- 6.7 As described, the majority of Council funding is exposed to some risk but the Business Rate Retention Scheme and the Government Funding review are subject to the most potential volatility. 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.
- 6.8 If the Council were to take no further action in relation to the required savings (£0.720m per annum), both the RFR and the SRR would be depleted part way through 2024/25. The Council's MTFS Strategy including continued zero based budget reviews, partnership working, income generation and a commercialisation programme has been established to address the need to maintain reserves at levels to maintain the Council's financial resilience.
- 6.9 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 2021/22. Particular uncertainties exist regarding:
- The continuing impact of the COVID 19 pandemic plus the consequent depth and length of any recession and subsequent recovery
 - The general uncertainty surrounding Business Rate income including "material Change of Use" and the extent of successful appeals and mandatory reliefs all of which affect Retained Business Rates
 - Government Funding levels (including the outcome of the Comprehensive Spending Review, the Fair Funding Review and the Business Rate Retention scheme review
 - The ability of the Council to continue to make the necessary savings at the required scale and pace
- 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 £2.161m 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 2021/22 and future assumptions informed by current consultation documents
- An assumption that the overall outcome of the Fair Funding Review and Business Rate Retention scheme review will lead to a net reduction in funding of £0.5m, but phased over 3 years
- A "no growth" assumption for Retained Business Rates from 2022/23 onwards on the basis that any income arising from growth will be offset by appeals, reliefs and change of use
- An assumption that the value of successful appeals against the 2017 rating list will be the equivalent of 4.7% of the business rate multiplier
- 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 include¹:
- 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 2021/22

- 8.1 The Council's Pay Policy Statement for 2021/22 is attached at Appendix G for approval.

9 CAPITAL PROGRAMME 2020/21 TO 2023/24

- 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

¹ A full list of earmarked reserves can be found at page 63 of the Annual Report and Accounts 2019/20

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 2020 Budget.

- 9.2 The current programme was agreed by Council in February 2020. 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 2021/22; thereby shifting proposed expenditure of £144k from this financial year into 2021/22;
- b) No major capital works were carried out to the Town Hall during 2020/21, the original approved budget of £83k has not been required, the rolling programme of repairs is planned to continue in 2021/22, budget provision of £50k per annum;

Economic Development Board

- c) 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 revised project budget will be utilised as follows:
 - i. £1.117m to be spent in 2021/22, £1m as a match funding contribution from the Council to support Town Centre regeneration activity with Hampshire County Council and the Solent LEP although the precise funding requirement is still being identified and £117k to be spent on marketing the redevelopment of the original site; and
 - ii. £175k over the following two financial years to continue marketing activity of the bus depot site for further development in line with the feasibility studies undertaken.
- d) The Heritage Action Zone (HAZ) funding to conserve and enhance Gosport's heritage will be utilised for a D Day war memorial at Stokes Bay, as well as funding major repair works to Bastion No.1, projects at Priddys Hard and Gosport HAZ Walking Trail. The capital funding can attract further external funding to enhance the planned programme;

Community Board

- e) Construction of the toilet and café facility at Alver Valley Western Gateway is largely complete and work continues to develop a Garden Centre at Grange Farm Gateway;
- f) Work, alongside a range of partners, is underway to continue to develop and improve Flood Defences in the Borough;

- g) The phase 1 extension and parking for motor homes at Beach Road car park is now planned to take place in 2021/22, the budget of £123k has moved from the current financial year to 2021/22;
- h) Plans to provide lighting to pathways within leisure parks, gardens and open spaces, £200k has moved from the current year to 2021/22;
- i) Coordinating with the Coastal Partnership, Natural England, The Model Yacht Club and design engineer, work continues to deliver a scheme of footway repairs and water circulation at the Cockle Pond. Combining the timing of the schemes to minimise disruption, the planned completion date is winter season of 2021/22; and
- j) The planned new pavilion at Nobes Avenue open space, £350k has moved from current year to 2021/22

9.3 Additions to the Capital Programme 2021/22 Onwards

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:

<u>EXTENSIONS / OVERSPENDINGS AGAINST EXISTING CAPITAL SCHEMES</u>	
BROOKERS FIELD - ROOF REPLACEMENT	60
WATERFRONT (BUS STATION) REGENERATION	143
FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS & ELECTRICAL UPGRADE	28
CCTV - REPLACEMENT & UPGRADES	7
FINANCE SYSTEM UPGRADE	8
SUB TOTAL	246

<u>NEW STARTS</u>	
BEACH ROAD CAR PARK - ANPR ACCESS CAR PARKING CONTROL	80
PRIVETT PARK - REPLACEMENT PAVILIONS AND PATHS (subject to match funding)	500
HERITAGE ACTION ZONE (FEASIBILITY STUDIES/MATCH FUNDING)	185
DSO DEPOT	130
DESKTOP UPGRADE	110
SUB TOTAL	1,005

<u>ROLLING PROGRAMMES - ADDITIONAL YEAR</u>	
CCTV - REPLACEMENT & UPGRADES	15

IT - SERVER REPLACEMENT	40
IT - SYSTEM UPGRADES	40
TOWN HALL	50
SUB TOTAL	145
GRAND TOTAL	1,396

- 9.4 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
- 9.5 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.
- 9.6 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 2021/22 of £10,503,100 is balanced, has been prepared to incorporate the full impact of COVID-19 and incorporates an increase in Council Tax of £3.89 for the average Gosport resident. The Council's Capital Programme provides for new Capital Investment of £1.4m and importantly continues to prioritise regeneration of the borough which will be vital for the recovery from the pandemic.
- 10.2 The Council's future forecasts require that savings of £2.161m, 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 £0.72m per annum from 2022/23 to 2024/25 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 and commercialisation opportunities alongside 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 legacy of the Covid-19 pandemic, the forthcoming Comprehensive Spending Review and the overhaul of the Local Government funding system. The Council's forecast of a 3 year deficit of £2.161m is a central (or "base case") assumption which could realistically change by +/- £0.5m and is a key reason why the Council's Reserves need to be retained at adequate levels.

10.4 The proposed Budget for 2021/22 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 2020/21 to 2023/24
Appendices/Enclosures:	A. General Fund Budget 2021/221 B. General Fund Forecast to 2024/25 C. COVID Summary D. Summary of Service Board Budgets 2021/22 E. Capital Programme 2020/21 to 2023/24 F. Prudential Indicators G. Pay Policy 2021/22

Appendix A

GENERAL FUND BUDGET

SUMMARY OF REVISED 2020/21 AND ESTIMATE 2021/22

	ORIGINAL 2020/21 £'000	REVISED 2020/21 £'000	ESTIMATE 2021/22 £'000
GENERAL FUND BUDGET			
COMMUNITY BOARD	5,642	6,707	5,742
ECONOMIC DEVELOPMENT BOARD	966	1,005	1,044
HOUSING BOARD	341	876	372
POLICY AND ORGANISATION BOARD	3,333	3,358	3,345
TOTAL NET EXPENDITURE	10,282	11,946	10,503
REVENUE CONTRIBUTION TO CAPITAL	487	487	1,263
TRANSFER TO/(FROM) RESERVES			
REVENUE FINANCING RESERVE	(196)	(542)	(1,181)
STABILITY AND RESILIENCE RESERVE	0	2,794	(2,443)
COVID 19 RESERVE	0	0	653
INCOME COMPENSATION SCHEME RESERVE	0	440	(147)
BUDGET TOTAL	10,573	3,179	8,648
FINANCED BY			
COUNCIL TAX	(6,216)	(6,216)	(6,297)
GOVERNMENT GRANTS	(457)	(1,775)	(1,126)
BUSINESS RATES	(3,900)	(7,134)	(1,225)
FUNDING TOTAL	(10,573)	(15,125)	(8,648)
BALANCES			
GENERAL FUND WORKING BALANCES			
B/FWD	1,000	1,000	1,000
CHANGE	0	0	0
C/FWD	1,000	1,000	1,000
REVENUE FINANCING RESERVE			
B/FWD	3,713	4,092	3,550
CHANGE	(196)	(542)	(1,181)
C/FWD	3,517	3,550	2,369
STABILITY AND RESILIENCE RESERVE			
B/FWD	2,060	1,828	4,622
CHANGE		2,794	(2,443)
C/FWD	2,060	4,622	2,179

Appendix B

GENERAL FUND PROJECTION TO 2024/25	2022/23 £'000	2023/24 £'000	2024/25 £'000
A 2021/22 BASE BUDGET	10,503	10,503	10,503
B BUDGET INCREASES / (DECREASES)			
PENSIONS	(13)	387	412
INFLATION	361	738	1,124
MRP	124	113	117
INTEREST	21	30	4
ELECTIONS	0	(62)	0
LOCAL DEVELOPMENT PLAN	23	(37)	(87)
PROPERTY INCOME	5	5	5
FEES AND CHARGES		(36)	(36)
WASTE RECYCLING	196	200	204
	717	1,338	1,743
C PROJECTED BUDGET TOTALS (A+B)	11,220	11,841	12,246
D FUNDING			
COUNCIL TAX (SEE BELOW)	(6,522)	(6,721)	(6,926)
GOVERNMENT GRANTS (SEE BELOW)	(331)	(317)	(317)
BUSINESS RATES (SEE BELOW)	(3,103)	(2,873)	(2,842)
CONTRIBUTION TO / (FROM) RESERVES	(147)	(147)	0
	(10,103)	(10,058)	(10,085)
E BUDGET DEFICIT (C+D)	1,117	1,783	2,161

COUNCIL TAX			
COUNCIL TAX BASE	27,092.2	27,347.0	27,622.7
COUNCIL TAX - BAND D	£240.75	£245.75	£250.75
COUNCIL TAX INCOME	(6,522)	(6,721)	(6,926)

GOVERNMENT GRANTS			
NEW HOMES BONUS	(14)	0	0
BENEFITS ADMINISTRATION GRANT	(317)	(317)	(317)
GOVERNMENT GRANTS	(331)	(317)	(317)

Savings to meet budget requirement	Revised Underlying Deficit	In Year Target	Revised Cumulative Saving
YEAR 1 (2020/21)	1,117	720	720
YEAR 2 (2021/22)	1,783	720	1,440
YEAR 3 (2022/23)	2,161	721	2,161

BUSINESS RATES			
RETAINED RATES	(3,223)	(3,125)	(2,842)
COLLECTION FUND SURPLUS / DEFICIT	252	252	0
ENTERPRISE ZONE DISREGARD	(132)	0	0
	(3,103)	(2,873)	(2,842)

Appendix C

COVID SUMMARY

FORECAST ADDITIONAL COSTS 2020/21

Cost Area	Forecast Total £000
Rough Sleepers	681
Homelessness	223
Public Health Cleaning	169
Remote IT working (£118k 2019/20)	24
Corp Overtime	27
Corp Legal	28
Cemetery new	12
Environment	18
Leisure Centre	667
Reopening / enforcement	1
HRA	8
Unachievable Savings	42
Total	1,900

FORECAST INCOME LOSS 2020/21

Income Area	Forecast Total £000
Car Parks	399
Leisure Centre Profit share	30
Leisure Centre fee	89
Planning	78
Land Charges	17
Sport	14
Market	19
Licensing	17
Other income	21
Commercial property rent	147
Council Tax court fees	300
Total	1,131

Financial Impact 2020/21 (before Govt. Funding)	3,031
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Less Specific Government Funding (Sales Fees & Charges plus Next Steps Accommodation Programme)	(815)
Less Universal Credit for Rough Sleepers	(264)
Less Charges to the HRA	(96)

Impact on General Fund Net Expenditure	1,856
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Less Non Specific Government Funding	(1,346)
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General Fund Net Financial Impact 2020/21	510
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Appendix D

OVERVIEW OF GENERAL FUND BOARD REVENUE BUDGETS 2021/22

1. All members have been issued with a draft budget book for 2021/22 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 D cont.

COMMUNITY BOARD - BY SERVICE	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,642,290	6,706,930	5,742,470	1,064,640	(964,460)	100,180
LEISURE & CULTURE	2,274,190	3,330,000	2,385,240	1,055,810	(944,760)	111,050
WASTE	1,510,110	1,494,650	1,598,310	(15,460)	103,660	88,200
STREETSCENE	592,810	648,830	520,420	56,020	(128,410)	(72,390)
COMMUNITY SAFETY	301,500	264,490	279,600	(37,010)	15,110	(21,900)
ENVIRONMENTAL SERVICES	446,230	434,090	449,560	(12,140)	15,470	3,330
MISC ENVIRONMENTAL & TRANSPORT	536,760	555,470	531,570	18,710	(23,900)	(5,190)
CEMETERY	(19,310)	(20,600)	(22,230)	(1,290)	(1,630)	(2,920)

COMMUNITY BOARD BY TYPE OF EXPENSES	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	5,642,290	6,706,930	5,742,470	1,064,640	(964,460)	100,180
EXPENDITURE	8,126,820	8,961,000	8,202,020	834,180	(758,980)	75,200
EMPLOYEES	5,540	2,190	1,520	(3,350)	(670)	(4,020)
PREMISES	762,940	887,980	702,420	125,040	(185,560)	(60,520)
TRANSPORT	9,720	8,620	8,680	(1,100)	60	(1,040)
SUPPLIES & SERVICES	447,750	1,138,160	412,120	690,410	(726,040)	(35,630)
THIRD PARTY PAYMENTS	4,248,570	4,268,250	3,306,980	19,680	(961,270)	(941,590)
TRANSFER PAYMENTS	-	-	-	-	-	-
SUPPORT SERVICES	1,736,800	1,635,200	2,749,700	(101,600)	1,114,500	1,012,900
CAPITAL/FINANCING	915,500	1,020,600	1,020,600	105,100	-	105,100
INCOME	(2,484,530)	(2,254,070)	(2,459,550)	230,460	(205,480)	24,980
FEES & CHARGES	(2,118,000)	(1,548,070)	(2,070,360)	569,930	(522,290)	47,640
NON FEES & CHARGES	(366,530)	(706,000)	(389,190)	(339,470)	316,810	(22,660)

APPENDIX D cont.

HOUSING BOARD - BY SERVICE	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	340,890	876,350	371,620	535,460	(504,730)	30,730
HOME ADAPTATION GRANTS	12,910	13,070	13,380	160	310	470
PRIVATE SECTOR HOUSING	77,170	80,570	82,760	3,400	2,190	5,590
HOMELESSNESS	355,350	871,520	371,400	516,170	(500,120)	16,050
OTHER GENERAL FUND HOUSING	(104,540)	(88,810)	(95,920)	15,730	(7,110)	8,620

HOUSING BOARD - BY SERVICE	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	340,890	876,350	371,620	535,460	(504,730)	30,730
EXPENDITURE	2,186,420	3,279,310	2,311,400	1,092,890	(967,910)	124,980
EMPLOYEES	20,590	250,590	20,740	230,000	(229,850)	150
PREMISES	18,640	488,610	15,520	469,970	(473,090)	(3,120)
TRANSPORT	-	28,000	-	28,000	(28,000)	-
SUPPLIES & SERVICES	1,301,900	1,585,860	1,322,380	283,960	(263,480)	20,480
THIRD PARTY PAYMENTS	76,580	74,820	72,130	(1,760)	(2,690)	(4,450)
TRANSFER PAYMENTS	236,410	343,430	343,430	107,020	-	107,020
SUPPORT SERVICES	532,300	508,000	537,200	(24,300)	29,200	4,900
CAPITAL/FINANCING	-	-	-	-	-	-
INCOME	(1,845,530)	(2,402,960)	(1,939,780)	(557,430)	463,180	(94,250)
FEES & CHARGES	(1,368,720)	(1,378,170)	(1,355,350)	(9,450)	22,820	13,370
NON FEES & CHARGES	(476,810)	(1,024,790)	(584,430)	(547,980)	440,360	(107,620)

Appendix D cont.

ECONOMIC DEVELOPMENT BOARD BY SERVICE	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	966,040	1,005,040	1,043,990	39,000	38,950	77,950
ECONOMIC PROSPERITY	264,840	336,430	300,490	71,590	(35,940)	35,650
MARKET	(8,540)	(9,390)	(7,550)	(850)	1,840	990
TOWN HARBOUR FORESHORE	218,970	218,540	213,870	(430)	(4,670)	(5,100)
EVENTS	63,250	51,300	91,700	(11,950)	40,400	28,450
PROPERTIES	137,870	153,280	126,240	15,410	(27,040)	(11,630)
MARKETING AND TOURISM	196,250	164,650	214,490	(31,600)	49,840	18,240
LOCAL DEVELOPMENT FRAMEWORK	93,400	90,230	104,750	(3,170)	14,520	11,350

ECONOMIC DEVELOPMENT BOARD BY TYPE OF EXPENSES	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	966,040	1,005,040	1,043,990	39,000	38,950	77,950
EXPENDITURE	1,231,090	1,391,550	1,322,580	160,460	(68,970)	91,490
EMPLOYEES	600	-	1,000	(600)	1,000	400
PREMISES	188,190	198,180	178,610	9,990	(19,570)	(9,580)
TRANSPORT	700	-	700	(700)	700	-
SUPPLIES & SERVICES	348,200	544,800	383,410	196,600	(161,390)	35,210
THIRD PARTY PAYMENTS	76,400	76,870	32,860	470	(44,010)	(43,540)
TRANSFER PAYMENTS	-	-	-	-	-	-
SUPPORT SERVICES	406,700	371,100	525,400	(35,600)	154,300	118,700
CAPITAL/FINANCING	210,300	200,600	200,600	(9,700)	-	(9,700)
INCOME	(265,050)	(386,510)	(278,590)	(121,460)	107,920	(13,540)
FEES & CHARGES	(179,460)	(146,750)	(189,560)	32,710	(42,810)	(10,100)
NON FEES & CHARGES	(85,590)	(239,760)	(89,030)	(154,170)	150,730	(3,440)

APPENDIX D cont.

POLICY AND ORGANISATION BOARD BY SERVICE	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,332,890	3,358,650	3,345,020	25,760	(13,630)	12,130
REGISTRATION OF ELECTORS	233,310	192,050	251,820	(41,260)	59,770	18,510
LOCAL LAND CHARGES	26,310	29,060	28,560	2,750	(500)	2,250
HOUSING BENEFITS	724,500	563,910	628,300	(160,590)	64,390	(96,200)
LOCAL TAXATION	332,450	405,860	344,140	73,410	(61,720)	11,690
DEVELOPMENT SERVICES	968,850	973,640	967,940	4,790	(5,700)	(910)
LICENSING & REGISTRATION	35,960	39,600	49,000	3,640	9,400	13,040
ASSISTANCE TO VOLUNTARY ORGS	253,170	247,520	225,980	(5,650)	(21,540)	(27,190)
CORPORATE & CIVIC EXPENSES	1,112,700	1,129,690	1,254,910	16,990	125,220	142,210
MISCELLANEOUS SERVICES	466,770	636,480	384,960	169,710	(251,520)	(81,810)
OTHER CORPORATE AREAS	(821,130)	(859,160)	(790,590)	(38,030)	68,570	30,540

POLICY AND ORGANISATION BOARD BY TYPE OF EXPENSES	Orig Budget 20/21	Revised Budget 20/21	Original Estimate 21/22	Variance		
				Org to Rev	Rev to Est	Orig to Est
TOTAL	3,332,890	3,358,650	3,345,020	25,760	(13,630)	12,130
EXPENDITURE	28,760,610	27,977,750	27,344,620	(782,860)	(633,130)	(1,415,990)
EMPLOYEES	273,500	201,520	81,480	(71,980)	(120,040)	(192,020)
PREMISES	9,550	1,070	4,200	(8,480)	3,130	(5,350)
TRANSPORT	6,840	4,890	5,210	(1,950)	320	(1,630)
SUPPLIES & SERVICES	758,650	1,008,140	755,110	249,490	(253,030)	(3,540)
THIRD PARTY PAYMENTS	293,490	271,700	276,460	(21,790)	4,760	(17,030)
TRANSFER PAYMENTS	21,983,400	21,336,460	20,870,020	(646,940)	(466,440)	(1,113,380)
SUPPORT SERVICES	4,201,480	4,140,370	4,316,640	(61,110)	176,270	115,160
CAPITAL/FINANCING	1,233,700	1,013,600	1,035,500	(220,100)	21,900	(198,200)
INCOME	(25,427,720)	(24,619,100)	(23,999,600)	808,620	619,500	1,428,120
FEES & CHARGES	(474,750)	(401,320)	(461,480)	73,430	(60,160)	13,270
NON FEES & CHARGES	(24,952,970)	(24,217,780)	(23,538,120)	735,190	679,660	1,414,850

APPENDIX E

CAPITAL PROGRAMME 2020/21 TO 2023/24 HOUSING BOARD - HOUSING (HRA)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2020 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Project costs funded by GBC			
								2020/21	2021/22	2022/23	2023/24
								£'000	£'000	£'000	£'000
1	IMPROVEMENTS TO HOUSING STOCK	-	-	2,000	4,100	4,000	3,500	2,000	4,100	4,000	3,500
2	PURCHASE OF PROPERTIES	-	-	850	-	-	-	850	-	-	-
3	NEW BUILD	6,990	-	100	2,540	1,850	2,500	100	2,540	1,850	2,500
	Board Total	6,990		2,950	6,640	5,850	6,000	2,950	6,640	5,850	6,000

CAPITAL PROGRAMME 2020/21 TO 2023/24

HOUSING BOARD - HOUSING (GENERAL FUND)

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Project costs funded by GBC			
								2020/21	2021/22	2022/23	2023/24
								£'000	£'000	£'000	£'000
1	DISABLED FACILITIES	-	-	600	600	600	600	-	-	-	-
	Board Total	-	-	600	600	600	600	-	-	-	-

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Project costs funded by GBC			
								2020/21	2021/22	2022/23	2023/24
								£'000	£'000	£'000	£'000
22	ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED	65	10	55	-	-	-	55	-	-	-
23	LEE-ON- SOLENT SPLASH POOL	654	654	-	-	-	-	-	-	-	-
24	STOKES BAY HOME PARK - UPPER SITE STORE SHED REPLACEMENT	84	-	-	84	-	-	-	84	-	-
25	BROOKERS FIELD - ROOF REPLACEMENT	100	-	-	100	-	-	-	40	-	-
25	TUKES AVENUE OPEN SPACE - PLAY ZONE	120	-	120	-	-	-	-	-	-	-
26	STOKES BAY - GYM EQUIPMENT	-	-	16	29	-	-	-	-	-	-
27	NOBES AVENUE OPEN SPACE - NEW PAVILLION	350	-	-	350	-	-	-	-	-	-
28	WALPOLE PARK - INCLUSIVE PLAY ZONE	135	-	135	-	-	-	-	-	-	-
29	GRANGE FARM - OFFICE REFURBISHMENT	35	28	7	-	-	-	-	-	-	-
30	SPLASH PARK - STOKES BAY	250	-	250	-	-	-	250	-	-	-
31	PLAY AREA - KINGS ROAD	100	-	-	100	-	-	-	100	-	-
32	STOKES BAY SEAWALL	500	-	250	250	-	-	-	200	-	-
33	BRIDGEMARY BOWLING GREEN	15	-	15	-	-	-	15	-	-	-
34	FORTON BOWLING GREEN	10	-	10	-	-	-	10	-	-	-
35	ELMORE LAKE - WATER RETENTION WORKS	70	-	-	70	-	-	-	70	-	-
36	PROVISION OF A NEW CEMETERY	580	-	-	130	450	-	-	130	450	-
37	GROUNDS MAINTENANCE SERVICE - PURCHASE OF EQUIPMENT AND MACHINERY	634	-	460	-	-	174	460	-	-	174
38	LEISURE CENTRE CHANGING PLACES FACILITIES	50	-	-	50	-	-	-	50	-	-
39	LANDING STAGE	-	-	100	-	-	-	100	-	-	-
40	LEISURE CENTRE EXTENSION	10	-	10	-	-	-	10	-	-	-
41	LEISURE CENTRE SOLAR PANELS	188	-	188	-	-	-	188	-	-	-
42	BEACH ROAD CAR PARK - ANPR ACCESS CONTROL	-	-	-	80	-	-	-	80	-	-
43	PRIVETT PARK - REPLACEMENT NO2 PAVILION AND PATHS (subject to match funding)	-	-	-	500	-	-	-	500	-	-
	Board Total			2,794	2,697	585	244	1,278	1,972	485	174

CAPITAL PROGRAMME 2020/21 TO 2023/24
ECONOMIC DEVELOPMENT BOARD

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Project costs funded by GBC			
								2020/21	2021/22	2022/23	2023/24
								£'000	£'000	£'000	£'000
1	WATERFRONT (BUS STATION) REGENERATION	1,628	243	93	1,117	75	100	93	1,117	75	100
2	FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS & ELECTRICAL UPGRADE	434	384	50	-	-	-	50	-	-	-
3	DAEDALUS REGENERATION	484	434	-	25	25	-	-	25	25	-
4	HERITAGE ACTION ZONE (FEASIBILITY STUDIES/MATCH FUNDING)	444	51	108	125	110	50	108	52	110	50
5	GOSPORT MUSEUM & GALLERY (CAPITAL GRANT)	100	-	30	70	-	-	-	-	-	-
6	WAR MEMORIAL STOKES BAY	-	-	20	60	-	-	20	60	-	-
7	DSO DEPOT	-	-	130	-	-	-	130	-	-	-
	Board Total			431	1,397	210	150	401	1,254	210	150

**CAPITAL PROGRAMME 2020/21 TO 2023/24
POLICY & ORGANISATION BOARD**

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000
2	IT - PC REPLACEMENT PROGRAMME	-	-	-	10	-	-
3	IT - SERVER REPLACEMENT	-	-	40	40	40	40
4	IT - SYSTEM UPGRADES	-	-	160	40	40	40
5	TOWN HALL MAJOR REPAIRS - ELECTRICS	-	-	3	10	10	10
6	TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS	-	-	-	15	15	15
7	TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY	-	-	-	10	10	10
8	TOWN HALL MAJOR REPAIRS - ADAPTIONS	-	-	-	15	15	15
9	FINANCE SYSTEM UPGRADE	-	-	30	60	-	-
11	REPLACEMENT OF NNDR SYSTEM	144	-	-	144	-	-
12	DIGITAL STRATEGY (CHANNELSHIFT)	77	13	64	-	-	-
13	DESKTOP UPGRADE	110	-	-	110	-	-
	Board Total			319	469	145	145

Project costs funded by GBC			
2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
22	15	15	15
	10	-	-
40	40	40	40
160	40	40	40
3	10	10	10
-	15	15	15
-	10	10	10
-	15	15	15
30	60	-	-
-	144	-	-
64	-	-	-
-	110	-	-
319	469	145	145

Item No	SCHEME	Project total (where appropriate) £'000	Project costs to 31/03/2019 £'000	Revised 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000

Project costs funded by GBC			
2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
4,948	10,335	6,690	6,469

SUMMARY FINANCING STATEMENT

	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000	Total £'000
<u>EXTERNAL RESOURCES</u>					
SPECIFIC CAPITAL GRANTS - GF	630	670	600	600	2,500
DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF	204	540			744
DEVELOPER CONTRIBUTIONS - CIL	470	125			595
OTHER GRANTS AND CONTRIBUTIONS - GF	842	134	100	70	1,146
<u>LOCAL RESOURCES</u>					
DEPRECIATION - HRA	2,000	3,027	3,018	3,018	11,063
REVENUE CONTRIBUTION - HRA		1,073	982	482	2,537
RESERVES - HRA	950	2,540	1,850	2,500	7,840
RESERVES - HRA (TO GF PROGRAMME)	115	115	100	100	430
REVENUE CONTRIBUTION - CAPITAL	500	1,263			1,763
REVENUE RESERVE FOR CAPITAL		155	475		630
CAPITAL RECEIPTS - GF	255				255
CAPITAL FUNDING REQUIREMENT - GF	1,128	2,162	265	369	3,924
TOTAL FUNDING	7,094	11,803	7,390	7,139	33,426

Appendix F

Prudential Indicators

	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Expenditure	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund Services	2,956.0	4,144.0	5,163.0	1,540.0	1,139.0
HRA	5,023.0	2,950.0	6,640.0	5,850.0	6,000.0
Total	7,979.0	7,094.0	11,803.0	7,390.0	7,139.0

	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Financing	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Resources	1,219.0	2,146.0	1,468.0	700.0	670.0
Local Resources (excl. borrowing)	5,992.0	3,820.0	8,173.0	6,425.0	6,100.0
Borrowing	768.0	1,128.0	2,162.0	265.0	369.0

	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Financing Requirement	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
CFR - Non Housing	20,799.0	21,535.0	23,014.0	22,472.0	22,045.0
CFR - Housing	61,676.0	61,676.0	61,676.0	61,676.0	61,676.0
Total CFR	82,475.0	83,211.0	84,690.0	84,148.0	83,721.0
Net movement in CFR	768.0	736.0	1,479.0	(542.0)	(427.0)
Movement in CFR is represented by					
Net financing need for the year	768.0	1,128.0	2,162.0	265.0	369.0
* Less MRP/VRP/other movements	0.0	(392.0)	(683.0)	(807.0)	(796.0)
Movement in CFR	768.0	736.0	1,479.0	(542.0)	(427.0)

	2019/20	2020/21	2021/22	2022/23	2023/24
Portfolio Position	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
External Debt	71,950.0	71,950.0	73,950.0	74,950.0	74,950.0
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0
Gross Debt at 31 March	71,950.0	71,950.0	73,950.0	74,950.0	74,950.0
CFR	82,475.0	83,211.0	84,690.0	84,148.0	83,721.0
Under / (over) borrowing	10,525.0	11,261.0	10,740.0	9,198.0	8,771.0

	2020/21	2021/22	2022/23	2023/24
Operational boundary	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000
	78.1	80.1	81.1	81.1

	2020/21	2021/22	2022/23	2023/24
Authorised limit	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000
	85.8	88.8	88.9	88.8

Appendix G

GOSPORT BOROUGH COUNCIL

PAY POLICY STATEMENT

2021/22

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 2021/22, 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 2021/22 is £180,000. 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 Head of Payroll and Head of Human Resources. The management and leadership that was provided by the Housing Services Manager is covered through a separate Service Level Agreement under which Gosport Borough Council pay a contribution, the figure for 2021/22 is £91,000.

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
- Housing Benefits Manager

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 2020
1	£17,842 - £18,198
2	£18,198 - £18,933
3	£19,312 - £19,698
4	£20,092 - £21,748
5	£22,183 - £24,491
6	£25,481 - £27,741
7	£28,672 - £32,234
8	£32,910 - £37,890
9	£38,890 - £42,821
10	£43,857 - £46,845
11	£47,829 - £50,784
12	£51,796 - £54,964
13	£56,062 - £61,262
14	£63,100 - £68,949

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 (£38,890 to £68,949). 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 3.7:1.

The highest paid salary, at the top of the grade is, 2.7 times the median average salary (£25,295) 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:

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, it can 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 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 2020/21