



## Borough of Gosport

Notice is hereby given that a **MEETING** of the **COUNCIL OF THE BOROUGH OF GOSPORT** will be held in the **TOWN HALL, GOSPORT** on **WEDNESDAY** the **SEVENTH DAY** of **FEBRUARY 2007** at **6.00PM** AND **ALL MEMBERS OF THE COUNCIL ARE HEREBY SUMMONED TO ATTEND TO CONSIDER AND RESOLVE THE FOLLOWING BUSINESS –**

1. To receive apologies from Members for their inability to attend the Meeting.
2. To confirm the Minutes of the Ordinary and Extraordinary Meetings of the Council held on 29 November and 8 December 2006 and 11 January 2007 (copies herewith).
3. To receive, consider and pass such resolutions as the Council shall deem expedient on the Mayor's Communications (if any).
4. To receive Deputations in accordance with Standing Order No 3.5 and to answer Public Questions pursuant to Standing Order No 3.6, such questions to be answered orally during a time not exceeding 15 minutes.

**(NOTE: Standing Order No 3.5 requires that notice of a Deputation should be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON MONDAY, 5 FEBRUARY 2007 and likewise Standing Order No 3.6 requires that notice of a Public Question should be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON MONDAY, 5 FEBRUARY 2007).**

5. Questions (if any) pursuant to Standing Order No 3.4.

**(NOTE: Members are reminded that Standing Order No 3.4 requires that Notice of Question pursuant to that Standing Order must be received by the Borough Solicitor NOT LATER THAN 12 O'CLOCK NOON ON TUESDAY, 6 FEBRUARY 2007).**

6. To receive and determine the following Part I Minutes of the Boards of the Council –

<b>BOARD</b>	<b>DATE</b>	<b>PAGE NO</b>
Housing Board	24 January 2007	3
Policy & Organisation Board	30* January 2007	

\*These Minutes are 'To Follow'

7. To receive the following Part II Minutes of the Boards of the Council –

<b>BOARD</b>	<b>DATE</b>	<b>PAGE NO</b>
Policy & Organisation Board	23 & 30* January 2007	4 - 7
Community & Environment Board	8 & 22 January 2007	8 - 11
Housing Board	10 & 24 January 2007	12 - 20

\*These Minutes are 'To Follow'

8. Election of Mayor and Deputy Mayor 2007/2008

In accordance with Standing Order No 2.4 the Borough Solicitor has written to Group Leaders and Members of the Council inviting them to submit Member nominations for the selection of Mayor-Elect and Deputy Mayor- Elect for the next Municipal Year. One nomination each has been received by the Borough Solicitor, Councillor K L Gill for Mayor-Elect and Councillor D R Kimber for Deputy-Mayor Elect for the 2007/2008 Municipal Year.

**IAN LYCETT**  
**CHIEF EXECUTIVE**

**TOWN HALL**  
**GOSPORT**

30 January 2007

**NOTE: (1) MEMBERS ARE REQUESTED TO NOTE THAT IF THE COUNCIL WISHES TO CONTINUE ITS BUSINESS BEYOND 9.30PM THEN THE MAYOR MUST MOVE SUCH A PROPOSITION IN ACCORDANCE WITH STANDING ORDER 4.11.18.**

## **A MEETING OF THE HOUSING BOARD**

**WAS HELD ON 24 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio) (P), Councillors Allen, Burgess, Cully (P), Foster (P), Foster-Reed (P), Gill (P), Mrs Mudie (P), Philpott (P), Rigg (P) and Mrs Wright (P).

Also in attendance: Tenant Representative – Mrs Janne Carter

It was reported that, in accordance with Standing Orders, notice had been received that Councillors Hook and Langdon would replace Councillors Burgess and Allen for this meeting.

### **PART I**

#### **41 COUNCIL DWELLING RENTS 2007/08**

The Board considered the Part II report of the Financial Services Manager and Housing Services Manager (a copy of which is attached in the Minute Book as Appendix 'HO1') considering the Board's revised 2006/2007 budget and the 2007/2008 budget for the Housing Revenue Account (HRA) and made recommendations on rent levels for the following year.

The Financial Services Manager confirmed that references in the report to page numbers in the draft budget book should be amended, in that Item 1.1 should read 'page 19' and item 3.1 should read 'page 46'.

The Chairman moved and it was agreed that this report should be considered as a Part I item.

**RECOMMENDED:** That the Board recommends to Council that with effect from 2<sup>nd</sup> April 2007 the Housing Revenue Account revised 2006/2007 budget and the 2007/2008 budget be approved including:

- (a) Average weekly Council Dwelling rents increase of 4.9%.
- (b) Garage, carports and parking lot rents increase of 3.0%.

## **A MEETING OF THE POLICY AND ORGANISATION BOARD**

**WAS HELD ON 23 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio) (P); Chairman of the Policy and Organisation Board (Councillor Cully) (P); Councillors Burgess, Carter (P), Chegwyn, Gill (P), Hook (P), Langdon (P), Smith (P), Taylor (P) and Wright (P) .

It was reported that, in accordance with Standing Orders, Councillors Philpott and Ms Ballard had been nominated to replace Councillors Burgess and Chegwyn respectively for this meeting.

### **31. APOLOGIES**

Apologies for inability to attend the meeting were submitted on behalf of Councillors Burgess and Chegwyn.

### **32. ELECTION OF VICE-CHAIRMAN**

RESOLVED: That Councillor Wright be appointed as Vice-Chairman of the Policy and Organisation Board for the remainder of the Municipal Year 2006/07.

### **33. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **34. MINUTES**

RESOLVED: That the Minutes of the Board meeting held on 8 November 2006 be approved and signed by the Chairman as a true and correct record.

## **PART II**

### **35. THE GOSPORT BOROUGH COUNCIL DISABILITY EQUALITY SCHEME**

Consideration was given to a report of the Chief Executive, which sought Members' support for the Gosport Borough Council Disability Equality Scheme produced in response to the duties placed on the Council by the Disability Discrimination Act 2005.

Members were advised that Disability Equality Awareness training had been identified as a key action and would be compulsory for all staff. Members would be invited to attend training sessions.

Members proposed that amendments should be made to Section 11 of the Scheme headed "Monitoring the Action Plan and the Scheme as a Whole" to reflect that progress reports would be submitted annually to the Council's Overview and Scrutiny Committee rather than the Policy and Organisation Board. Members were supportive of the Action Plan being reviewed annually and of the Scheme being revised in 2010.

RESOLVED: That the Gosport Borough Council Disability Equality Scheme be approved subject to the following amendments to Section 11 of the Scheme headed "Monitoring the Action Plan and the Scheme as a Whole":

- a) Bullet point 2 to read: Progress reports will be taken quarterly to the DES Reference Group, the Corporate Equality and Diversity Group and the Council's Management Team and annually to the Council's Overview and Scrutiny Committee; and
- b) Bullet point 3 to be split and read:
  - The Action Plan will be reviewed annually; and
  - The Scheme will be revised in 2010.

### **36. CHILDREN, YOUNG PEOPLE AND VULNERABLE PEOPLE POLICIES**

Consideration was given to a report of the Leisure and Cultural Services Manager, which sought the Board's approval for proposed policies in respect of Children and Young People, and the Protection of Children and Vulnerable Persons.

RESOLVED: That approval be given to:

- a) the Children and Young People's Policy; and
- b) the Children and Vulnerable Persons' Protection Policy

### **37. RAMPARTS INVESTIGATION AND ASSESSMENT – PRIDDY'S HARD HERITAGE AREA**

Consideration was given to a report of the Chief Executive, which informed the Board of the results of the invitation to specialist Environmental and Engineering Consultants to tender for work to undertake a detailed ground investigation and report on the contaminants in the Rampart areas and moat on the Priddy's Hard Heritage Area and recommend remedial measures.

The report also sought approval of the appointment of the consultancy providing the most economically advantageous tender to undertake the investigation and report.

RESOLVED: That:

- a) the Chief Executive be instructed to agree the programme of works with the lowest tender and agree the payment profile for the works as they proceed; and
- b) Bureau Veritas Land and Water Quality, 91-95 Winchester Road, Chandlers Ford, SO53 2GG be appointed to undertake the Rampart Investigation and Assessment in the sum of £51,102 plus VAT.

### **38. LOCAL GOVERNMENT WHITE PAPER – STRONG & PROSPEROUS COMMUNITIES**

Consideration was given to a report of the Chief Executive, which advised Members of the Government White Paper setting out the future challenges for Local Government and the main messages contained therein.

Members were advised that the Government Office for the South East had confirmed that only one local authority in the South East had applied for unitary status and that no further applications were expected.

RESOLVED: That the report of the Chief Executive be noted.

### **39. RELATE PORTSMOUTH & DISTRICT**

The Policy and Organisation Board, at its meeting on 18 January 2006, had agreed a further year's funding of Relate, Portsmouth and District up to a maximum of £7,000 with a review of funding requirements being reported back to the Board.

Consideration was given to a report of the Financial Services Manager detailing the funding requirements already identified by Relate and subsequently paid by the Council in respect of the current year and the request by Relate for funding in 2007/08.

A request had been received from Relate for the Council to consider the continuation of their existing funding for a further year to enable the organisation to continue providing the current level of service to Gosport residents.

Members were advised that the third quarter return from Relate indicated a shortfall of £4,342 but that only £2,035 of the Council grant of £7,000 for this year remained, £4,965 having already been paid to Relate.

Members acknowledged the fact that the number of sessions with clients had steadily increased and that the current year's grant of £7,000 did not cover the shortfall but were concerned that the funding provided to Relate by Gosport Borough Council was relatively high compared to that of some other local authorities in the area.

Members agreed that a grant of £5,000 be made available to Relate on an annual basis.

RESOLVED: That a grant of £5,000 be made available to Relate for the financial year 2007/08 and thereafter on an annual basis.

### **40. VICTIM SUPPORT HAMPSHIRE & ISLE OF WIGHT**

Consideration was given to a report of the Financial Services Manager, which advised Members that the Policy and Resources Committee had agreed ongoing funding for Gosport Victim Support with effect from 1 April 1999 to support the employment of an administrative assistant in the Gosport Office. This office had been closed due to the difficulty of providing cover during periods of leave and sickness. This post was now covered within the Portsmouth District Office although the organisation had stated this had not affected the service offered to Gosport residents.

A request had been received from Victim Support Hampshire and Isle of Wight for the Council to consider continuing funding the service for the current year and for 2007/08, to enable the continuation of the current level of service to Gosport residents.

Members were advised that, during the financial year ending 31 March 2006, Victim Support Hampshire and Isle of Wight had received the following grants from local authorities:

	£
Hampshire Police Authority	28,000
Hampshire County Council	14,281
East Hampshire District Council	6,653
Basingstoke and Deane Borough Council	20,808
Eastleigh Borough Council	288
Havant Borough Council	1,000
Test Valley Borough Council	9,000
Winchester City Council	2,000
Portsmouth City Council	none
New Forest District Council	none

Grants received included a number from town and parish councils.

Members expressed concern that, although the Gosport office had been closed, grant aid was still being sought from the Borough Council. It was also felt that the financial position of some of the local authorities in Hampshire was stronger than in Gosport and therefore Gosport Borough Council should not contribute to the extent that it had in the past.

The Board proposed that grant aid of £3,000 be made available to Victim Support Hampshire and Isle of Wight for each of the financial years 2006/07 and 2007/08.

**RESOLVED:** That grant aid of £3,000 be made available to Victim Support Hampshire and Isle of Wight for each of the financial year 2006/07 and 2007/08.

The meeting commenced at 6.00 p.m. and concluded at 7.00 p.m.

## **A MEETING OF THE COMMUNITY AND ENVIRONMENT BOARD**

**WAS HELD ON 8 JANUARY 2007**

The Mayor (Councillor Mrs Cully)(ex-officio)(P); Councillors Ms Ballard (P), Carr (P), Champion, Clinton, Dickson (P), Edgar (P), Kimber (P), Smith (P), Wright (P) and Mrs Wright (P)

In accordance with Standing Orders, it was reported that notice had been received that Councillors Allen and Carter would replace Councillors Champion and Clinton for this meeting.

### **27. APOLOGIES**

Apologies for inability to attend the meeting were received on behalf of Councillors Champion and Clinton.

### **28. ELECTION OF CHAIRMAN**

RESOLVED: That Councillor Wright be appointed Chairman of the Board.

### **29. ELECTION OF VICE-CHAIRMAN**

RESOLVED: That Councillor Mrs Wright be appointed Vice-Chairman of the Board.

### **30. DECLARATIONS OF INTEREST**

Councillors Edgar and Wright each declared a non-prejudicial interest in that any decision they made in respect of Agenda No. 8 – 'High Street Improvements' would not affect any decision made as a Hampshire County Councillor.

### **31. MINUTES**

RESOLVED: That the Minutes of the Board meeting held on 30 October 2006 be approved and signed by the Chairman as a true and correct record.

### **32. DEPUTATIONS**

It was reported that no deputations had been received.

### **33. PUBLIC QUESTIONS**

No questions had been received from the public.

## **PART II**

### **34. HIGH STREET IMPROVEMENTS**

The Board received a report of the Head of Conservation and Design, which provided Members with an update of the Town Centre improvements that had been completed during the first phase of works in Gosport High Street, in addition to further subsequent works that had been implemented.



It was reported that £79,841 remained from the original budget and the Town Centre Study Members Panel had recommended that refurbishment of the alleyways be undertaken from the remaining budget. The estimated cost of improvements to the alleyways, i.e. Hobbs Passage, Vigars Yard, Carters Yard and India Arms Yard, was in the region of £71,708.

Hobbs Passage required the most work and a sketch plan and photomontage were included with the report.

In answer to a question, Members were informed that should the Board approve the remaining budget to be used for work on the alleyways, the owners and landlords of the various properties abutting the alleyways would be invited to the Town Hall, in due course, to receive a presentation on the proposals for the refurbishment programme. This event would be hosted by the Mayor.

The Town Centre Study Members Panel also requested the Board to consider a phased delivery of the 'Islands of Enrichment' over the next three years, subject to budget approval. The cost of implementation for development of the three 'Islands of Enrichment' – Heritage, Maritime and Discovery – including fees, preliminaries and provisional costs, had been estimated at £248,040.

The Board's approval was sought to use the remaining budget to implement improvements to the alleyways in the Town Centre and, in addition, agreement was requested to the phasing of work on the 'Islands of Enrichment'.

RESOLVED: That

- (a) the progress made with the improvements to the Gosport Town Centre be noted;
- (b) the completion of the alleyway improvements, within the remaining budget, be approved; and
- (c) the phasing of the 'Islands of Enrichment' over the next three years and the inclusion within the draft capital programme of the required funding, totalling £248,000, be approved.

The meeting commenced at 6.00pm and concluded at 6.10pm

## **A MEETING OF THE COMMUNITY AND ENVIRONMENT BOARD**

**WAS HELD ON 22 JANUARY 2007**

The Mayor (Councillor Mrs Cully)(ex-officio)(P); Chairman of the Policy and Organisation Board (Councillor Cully) (ex-officio)(P), Councillors Ms Ballard (P), Carr (P), Champion (P), Clinton (P), Dickson, Edgar (P), Kimber (P), Smith (P), Wright (Chairman)(P) and Mrs Wright (P)

### **35. APOLOGIES**

Apologies for inability to attend the meeting were received on behalf of Councillor Dickson.

### **36. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **37. DEPUTATIONS**

It was reported that no deputations had been received.

### **38. PUBLIC QUESTIONS**

No questions had been received from the public.

## **PART II**

### **39. BOARD BUDGET 2007-2008**

Consideration was given to a report of the Financial Services Manager, which summarised the Board's revised 2006/07 and 2007/08 budgets, including the Board's fees and charges for 2007/2008 and capital programme. The Board's budget recommendations would be forwarded to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

Members attention was drawn to a review of the operation of Gosport Market, which was mid-way through a 10 year agreement, and it was recommended that the existing arrangement for larger pitch sizes for the Tuesday market be extended for a further year and that no increase be made in the consent fee charged to stallholders in 2007/08 (now unchanged since 2002/03). Officers would re-examine the legislation under which the market was operated prior to the re-letting of the concession with a view to improving returns to the Council.

Members were advised that recommended fees and charges were set out within the draft Fees and Charges Book.

The draft Capital Programme 2006/7 to 2011/12 for the Board was included in the Budget Book that had been previously distributed.

RESOLVED: That

- (a) the Board recommend to the Policy and Organisation Board its requirements for:
- the revenue budget (revised 2006/07 and estimate 2007/08);
  - the fees and charges for 2007/08;
  - the capital programme for 2006/07 to 2011/12; and
- (b) approval be given to regularise and extend for a further year the existing trial arrangements for larger Gosport Market pitch sizes on Tuesdays.

The meeting commenced at 6.00pm and concluded at 6.04pm

## **A MEETING OF THE HOUSING BOARD**

**WAS HELD ON 10 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio) (P), Councillors Allen (P), Burgess (P), Cully (P), Foster (P), Foster-Reed (P), Gill, Mrs Mudie (P), Philpott (P), Rigg (P) and Mrs Wright (P).

Also in attendance: Tenant Representative – Mrs Janne Carter

It was reported that, in accordance with Standing Orders, notice had been received that Councillor Smith would replace Councillor Gill for this meeting.

### **23 APOLOGIES**

Apologies for inability to attend the meeting were received on behalf of Councillor Gill.

### **24 ELECTION OF CHAIRMAN**

RESOLVED: That Councillor Mrs Wright be appointed as Chairman of the Board.

### **25 ELECTION OF VICE CHAIRMAN**

RESOLVED: That Councillor Cully be appointed as Vice Chairman of the Board.

### **26 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **27 MINUTES**

RESOLVED: That the Minutes of the meeting held on 1 November 2006 be approved and signed by the Chairman as a true and correct record.

### **28 DEPUTATIONS**

There were no deputations.

### **29 PUBLIC QUESTIONS**

There were no public questions.

## **PART II**

### **30 BEST VALUE SHELTERED HOUSING WORKING GROUP**

The Board considered the report of the Housing Services Manager, bringing before Members the conclusions of the Working Group on the Best Value Sheltered Housing Review.

The Chairman of the Sheltered Housing Working Group thanked all the group members for their commitment for the duration of the Best Value Sheltered Housing Review.

It was proposed and seconded that this matter be deferred to allow time for consultation with residents of all the Sheltered Housing Schemes. It was suggested that consultation should consist of an afternoon at some schemes with residents, Group Spokespersons, Ward Councillors and officers.

Members suggested that those residents unable to attend the consultation afternoons could be supplied with a report and given an opportunity to submit their views.

RESOLVED: That the Board defers the decision on the recommendations to the Housing Board meeting in June 2007 to give time for consultation afternoons to take place at the Sheltered Housing Schemes.

### **31 ALLOCATIONS POLICY REVIEW**

The Board considered the report of the Housing Services Manager seeking Members' approval of recommendations to amend the existing Allocations Policy, prior to consultation with customers and housing association partners.

It was suggested that encouragement to use the bidding process could be enhanced by requesting for a declaration to be signed by the customer confirming that they understood the bidding process thereby encouraging bidding. Members were informed that, at present the law was not clear and therefore officers requested sight of the amendments when available to establish any impact this might have, before any changes were made. The Borough Solicitor stated that case law did not identify what was 'a reasonable length of time' to bid. It was explained that the law changed in 2002 and was not yet fully explored therefore officers could only note concern and explore the Code of Guidance once published otherwise a penalty could be incurred.

Members were also concerned about bidding penalties as they related to vulnerable people. The process was explained including the right of appeal, that reasons for refusal were likely to give an indication of vulnerability as would the updating of medical information and that authorised persons could bid on the vulnerable person's behalf. Members welcomed the work on homelessness waiting lists and the Tower Blocks.

The Borough Solicitor explained that under the law, factors were given to reasonable preference groups, the legality of the scheme would have given weight to 'local connection' rather than 'residency' enabling a balance to be struck and if this was not adhered to it could appear to be potentially unlawful.

Some Members reported that residents were unhappy with the new Banding System as it appeared to be less transparent and less understandable and local people appeared to be disadvantaged and disillusioned by the system. It was proposed and seconded that the present Banding System should revert to a Points System arrangement as previously, starting from the 8 May 2007 bidding cycle.

There was concern as to the impact of returning to a points system might cause and the large amount of resources that might be needed to reverse the systems especially when taking into account the increase in numbers on the Housing Register and the significant number of changes to records. There was some support for preparing an assessment to compare the two systems prior to making a decision on any reversal and/or to let the new system settle down.

The Housing Services Manager advised that it had been a long and detailed process to set up the new banding system and offered to make an assessment of the issues and the implications of reverting to the points system. He felt it would be very difficult to achieve a switch of the systems by March 2007 because of the resources needed to change the IT system and other processes.

RESOLVED: That

- (a) With effect from bidding cycle 8 May 2007, the present banding system should revert to a points based system and ensure compliance with legislation;
- (b) In future amendments to the Allocations Policy and Choice Based Letting Scheme should be considered jointly;
- (c) The Choice Based Lettings Scheme should be reviewed and a report should be presented to a future Housing Board meeting;
- (d) Delegated powers be given to the Housing Services Manager to implement the recommendations approved by this Housing Board and that they be deferred for further consideration at a future Housing Board meeting;
- (e) The Planned Lettings targets be amended as follows:
  - 1 General Needs:
    - Homeless down from 45% to 35%
    - Transfer static at 25%
    - Waiting list up from 30% to 40%
  - 2 New Developments
    - Transfer down from 90% to 70%
    - Waiting list and homeless up from 10% to 30%
  - 3 Sheltered and Designated Elderly
    - Transfer 50%
    - Waiting list and homeless 50%
  - 4 Tower Blocks
    - Homeless customers 10%
    - Transfer customers 10%
    - Waiting list customers 80%
  - 5 Amend the definition of a new development from:  
Cherque Farm, Clarence Yard, Royal Barracks to any new development involving 10 or more new properties in one location;
- (f) Customers subject to specified behaviour penalty provisions within the Allocations Policy be additionally subject to special rules relating to sensitive lettings, namely:

- a) Approval of any offer of re-housing, where a dwelling is a sensitive letting, be subject to Head of Section (Housing Options) discretion; and
- b) The Head of Section (Housing Options) to have delegated powers to amend the applicant's priority, in the negative, to a maximum permissible under law in the specific circumstances of that application
- c) The definition of a specified behaviour penalty in this recommendation excludes penalties applied for refusal of offer of re-housing, rent arrears and financial means
- d) Sensitive lettings are defined as:
  - i) The actual property being re-let was void due to repossession action (formal written notice or beyond) against the previous tenant for nuisance/anti-social behaviour, criminal behaviour justifying possession action; or
  - ii) An immediate neighbouring property is currently subject to repossession action as in (1); or
  - iii) In the sub-locality area a minimum of 10% of tenancies are currently subject to repossession action as in (1);
  - iv) For the sub-locality area the Police or Principal Housing Officer, or equivalent, has made a strong recommendation to the Council that it be designated a sensitive letting area (recommendations to be reviewed every six months) and that recommendation has been accepted. Such recommendation to be made within a framework protocol (to be produced)
  - v) In the sub-locality a minimum of 10% of tenancies are currently occupied by sublet tenants; and
- (g) Customers refusing an offer of re-housing that they have personally bid for, and where that refusal is not reasonable, have a penalty applied to their application (minor penalty as defined in Allocations Policy).

### **32 REVIEW OF THE CHOICE BASED LETTINGS SCHEME**

The Board considered the report of the Housing Services Manager giving information on the first 24 weeks of the Scheme to the end of November 2006. Members had previously received an interim report at Housing Board on 1 November 2006 encompassing the first 12 weeks of the new Choice Based Lettings Scheme (CBL).

Members were informed that there were amendments to Table 6 in the report in that the 'comparison of numbers of applications received immediately before and after Choice Based Lettings was introduced' should be '22 weeks post CBL with 46.5 average weekly applications and total applications received 1024'.

RESOLVED: That the contents of the Housing Services Manager's report be noted.

### **33 REVISED REPAIRS PROGRAMME 2006/07**

The Board considered the report of the Housing Services Manager setting out a revised Housing Repairs Programme for 2006/07 and sought Members' approval for the revised programme.

Due to a significant reduction in Supported Capital Expenditure (Borrowing) from the Regional Housing Board, officers had identified savings of £250,000 with no likely disruption to residents. It was explained that St Vincents storm damage specified in the appendix to the report, was that suffered towards the end of 2005 and that the door entry systems item referred to St Johns Square in March 2006.

The primary reasons for the increasing difficulty in identifying properties where the tenant would accept gas fired central heating were explained and a Member requested that when there was a change in tenancy this matter could be addressed. Members were positive about the low number of Right to Buy sales.

RESOLVED: That the Board approve the Housing Repairs Programme 2006/07 subject to Policy and Organisation Board's approval of the revised budget.

#### **34 PARTNERING ARRANGEMENTS FOR PAINTING AND DECORATING; HEATING AND ELECTRICAL INSTALLATIONS**

The Board considered the report of the Housing Services Manager seeking Members' approval for the proposed appointment of a painting and decorating partner for the next five years and the Board's approval to extend the current heating/electrical partnership with 1<sup>st</sup> Saxon-Clenmay for a further two years from April 2007.

Members questioned why Councillors had been excluded from the selection process for the appointment of a painting and decorating partner but acknowledged that this had been regrettable and would be addressed. Officers explained that this omission had not been intentional and that Tenants' Representatives and Internal Audit had been involved.

Members requested that representatives from all political parties should be present at similar future selection processes and partnering arrangements and welcomed the proposed protocol.

RESOLVED: That

- (a) Contract Standing Orders be waived in accordance with Standing Order 1.4.1 and that Richardson Decorating be appointed as the Housing Services painting and decorating partner for 5 years from January 2007 to January 2012;
- (b) The extension of the current partnering arrangement for heating and electrical installations until April 2009 with 1<sup>st</sup> Saxon – Clenmay be approved; and
- (c) A protocol that the Housing Board Chairman and Housing Group Spokespersons or nominated deputies be invited to participate in the selection processes for all Housing partnering arrangements be approved.

#### **35 GARAGE REVIEW: PROPOSED AMENDMENT TO LICENCES**



The Board considered the report of the Housing Services Manager proposing a change in policy to allow the storage of household goods in garages and that the garage licence agreement be amended accordingly.

Members were informed that a review into the condition of Council garage stock had been underway since July 2006 and was likely to be completed by March 2007. A copy of an interim progress report to the Chairman of Housing had been circulated to Members in November 2006. It had become apparent that there was a clear demand for storage space by residents, this practice was not included in the current Housing Service garage licence and the storing of household items was difficult to patrol and enforce.

There was a perception by some Members that Bridgemark had been singled out for garage inspections but it was confirmed that the review had simply started with Bridgemark. The second phase of inspections was likely to include Leesland and Lee-on-the-Solent Wards. There was Member support for inspecting all garages in the Borough both internally and externally or alternatively repairs could be made when reported or as part of Housing Officers' visits. Members would welcome information on the new licence agreement to be sent to the tenants of garages. It was confirmed that it had been planned to inspect all garages in the Borough but resources had been limited although other resources could be redirected to address the matter.

Members were assured that the storage of household items would not include dangerous materials and if this was found to be the case enforcement action could be taken and licences could be terminated. There was some support for gaining entry to the garages where no access had so far been possible to establish their usage.

Members were in favour of amending the recommendation to include details of the amended licence.

RESOLVED: That the licence agreement be amended, in consultation with Legal Services, to additionally allow the keeping of household goods in Council garages as detailed below:

- A licence is granted by the Council for the purpose of garaging/parking a vehicle owned by the licensee (or member of their family), **and additionally if required the storage of household items.**
- No trade or business shall be carried out and the licensee must not sub-let, assign, or allow any third party to use the garage/car port/locking post.
- The Council and persons authorised by them shall, at any time, be permitted to enter/inspect and/or carry out work.

## **36 PRIVATE SECTOR HOUSING ENERGY EFFICIENCY PROPOSAL**

The Board considered the report of the Housing Services Manager. The report gave an outline of the British Gas incentive scheme, its relevance to improving energy efficiency in Gosport, why it would be advantageous for the Council to participate, the benefits it would bring to local residents and the gains in relation to improved energy efficiency.

Members were informed that this proposed scheme for the private sector was one of a number of alternative schemes available. Following a request, a précis of the alternative schemes would be circulated to Members of the Board.

Members welcomed the British Gas scheme and it was confirmed that the government placed a climate change levy on all the major energy utilities. It was money from this fund that British Gas used to finance its Council Tax refund scheme to install insulation in private properties. It was confirmed that if residents took part in the proposed scheme they would not be obliged to switch energy suppliers.

It was confirmed that in some cases the construction of a property might not lend itself to any further insulation and those residents would be advised accordingly. Following a Member's question it was confirmed that it would be established whether 'blown fibre' insulation might be suitable in these cases. RESOLVED: That the British Gas incentive scheme as outlined in the Housing Services Manager's report be endorsed and officers be instructed to enrol Gosport Borough Council in the British Gas sponsored scheme to promote energy efficiency.

The meeting commenced at 6pm and concluded at 7.57pm

## **A MEETING OF THE HOUSING BOARD**

**WAS HELD ON 24 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio) (P), Councillors Allen, Burgess, Cully (P), Foster (P), Foster-Reed (P), Gill (P), Mrs Mudie (P), Philpott (P), Rigg (P) and Mrs Wright (P).

Also in attendance: Tenant Representative – Mrs Janne Carter

It was reported that, in accordance with Standing Orders, notice had been received that Councillors Hook and Langdon would replace Councillors Burgess and Allen for this meeting.

### **37 APOLOGIES**

Apologies for inability to attend the meeting were received on behalf of Councillors Allen and Burgess.

### **38 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **39 DEPUTATIONS**

There were no deputations.

### **40 PUBLIC QUESTIONS**

There were no public questions.

## **PART II**

### **42 HOUSING GENERAL FUND BUDGET 2007/2008**

The Board considered the report of the Borough Treasurer and Housing Services Manager regarding the Board's revised 2006/2007 budget and the 2007/2008 budget for the Housing General Fund and recommends thereon the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

A Member questioned the reduction in the Housing General Fund budget for 2007/08 as against the original and revised budgets for 2006/07 and the concern that homelessness and bed and breakfast costs could increase leaving a shortfall. The Housing Services Manager explained that a business plan to provide a hostel was being produced which would reduce our reliance on expensive bed and breakfast accommodation. Members were also informed of homelessness percentages in the Borough, that the Housing Options Team was working on homelessness using the range of initiatives available to prevent homelessness. It was further explained that the service was under pressure in some areas such as people with mental health difficulties and services for those between 16 and 25 years.

A Member questioned the provision for garage repairs in the Capital Programme in the light of the garage review due to be completed in Spring 2007. The Housing Services Manager advised that the Repairs Programme for 2007/08 would be presented to the Board on 7 March 2007.

The draft Capital Programme 2006/07 to 2011/12 for the Board was included in the budget book that had been circulated to Members previously.

**RESOLVED:** That the Board recommends to the Policy and Organisation Board its requirements for the Revenue Budget (revised 2006/07 and estimate 2007/08) and the Capital Programme 2006/07 to 2011/2012.

The meeting commenced at 6pm and concluded at 6.13pm

## A MEETING OF THE POLICY AND ORGANISATION BOARD

**WAS HELD ON 30 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio); Chairman of the Policy and Organisation Board (Councillor Cully) (P); Councillors Burgess (P), Carter (P), Chegwyn (P), Gill (P), Hook (P), Langdon (P), Smith, Taylor (P) and Wright (P) .

It was reported that, in accordance with Standing Orders, Councillor Ms Ballard had been nominated to attend this meeting in place of Councillor Smith.

### **PART I**

#### **43. TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2007/08**

Consideration was given to a report of the Financial Services Manager (a copy of which is affixed in the Minute Book as Appendix 'PO1'), which covered the operation of the Council's prudential indicators and its treasury function activities for the forthcoming year.

The Board was requested to approve the report and refer it to Council for formal approval, including the prudential indicators and limits within the report, and specific provisions with immediate effect.

RECOMMENDED: That the Financial Services Manager's report be approved, including the prudential indicators and limits within the report, and the following specific provisions with immediate effect:

- a) the new Investment Strategy;
- b) the use of R P Martins as an Authorised Money Broker;
- c) investment counterparties to include UK and Irish Clearing Banks & their wholly-owned subsidiaries and UK Building Societies, subject to Moody's credit ratings of at least P1 (short-term) and A3 (long-term); and
- d) investment exposure of no more than £4M with any one institution other than the Council's bank (consolidated total including wholly-owned subsidiaries).

#### **44. COUNCIL BUDGET 2007/08**

Consideration was given to a report of the Deputy Chief Executive and Borough Treasurer (a copy of which is affixed in the Minute Book as Appendix 'PO2'), which outlined the financial situation of the Council's General Fund in the current year and, after consideration of the main factors affecting the outlook for 2007/08 including Exchequer support and Reserve levels, recommended a budget level for that year.

The proposed budget consolidated the requirements of the Policy and Organisation Board plus the Community and Environment and Housing (General Fund) Boards as cross referenced.

The revised 2006/07 budget totalled £11,739,310, the same as the original. This had been achieved by making use of a substantial supplementary estimate from reserves.

Members were advised that the final Exchequer Grant figure for 2007/08 of £7,110,143 was £244,088 higher than that for the current year.

The 2007/08 budget totalled £12,302,210 and this represented an increase of £562,900(4.8%) over the 2006/07 budget.

Provision had been made in the 2007/08 budget to continue restoring reserves. General Fund Working Balance would be increased by £20,000 to £860,000 during 2007/8 and Revenue Financing Reserve would increase by £42,000 to £331,650.

The Council's capital programme for the 6 years to 2011/12 amounted to over £37M and would require the use of capital receipts and borrowing totalling in excess of £12M.

The report advised Members that the proposed 2007/08 budget of £12,302,210 was considered both balanced and robust, producing an increase of 4% in Gosport's share of the Council Tax. The outlook for 2008/9 and beyond was further upward pressure on budgets, in excess of general inflation.

**RECOMMENDED:** That Council approve a revised 2006/2007 budget totalling £11,739,310 and a budget for 2007/2008 totalling £12,302,210 (including a net contribution to reserves of £46,760).

## A MEETING OF THE POLICY AND ORGANISATION BOARD

**WAS HELD ON 30 JANUARY 2007**

The Mayor (Councillor Mrs Cully) (ex-officio); Chairman of the Policy and Organisation Board (Councillor Cully) (P); Councillors Burgess (P), Carter (P), Chegwyn (P), Gill (P), Hook (P), Langdon (P), Smith, Taylor (P) and Wright (P) .

It was reported that, in accordance with Standing Orders, Councillor Ms Ballard had been nominated to attend this meeting in place of Councillor Smith.

### **41. APOLOGIES**

Apologies for inability to attend the meeting were submitted on behalf of the Mayor and Councillor Smith.

### **42. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **PART II**

### **45. BOARD BUDGET 2007/08**

The Board received a report of the Financial Services Manager, which considered the Board's revised 2006/07 and 2007/08 budgets, including the Board's fees and charges for 2007/08 and capital programme, and recommended their inclusion in the Council's overall budget proposals.

RESOLVED: That the Financial Services Manager's report be accepted and forwarded without debate for consideration under Minute No. 44 above.

The meeting commenced at 6.00 p.m. and concluded at 6.02 p.m.

<u>Board / Committee</u>	<u>POLICY AND ORGANISATION BOARD</u>
<b>Date of meeting:</b>	<u>30 JANUARY 2007</u>
<b>Title:</b>	<b>TREASURY MANAGEMENT &amp; PRUDENTIAL INDICATORS 2007-2008</b>
<b>Author:</b>	<u>FINANCIAL SERVICES MANAGER</u>
<b>Status:</b>	<u>FOR RECOMMENDATION TO COUNCIL</u>

### Purpose

The attached reports cover the operation of the Council's prudential indicators and its treasury function activities for the forthcoming year. The report incorporates the following key Council reporting requirements:

- The reporting of the main prudential indicators in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The treasury strategy for 2007/08 in accordance with the CIPFA Code of Practice on Treasury Management, incorporating the summary to the investment strategy (in accordance with the ODPM investment guidance), it also includes the specific treasury management prudential indicators;

### **Recommendations**

The Board is recommended to consider and approve this report and refer it to Council for formal approval including the prudential indicators and limits within the report and the following specific provisions with immediate effect:

1. The new Investment Strategy.
2. The use of R P Martins as an Authorised Money Broker.
3. Investment counterparties to include UK and Irish Clearing Banks & their wholly-owned subsidiaries and UK Building Societies, subject to Moody's credit ratings of at least P1 (short-term) and A3 (long-term).
4. Investment exposure of no more than £4M with any one institution other than the Council's bank (consolidated total including wholly-owned subsidiaries).

#### **1.0 BACKGROUND**

- 1.1 The Local Government Act 2003 in conjunction with the Prudential Code require the Council to consider the affordability of its capital expenditure plans during the annual budget setting process. The Prudential Code operates by the provision of prudential indicators, which highlight particular aspects of capital expenditure planning.



- 1.2 The purpose of the indicators is to provide a framework for capital expenditure decision making. The indicators highlight the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.
- 1.3 Within the overall capital funding framework there is a clear impact on the Council's treasury management activity, either through increased borrowing levels or the application of investment balances. As a consequence, the treasury management strategy for 2007/08 is included to set appropriate parameters for expected management activity.
- 1.4 In addition, part of the treasury strategy requirement is the formulation of an investment strategy. Investment guidance issued by the ODPM during March 2004 overlaps into the Code of Practice requirements and the reporting requirements of the ODPM guidance have therefore been incorporated into the treasury management strategy.

## 2.0 CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT

- 2.1 Planned capital expenditure will be partially financed by resources such as capital receipts, capital grants, external contributions and deposits. The remaining element which is not able to be immediately financed from other sources will impact on the Council's underlying need to borrow (the Capital Financing Requirement, or CFR). The summary capital expenditure, financing and the impact on the CFR are shown in the table below. This forms one of the required prudential indicators.
- 2.2 A certain level of capital expenditure will be supported by the Government; anything above this level will be unsupported and will need to be financed from the Council's own resources.
- 2.3 The main limiting factor on the Council's ability to undertake unsupported capital expenditure is the availability of revenue resources to support the full implications of capital expenditure, both borrowing costs and running costs. Borrowing costs are currently approximately 9% of expenditure, comprising a minimum revenue provision (principal repayment) of 4% and interest of 5%.
- 2.4 A key risk is that the level of government support has been estimated and is therefore subject to change. Similarly some of the estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale – right to buy capital receipts, for example, are declining. Additionally, some schemes within the Council's capital programme require ongoing negotiation with partners and contributors and this may result in changing costs and funding patterns over time.
- 2.5 The Council is asked to approve the capital expenditure projections below which are taken from the draft Capital Programme to be considered as part of the 2007/08 Budget.

	2005/06	2006/07	2007/08	2008/09	2009/10
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure - Total</b>	<b>6,815.8</b>	<b>7,703.8</b>	<b>11,168.6</b>	<b>7,407.1</b>	<b>4,629.0</b>
<b>Financed by:</b>					
Capital receipts	2,928.9	1,399.1	745.0	170.0	0.0
Capital grants	2,239.7	2,410.0	2,349.0	2,349.0	2,349.0
Other contributions	774.2	1,599.1	4,510.9	1,648.1	1,018.0
Revenue	51.0	400.0	400.0	400.0	187.0
Total financing	5,993.8	5,808.2	8,004.9	4,567.1	3,554.0
Net financing need	822.0	1,895.6	3,163.7	2,840.0	1,075.0

2.6 The net financing need above will impact directly on the Council's Capital Financing Requirement (CFR). The CFR is the total outstanding capital expenditure, which has not yet been charged against either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need for capital purposes i.e. the Council may need to borrow approximately £7 million over the next 3 years to fund new capital expenditure. The Council is asked to approve the following CFR projections:

	2005/06	2006/07	2007/08	2008/09	2009/10
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Financing Requirement</b>					
CFR – Non Housing	7,363.6	8,436.2	9,540.6	10,660.9	11,310.2
CFR - Housing	(1,231.4)	(431.4)	1,461.6	2,874.6	2,880.6
<b>Total CFR</b>	<b>6,132.2</b>	<b>8,004.8</b>	<b>11,002.2</b>	<b>13,535.5</b>	<b>14,190.8</b>
Net movement in CFR	860.5	1,872.6	2,997.4	2,533.3	655.3
<b>Movement in CFR is represented by</b>					
Net financing need above	822.0	1,895.6	3,163.7	2,840.0	1,075.0
MRP & other financing movements	38.5	(23.0)	(166.3)	(306.7)	(419.7)
<b>Movement in CFR</b>	<b>860.5</b>	<b>1,872.6</b>	<b>2,997.4</b>	<b>2,533.3</b>	<b>655.3</b>

### 3.0 LIMITS TO BORROWING ACTIVITY

3.1 The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2007/08 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2005/06 Actual	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
	£'000	£'000	£'000	£'000	£'000
Gross Borrowing	8,000.0	9,895.6	13,059.3	15,899.3	16,974.3
Investments	(8,477.0)	(9,000.0)	(7,000.0)	(3,000.0)	(3,000.0)
<b>Net Borrowing (Lending)</b>	<b>(477.0)</b>	<b>895.6</b>	<b>6,059.3</b>	<b>12,899.3</b>	<b>13,974.3</b>
CFR	6,132.2	8,004.8	11,002.2	13,535.5	14,190.8
<b>CFR v Net Borrowing</b>	<b>6,609.2</b>	<b>7,109.3</b>	<b>4,943.0</b>	<b>636.3</b>	<b>216.5</b>

3.2 The Council complied with this prudential indicator in the current year and difficulties are not envisaged for the future. This view takes into account current commitments, existing plans and the proposals in this budget report.

3.3 A further two prudential indicators relate to the overall level of borrowing. These are:

- **The authorised limit** – This is the statutory limit determined under section 3 (1) of the Local Government Act 2003 beyond which borrowing is prohibited. It must be set and revised by members. It reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, including some headroom for unexpected movements.
- **The operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

3.4 The Council is asked to approve the following authorised and operational limits:

Authorised limit for external debt	2005/06 Actual	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	9,005.3	10,861.7	14,431.7	16,245.0	16,563.8
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>9,005.3</b>	<b>10,861.7</b>	<b>14,431.7</b>	<b>16,245.0</b>	<b>16,563.8</b>

Operational boundary for external debt	2005/06 Actual	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate

	£'000	£'000	£'000	£'000	£'000
Borrowing	8,132.2	10,004.8	13,002.2	15,535.5	16,190.8
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>8,132.2</b>	<b>10,004.8</b>	<b>13,002.2</b>	<b>15,535.5</b>	<b>16,190.8</b>

#### 4.0 AFFORDABILITY PRUDENTIAL INDICATORS

4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

4.2 **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream.

4.3 Ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream	2005/06	2006/07	2007/08	2008/09	2009/10
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Non-HRA	-1.4%	-2.6%	-1.0%	1.0%	2.5%
HRA	-1.4%	-1.2%	-0.2%	0.9%	1.4%

4.4 The estimates of financing costs include current commitments and the proposals in the budget report. It should be noted that the position is changing from net income to net expenditure.

4.5 **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in this budget report compared to the Council's existing commitments and current plans. The forward projections are based on the assumptions included in the budget, but will invariably include some areas, such as the level of government support, which is not published over a three year period.

4.6 **Incremental impact of capital investment decisions on the Band D Council Tax**

	Projected 2007/08	Projected 2008/09	Projected 2009/10
Council Tax - Band D	£8.57	£12.53	£14.96

4.7 **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this

budget report compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels.

#### 4.8 Incremental impact of capital investment decisions Housing Rent levels

	Projected 2007/08	Projected 2008/09	Projected 2009/10
<b>Weekly Housing Rents</b>	<b>£0.80</b>	<b>£1.32</b>	<b>£1.54</b>

#### 5.0 TREASURY MANAGEMENT STRATEGY 2007/08 – 2009/10

- 5.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are also specific treasury prudential indicators.
- 5.2 The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management).
- 5.3 An annual strategy is required to be reported to Council outlining the expected treasury activity for the forthcoming 3 years and a further report is produced after the year-end regarding actual activity for the year. This report includes the Treasury Management Strategy for 2007/2008.
- 5.4 A key requirement of this report is to explain the risks associated with the treasury service and how they should be managed.

This strategy covers:

- The current treasury position
- The expected movement in interest rates
- The Council's borrowing and debt strategy
- The Council's investment strategy (in compliance with the ODPM guidance)
- Treasury performance indicators
- **Treasury Position**

As reflected in the Statement of Accounts for 2005/06, the Council had had a net investment of £0.477 million at 31<sup>st</sup> March 2006.

The money market fund (Global Treasury Funds plc) and Corporate Deposit Account continue to be used to maximise returns on sums that do not warrant by size or need being invested as short or long term investments.

The authority to respond to different interest rates throughout the financial year is delegated to the Borough Treasurer. In his absence the Council's response to short term fluctuations is jointly agreed

between any two of the Financial Services Manager, the Head of Accountancy and the Group Accountant

Approved methods of raising finance are:-

- All long-term loans (in excess of 365 days) to be raised through the PWLB, Bond Issue or Loan Receipt (1989 Housing Act).
- All short term loans (less than 365 days) to be raised through dealings on the London Money Markets using
  - o Tradition UK Limited
  - o ICAP
  - o Other brokers at the discretion of the Borough Treasurer.
  - o Directly via the Council's bank

It is proposed to add R P Martins to this list with immediate effect. This will enable the Council to access market information that will help make dealing more efficient and potentially produce direct financial benefits.

During 2006/07, to date the Council been in a net investment position and this expected to continue for the remainder of 2006/07 and during 2007/08.

#### ▪ **Expected Movement in Interest Rates**

Interest Rate uncertainty is set to persist in the year ahead. The threat of higher inflation is considered a real danger for the UK economy in the near term, not least the possibility that the increase in RPI to 4.4% could translate to a buoyant pay round. Whether or not this transpires will remain an open question but regardless of this Monetary Policy Committee will almost certainly err on the side of caution when it comes to setting policy.

The Monetary Policy Committee announced the long-awaited increase in base rates following its August meeting rising from 4.5% to 4.75%. This was followed by further increases in November and January, when Interest Rates rose to the current 5.25% rate. Long-term interest rates will follow an erratic course but are likely to remain under modest upward pressure until the financial markets are convinced that the US interest rate cycle has peaked and the next move in dollar rates is in a downward direction.

#### ▪ **Borrowing and Debt Strategy 2007/08 – 2009/10**

The growing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are expected to rise modestly and peak at 5.5 or 5.75%. The Borough Treasurer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that longer term fixed rates will be considered

if borrowing levels remain relatively low and rates ease, although the likelihood is that mainly short term money will be used in 2007/8.

Capital programme funding estimates indicate that the Council may need to borrow additionally for capital purposes in 2007/08 and beyond, as projections indicate that usable Capital receipts are likely to reduce considerably

#### ▪ **Investment Strategy 2007/08**

The main principle governing the Council's investment criteria is the security and liquidity of its investments, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

After this main principle the Council will ensure:

- o It has sufficient liquidity in its investments. For this purpose it will adopt procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- o It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

In the normal course of the council's cash flow operations it is expected that both specified and non specified investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain the majority of its investments in specified investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

The approved organisations for investment have been reviewed and should be agreed as follows (with immediate effect):

- UK and Irish Clearing Banks and their wholly-owned subsidiaries\*
- UK Building Societies \*
- Other Local Authorities
- The Bank of England
- Money Market funds and deposit accounts as operated by the Council's bank

\* subject to a minimum credit rating of P1 Short Term, A3 Long Term and a maximum of £4 million (increased from £3 million) with any single borrower other than the Council's bank.

In view of the rates available, current levels of capital receipts/deposits and the planned slow-down in the proposed capital programme, a further 3 £1M investments have recently been placed for 3, 4 & 5 years

respectively. This will prolong the benefit that we are gaining from current high interest rates and fits in well with the rest of the portfolio.

This decision anticipates the remaining receipts/deposits due from Priddy's Hard phase 1 due shortly. Unless Priddy's Hard phase 2 produces a change in the situation, it is now very unlikely that we will be in a position to justify any further investments of over 364 days until after 31 March 2008. Accordingly, investments during the remainder of 2006/7 and 2007/8 will be short term (specified), aimed at maintaining liquidity of funds.

In order to limit interest rate exposure all investments are to be fixed rate transactions; the Borough Treasurer is provided with a networked report enabling him to assess performance. The Borough Treasurer, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the relevant risks

- Treasury Management Prudential Indicators and Limits on Activity

There are four treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

- Upper limits on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments. This indicator is now quoted as an absolute value to aid treasury management.
- Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates. This indicator is also now quoted as an absolute value to aid treasury management
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are specified as upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end. The indicator has been reached in the current financial year and will be exceeded by year end. It has therefore been increased for both 2006/7 and future years.

The Council is asked to approve the following prudential indicators:

	2006/07		2007/08		2008/09	
	Upper		Upper		Upper	
	£'000	£'000	£'000	£'000	£'000	£'000



Limits on activity	Investments	Borrowing	Investments	Borrowing	Investments	Borrowing
Limits on fixed interest rates	(15,000.0)	11,896.0	(13,000.0)	15,059.0	(9,000.0)	17,899.0
Limits on variable interest rates	(8,000.0)	0.0	(8,000.0)	0.0	(8,000.0)	0.0

Maturity Structure of fixed borrowing	(Lower)	(Upper)	(Lower)	(Upper)	(Lower)	(Upper)
Under 12 months	0%	30%	0%	30%	0%	30%
12 months to 2 years	0%	0%	0%	0%	0%	0%
2 years to 5 years	0%	0%	0%	0%	0%	0%
5 years to 10 years	0%	30%	0%	30%	0%	30%
10 years and above	0%	100%	0%	100%	0%	100%

Maximum percentage of principal sums invested for over 364 days	70% (revised from 50%)	80%	90%
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#### ▪ Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. For the year ahead, it is suggested that we monitor the following areas against these benchmarks

- Number of transactions for borrowing and lending.
- Average rate of interest achieved on investments and paid on borrowing, to be compared with the budgeted rate and the average 7 day rate as the year progresses.

## 6.0 CONCLUSION

6.1 This report considers the financing of the Council's capital expenditure plans and their impact on the capital financing requirement and borrowing limits. The Treasury Management Strategy is detailed. Prudential Code indicators are included throughout.

<u>Financial implications:</u>	<b><u>As contained in the report.</u></b>
<u>Legal implications:</u>	<b><u>The formulation of a plan or strategy for the control of the authority's borrowing, investments or capital expenditure is a function reserved for the Council.</u></b>
<u>Service Improvement Plan implications:</u>	<b><u>This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.</u></b>
<u>Corporate Plan</u>	
<u>Risk Assessment</u>	<b><u>As contained in the report</u></b>
<u>Background papers:</u>	<b><u>Budget working papers</u></b>
<u>Appendices/Enclosures:</u>	

## GOSPORT BOROUGH COUNCIL

<b>BOARD/COMMITTEE:</b>	<b>POLICY &amp; ORGANISATION BOARD</b>
<b>DATE OF MEETING:</b>	<b>30 JANUARY 2007</b>
<b>TITLE:</b>	<b>COUNCIL BUDGET 2007/8</b>
<b>AUTHOR:</b>	<b>DEPUTY CHIEF EXECUTIVE &amp; BOROUGH TREASURER</b>
<b>STATUS:</b>	<b>FOR RECOMMENDATION TO COUNCIL</b>

**SUMMARY OF REPORT AND RECOMMENDATIONS**

The report outlines the financial situation of the Council's General Fund in the current year and, after consideration of the main factors affecting the outlook for 2007/8 including Exchequer support and Reserve levels, recommends a budget level for that year. The proposed budget is expected to result in an increase in the Borough's share of the Council Tax of 4% after taking account of reserve and tax collection fund balances. This increase equates to an extra 11p per week Council Tax for an average Gosport property (Band B).

**RECOMMENDATIONS**

It is recommended that the Board consider the budget requirements of all of the Council's Boards (including Fees & Charges and Capital Programme) and recommend to Council a revised 2006/7 budget totalling £11,739,310 and a budget for 2007/8 totalling £12,302,210 (including a net contribution to reserves of £46,760).

**1.0 PURPOSE OF REPORT**

- 1.1 To recommend budget levels for General Fund services for 2007/8 and help determine, in due course, the level of Council Tax to be levied in the Borough. (Council will take the final decision on the Council Tax level for 2007/8 at a special meeting scheduled for 23 February 2007 when precepting authorities' requirements are known).

**2.0 BACKGROUND**

- 2.1 The Council's finances have been steadily recovering following a prolonged period when overspending on statutory demand-led services such as Housing Benefits and Homelessness was a regular feature and reserves reached critically low levels. However, the need for a significant supplementary estimate in 2006/7 to cover expenditure slippage from 2005/6 and make good a substantial loss of income (Car Parking, Open Market, Planning Fees) and additional expenditure requirements (including Festival, Depot, Waste Collection, Housing Benefits, Priddy's Hard and Audit Fees) does not bode well. Feedback regarding likely grant settlements from 2008/9 is not encouraging (current assumption of 2% annual increases may be over-optimistic). In addition, many areas of the Council's finances will come under pressure from increased demand and above-RPI cost increases.
- 2.2 It is important that the Council tries to consolidate its financial position. Accordingly, a programme of service reviews is in place to enhance value for money and reduce pressure on future council tax levels, whilst addressing strategic priorities. It is almost certain that some services will have to be cut in order to work within Council Tax levels that will avoid Government capping in the future.
- 2.3 The Local Government Act 2003 requires the Council to consider whether its budget is balanced and robust with appropriate levels of reserves. It is considered that the currently proposed budget is balanced and robust and any proposed amendments must be considered in this context.

- 2.4 Conclusions about the adequacy of the proposed budget are based on both an examination of various aspects that are summarised in a risk assessment and the knowledge that there is a commitment to reviewing all services in order to achieve efficiencies in the longer term.
- 2.5 The total proposed net budget for 2007/8 is £12,302,210 and this represents an increase of £562,900(4.8%) on the original budget for the current year, of which over £360,000 relates to a net reduction in income, the remainder of the increase primarily being due to inflation.
- 2.6 Reserve powers for Government capping of the Council's budget still exist and the Government have made it clear that these powers will be used if necessary. It is probable that an increase in Gosport's Council Tax of over 5% would mean a risk of capping. Current Council policy is for annual increases of no more than 4%.
- 2.7 The final Exchequer Grant figure for 2007/8 of £7,110,143 is £244,088 higher than the current year.

### **3.0 REVISED 2006/7 EXPENDITURE & INCOME**

- 3.1 The revised budget totals £11,739,310, the same as the original. This has only been achieved by making use of a substantial supplementary estimate from reserves. (See para 2.1).
- 3.2 The draft budget book contains a list of variations that have arisen between the Council's original spending plans for the current year and the latest estimate of expenditure and income. There are a number of significant variations, many of which have previously been anticipated in budget monitor reports, plus a large number of smaller variations.
- 3.3 The Working Balance is being maintained at its target level of 7% (£840,000) by 31 March 2006 but the Revenue Financing Reserve is proving difficult to boost to an adequate level in order to fulfil its intended purpose, having been reduced to provide the supplementary estimate required in 2006/7.
- 3.4 Efforts will be made to improve the 2006/7 finances during what remains of the financial year.

### **4.0 BUDGET PROPOSALS FOR 2007/8**

- 4.1 Substantial variations to the Council's budget requirements compared to Revised 2006/7 arise from inflation (RPI currently 4.4%); additional costs associated with the bus pass scheme, Housing Benefits, Priddy's Hard Site, partly offset by Interest transactions and the absence of any Local Elections in 2007. £52,000 of additional grant income from an expected windfall under the temporary Business Growth Incentives scheme has been applied to appropriate services. A further report regarding the use of this funding will be brought to a future meeting of the Board once full details are known. A detailed analysis of all variations is contained in the draft budget book.
- 4.2 The 2007/8 budget totals £12,302,210 and this represents an increase of £562,900(4.8%) over the 2006/7 budget.
- 4.3 Every effort has been made to ensure that the proposed budget is balanced and robust. In particular, Managers have recommended levels of maintenance and administration expenditure that they believe are the minimum necessary amounts to ensure that service provision is maintained within current Council policy and that Health and Safety requirements are met. A substantial number of reductions made by Managers from the initial bids that were submitted inevitably means that some budgets will not be sustainable in the longer term.
- 4.4 Appendix 1 summarises a risk assessment of the budget areas considered most vulnerable. Generally, these risks are higher than in previous years and these risks should be borne in mind when considering reserve levels.

## 5.0 RESERVES

- 5.1 General Fund provisions available for general use comprise a Working Balance and the Revenue Financing Reserve. The Board agreed ground rules for the operation of the Revenue Financing Reserve when Budget Strategy for 2006/7 was considered. Revenue Financing Reserve is to be used to ensure that fluctuations in annual maintenance requirements can be met, to underwrite uninsurable risks and for funding spend-to-save initiatives. Substantial additional maintenance requirements are expected to arise in the future from Asset Management Planning and recent claims experience is requiring more self-insurance in order to moderate premium increases. Maintaining a viable Revenue Financing Reserve is therefore considered essential for improved management of the Council's finances.
- 5.2 The Council's Working Balance minimum prudent target level of 7% of net expenditure currently equates to £860,000. This is very low compared to most local authorities and requires continuing budget contributions and use of council tax collection fund surpluses. The percentage link will be kept under review as the Working Balance nears £1M, with the probability that further increases might not be necessary beyond that point if the Council has acted appropriately to manage the higher risk areas of its income and expenditure and has reduced future budget commitments down to a sustainable level.
- 5.3 Provision is made in the 2007/8 budget to continue restoring reserves. General Fund Working Balance will be increased by £20,000 to £860,000 during 2007/8 and Revenue Financing Reserve will increase by £42,000 to £331,650. A Council Tax Collection Fund Surplus of £55,000 provides £20,000 towards these transfers in accordance with Council policy but £35,000 of the surplus is in excess of usual levels and is to be used to help keep the necessary tax increase down to 4%.

## 6.0 THE LONGER TERM OUTLOOK

- 6.1 A 3-year projection of revenue commitments (summarised in Appendix 2) indicates further pressures on budgets. A significant proportion of the projected increases relates to the revenue effect of capital investment contained in the Council's Capital Programme. Due to the time lag between spending capital monies and the impact on revenue accounts, much of the forecast increase in 2008/9 is now inescapable.
- 6.2 Projected budget totals including inflation are as follows:

	Bud get £'000	Budget Increase %	Potential Council Tax Increase %
2008/9	13,149	6.9	13.7
2009/10	14,144	7.6	13.6
2010/11	14,836	4.9	7.3

Early action must be taken to cut the cost of services to an affordable level and/or increase income in order to reduce the projected Council Tax rises if the Council is to avoid the likelihood of capping in coming years. A proposed Medium Term Financial Strategy 2007/8-2011/12 will be brought before the Board in March 2007, reflecting the implications of the approved budget.

- 6.3 Efficiency Review and Best Value processes required by Government will assist in identifying economies that will improve the above forecasts, as will close monitoring of services using the Council's Performance Management Framework.

## 7.0 THE COUNCIL'S CAPITAL PROGRAMME

7.1 A separate report dealing with Treasury Management Strategy and Prudential Code of Borrowing for the coming year is on the agenda for recommendation to Council.

7.2 The Council's capital programme for the 6 years to 2011/12 amounts to over £37M and will require the use of capital receipts and borrowing totalling in excess of £12M.

7.3 There is a direct impact on revenue budgets arising from the capital programme and, where expenditure is not supported by Government grant, a resulting council tax requirement. (See para. 6.1 & Appendix 2). The ability of the Council to properly maintain and improve its assets is a concern, principally because of the revenue impact. The amount of discretionary capital expenditure in the capital programme must be strictly controlled in the future and it should be noted that some essential schemes (e.g. replacement landing stage) cannot be afforded unless the revenue implications can be met within future budgets. The Council is unable to fund such expenditure within the Prudential Code of Borrowing without such assurances.

## 8.0 COUNCIL TAX LEVELS FOR 2007/8

- 8.1 The budget of £12,302,210 for 2007/8 will result in an increase of 4% in Gosport's share of the Council Tax when that is set on 23 February 2007. The Band D tax is likely to be £190.63 for 2007/8.
- 8.2 Based on provisional data, the Council Tax increases resulting from alternative 2007/8 budget levels are as follows:

BUDGET £M	C T RISE %
12.1	0
12.2	2
12.25	3
12.35	5

(1% Council Tax is equivalent to approximately £50,000 net expenditure).

## 9.0 CONCLUSION

- 9.1 The proposed 2007/8 budget of £12,302,210 is considered both balanced and robust, producing an increase of 4% in Gosport's Council Tax. The outlook for 2008/9 and beyond is further upward pressure on budgets, in excess of general inflation.
- 9.2 A budget book containing the budget and Medium Term Financial Strategy as finally approved will be circulated by April.

Financial Implications:	Council's General Fund Budget for 2007/8
Legal Implications:	<b><u>The Council has to set a balanced and robust budget and is also under an obligation to carry out its functions effectively, efficiently and economically</u></b>
Service Improvement Plan implications:	<b><u>The budget submissions reflect both service improvement plans and the corporate plan.</u></b>
Corporate Plan:	<b><u>Ditto.</u></b>
Risk Assessment:	<b><u>As contained in section 6 of the report and para's. 2.6 &amp; 4.4</u></b>
Background papers:	Draft Budget Book Draft Fees and Charges Book <b><u>Budget working papers</u></b>
Appendices/Enclosures:	1. Risk Assessment 2. 4 year projection
Report Author/Lead Officer	Peter Wilson

**BUDGET RISK ASSESSMENT (GENERAL FUND)**

Budget Area	Risk	Budget £'000	Likelihood	Impact	Comment
Political Balance	Problems delivering difficult decisions (planning decisions, service level changes).	N/A	H	H	
Homelessness	Additional demand.	2,219	H	M	Strategy is under review.
Housing Benefits	Error/overpayment rates increase + grant formula changes.	18,134	H	M	
Gosport Market Income	Reduction in stall numbers.	191	H	L	Downward trend appears to be levelling off.
Maintenance & Administration	Inadequate provision.	3,100	H	L	Essential expenditure has been provided for.
Land Charges Income	Recession/policy change.	154	M	M	Budget reflects prudent forecasts and policy change.
General Income	Shortfall due to unpredicted demand changes.	2,500	M	M	Budget reflects prudent income forecasts.
Inflation	Exceeds allowance.	350	M	M	Inflation expected to peak soon and reduce in 2007/8.
Insurance	Claims experience forces more self-insurance.	300	M	M	Storm damage is an increasing concern (£100,000 excess).
Concessionary Fares	Increased cost of bus passes.	483	M	M	Negotiations with the operator are ongoing.
Interest Income (net)	Reduces from forecast or capital receipts & deposits get spent earlier than anticipated.	156	L	H	The Council is becoming over-dependent on investment income.
Vacancy Savings target	Target cannot be achieved.	120	L	L	Budgeted provision is realistic based on recent experience.

**NOTES**

- 1 Assessment is of 2007/8 budget taking account of past trends and budget monitoring.
- 2 Likelihood: High = most years, Medium = Occasional, Low = rare.
3. Impact: High = over £100,000; Medium = £50 – 100,000; Low = less than £50,000

## APPENDIX 2

### PROJECTED GENERAL FUND FOR THE YEARS TO 2011/12 (AT CURRENT PRICES)

	(£'000)			
	2008/9	2009/10	2010/11	2011/12
A 2007/8 Base Budget	12,302	12,302	12,302	12,302
B Revenue Increases				
Private Housing Condition Survey			60	
Local Elections	70		70	
Insurance Premiums		100	100	100
Contract re-tendering		350	350	350
Other	7	26	21	28
	77	476	601	478
C Additional Financing Charges *	245	441	556	619
D (A+B+C)	12,624	13,219	13,459	13,399
E Less Revenue Decreases				
Planning Grant	-125	-125	-125	-125
Business Growth Grant			-52	-52
New Revenue Streams	50	100	150	150
	-75	-25	-27	-27
<b>F PROJECTED BUDGET TOTALS</b> (D-E)	<b>12,699</b>	<b>13,244</b>	<b>13,486</b>	<b>13,426</b>

\*Arising from the Capital Programme and accounting requirements

## **Appendix 'HO1'**

<b>Board/Committee:</b>	Housing Board
<b>Date of Meeting:</b>	<u>24 January 2007</u>
<b>Title:</b>	<u>Council Dwelling Rents 2007/2008</u>
<b>Author:</b>	<u>Financial Services Manager &amp; Housing Services Manager</u>
<b>Status:</b>	<u>For Decision</u>

### Purpose

This report considers the Board's revised 2006/2007 budget and the 2007/2008 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

### Recommendations

It is recommended that with effect from 2nd April 2007. That the Board approve the revised 2006/07 budget and the 2007/08 budget for the Housing Revenue Account including:

- i) Increasing average weekly Council Dwelling rents by 4.9%
- ii) Increasing Garage, carports and parking lot rents by 3.0%.

## **1.0 Background**

- 1.1 This report considers the revised budget for 2006/2007 and the budget for 2007/2008 for the Housing Revenue Account (Appendix 1). These budgets are also shown on page 47 of the Budget Book.
- 1.2 The report makes recommendations on rent levels for next year. A schedule detailing proposed rent levels is attached at (Appendix 2).

## **2.0 Housing Revenue Account (HRA)**

- 2.1 The HRA revised council house maintenance budget for 2006/2007 is £2.614M, an increase of £0.94M on the Original budget. The principle cause of this is a change in the apportionment of recharging from the Housing administration accounts. The council house maintenance budget for 2007/2008 is £2.927M representing a £0.313M increase on the 2006/2007 revised estimate.
- 2.2 It is anticipated that HRA balance level will decrease to £901,000 from the current £991,000 by the end of the current year. This is primarily due to an



increase in costs. Management costs have increased significantly due to a number of factors. These have included Administration recharges, Audit fees and insurance which have all been higher than anticipated in the Original budget. These have been partially offset by a reduction in expenditure on supplies.

- 2.3 It is estimated that the HRA balance for 2007/08 will decrease to £814,000 by the end of the year. This is due to a number of factors, the main one being an increase in the level of expenditure on repairs and maintenance. Increased expenditure in this area is affordable largely due to an increase in subsidy through the rental constraint allowance. Whereas guideline rents have increased by 6.5% in the HRA notional (HRA subsidy account) Government recommendations are that actual rents increase by no more than 5% on average across the stock. This means that the rental income assumed for subsidy purposes is higher than actual rent received. The DCLG (Department for Communities and Local Government) have calculated that this authority receives the shortfall of £955,000 through the rental constraint allowance. The predicted HRA balance at the end of 2007/08 of £814,000 equates to approximately 7.5% of HRA turnover. This balance is in line with the recommendations laid out in the Audit Commission annual letter of October 2003, and is considered adequate for present needs.

### **3.0 HRA Capital Programme**

- 3.1 The Capital Programme for 2006/2007 to 2011/2012 is shown on page 84 of the draft budget book. The HRA Capital Programme totalling approximately £4.250M in the revised budget for 2006/07 is funded from the Major Repairs Allowance (MRA) £2.166M, revenue contributions £0.400M, capital receipts of £0.884M, and borrowing of £0.800M.
- 3.2 The HRA Capital Programme for 2007/08 has been increased to £4.606M as we work to achieve the Decent Homes Standard by December 2010. This expenditure is to be financed from MRA £2.163M, revenue contributions from within the HRA of £0.400M. The remainder of £2.043M would be funded by capital receipts of £0.156M and prudential borrowing of £1.887M.

### **4.0 HRA Subsidy**

- 4.1 The Government has published the Final Housing Revenue Account Subsidy and Item 8 Determinations for 2007-08.
- 4.2 There has been a slight increase in the formula for Management and Maintenance allowances and the allowance for this authority has

increased from £5.11m to £5.14m. This represents an increase of around 0.6% and does not compare favourably with other Districts ranking Gosport's increase 197 out of 234 in England.

- 4.3 The Major Repairs Allowance (MRA) has increased from £645 per property in 2006/07 to £660 in 2007/08, an increase of 2.3% although the total sum payable has decreased slightly as a result of the reduction in stock numbers. The MRA provides the Council with the resources to maintain the condition of our housing stock over the long term and keep on track to achieve the Decent Homes Standard to 2010.
- 4.4 There are no further changes in the methodology for calculating formula rents as authorities continue to implement rent restructuring on the basis of the rules introduced following the 3 year review in 2004.
- 4.5 The HRA subsidy system is therefore being brought gradually into line with restructured rents and up-to-date assessments of authorities relative spending needs. The overall aim is that it should be fairer and assist business planning whilst helping tenants and others understand how the HRA is funded and maintained.

## **5.0 2007/2008 Rent Level Proposals**

- 5.1 The Government policy of rent restructuring came into effect in 2002/03 and a review of the policy took place during the summer of 2004. This was discussed in detail in the HRA Council dwellings report for 06/07.
- 5.2 This process requires Local Authorities and housing associations to set their rents based upon a range of factors, including average wages, property size and location and condition.
- 5.3 The Governments objectives for Rent Restructuring are:
  - To ensure social rents should remain affordable and well below those in the private sector.
  - To ensure social rents should be fairer and less confusing for tenants.
  - To provide a closer link between rents and the qualities that tenants value in their properties.
- 5.4 This process is intended to achieve a 'harmonisation' of rents, so that similar properties in the same area should have broadly similar rents. Rent restructuring is also about clarity and transparency. It aims to bring some coherence to the rather haphazard picture across the social rented sector. By 2012 both local authority and RSL (Registered Social Landlords) rents should be broadly in line, subject to any differences in service charges.

- 5.5 In order to maintain the move towards target rents in equal annual steps, a national average increase of 6.5% would be needed. However the DCLG has estimated by using the RPI+0.5%+£2 rule this will limit the increases to an average of 5%, if necessary by using the tolerances within the system. The guideline rent is a major factor in determining the level of subsidy an authority receives. The guideline rent, set by the DCLG, for this authority has increased by 6.5% in 2007/08 and the impact of this when input to the subsidy calculation is a net loss of subsidy to Gosport of £955,000 for 2007/08, although this has been offset by the Rental Constraint Allowance. Aligning of guideline rents to actual rents is a fundamental part of rent restructuring.
- 5.6 The introduction of the new proposals have meant target rents have increased significantly and actual rents will have to increase by £2.86 or 4.9% on average in order for Gosport to remain on target to achieve rent convergence by 2012. It is a Government requirement that we achieve rent convergence by 2012, so we must implement the necessary level of rent increase each year to achieve that fundamental objective. If we fail to implement the required annual rent increases we may face financial penalties, which would impact on our ability to achieve the Decent Homes Standard by 2010.
- 5.7 It is proposed to increase rent levels for garages, carports and parking lots by 3% from April 2007.

## **6.0 Risk Assessment**

- 6.1 Should a lower rent increase be levied it would lead to a widening of the gap between this Council's average rent levels and those it is expected to reach under rent restructuring which would lead to greater increases being required in the future. In addition less income would be available to support housing repairs and other expenditure to improve services to residents. A rent level higher than that calculated by the formula would result in the rent subsidy limitation rules coming into effect with the resulting loss of subsidy.

## **7.0 Other Properties**

- 7.1 There are a small number of other committee properties where the rent levels are assessed in line with HRA properties. The proposal is to also increase these by 4.9%.

## **8.0 Comparisons with The Private Sector**

- 8.1 The Local Government and Housing Act 1989 requires local housing authorities to 'have regard in particular to the principle that the rents of

houses of any class or description should bear broadly the same proportion to private sector rents as the rents of houses of any other class or description'. The Government's policy for social rents that are fair, affordable and less confusing for tenants was set out in the December 2000 policy statement, "The way forward for Housing". Further details were given in "A Guide to Social Rent Reforms" which was issued at the same time.

## **9.0 Conclusions**

9.1 The Government's rent restructuring policy came into effect in 2002/03 although Authorities had been given the option not to implement the restructuring on an individual property basis until 2003/04. This authority agreed to the implementation of rent restructuring for 2003/04. In order for rent convergence to be achieved by the Government deadline of 2012, it is necessary that the proposed average rental increase of 4.9% is approved.

<b>Financial Implications:</b>	As set out in the report
<b>Legal Implications:</b>	The Council is under a duty to set a budget which prevents a debit balance arising on the Housing Revenue Account.
<b>Service Improvement Plan Implications:</b>	The meeting of the Decent Homes Standard by 2010 is a key Service Improvement Plan (SIP) objective of the Housing Service
<b>Corporate Plan:</b>	More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan.
<b>Risk Assessment:</b>	As set out in the report
<b>Background Papers:</b>	Draft Budget Book and Fees & Charges
<b>Appendices/Enclosures:</b>	Appendix 1: HRA 2006/07 Revised budget & HRA 2007/08. Appendix 2: A schedule detailing proposed rent levels
<b>Report Author/Lead Officer:</b>	Andy Elder, Tim Hoskins & Julian Bowcher

## Appendix 1

### HRA

	06/07 Original £'000	06/07 Revised £'000	07/08 Estimate £'000
<b>Income</b>			
Dwelling Rents	9,250	9,124	9,570
Shops & Garages	230	214	223
Service Charges	490	543	484
HRA Subsidy(including MRA)		0	0
	9,970	9,881	10,277
<b>Expenditure</b>			
Management	2,610	2,646	2,775
Maintenance	2,520	2,614	2,927
Rents ,Rates, Taxes, Other Charges	100	91	99
Cost Of Capital/Impairment/Deferred Charges)	6,120	6,118	6,118
Depreciation	2,110	2,153	2,163
HRA Subsidy(including MRA)	2,240	2,166	2,039
	15,700	15,788	16,121
<b>Net Cost Of Services</b>	5,730	5,907	5,844
TFR AMRA (Difference between cost of capital and impairment/ deferred charges and HRA interest costs)			
Amortised	-6,150	-6,160	-6,108
Premiums/discounts	40	0	0
HRA Investment income/mortgage interest	-50	-57	-49
	-6,160	-6,217	-6,157
<b>Net Operating Expenditure</b>	-430	-310	-313
<b>Appropriations</b>			
Revenue Contributions to Capital	400	400	400
HRA set-aside		0	0
<b>Housing Revenue Account Balance</b>			
Surplus/(-)Deficit at beginning of Year	787	991	901
Surplus/(-)Deficit for Year	30	-90	-87
<b>Surplus(-)/Deficit at end of Year</b>	817	901	814

## Appendix 2

<b>Type</b>	<b>Bedroom</b>	<b>Count</b>	<b>Total Weekly Rent Income</b>	<b>Average Weekly Rent</b>	<b>Maximum Rent Charge</b>	<b>Minimum Rent Charge</b>
Bedsit	1	12	494.38	41.20	47.20	40.10
Bungalow	1	316	17,566.51	55.59	66.38	45.18
Bungalow	2	63	4,172.47	66.23	69.74	54.42
Bungalow	3	11	844.69	76.79	78.85	72.58
Flat	1	956	52,603.15	55.02	63.59	43.73
Flat	2	59	4,072.15	69.02	75.73	58.30
Flat	3	17	1,268.87	74.64	82.78	66.03
House	1	11	640.66	58.24	60.47	58.02
House	2	309	19,459.41	62.98	70.96	54.17
House	3	925	65,576.81	70.89	83.80	0.00
House	4	84	6,462.01	76.93	85.91	65.65
House	5	1	73.63	73.63	73.63	73.63
Maisonette	1	24	1,548.89	64.54	72.81	57.32
Maisonette	2	110	7,025.35	63.87	83.80	56.01
Maisonette	3	58	3,729.70	64.31	72.80	59.01
Maisonette	4	2	161.62	80.81	80.81	80.81
Sheltered Bedsit	1	49	2,144.38	43.76	50.00	42.31
Sheltered Bedsit	2	1	64.70	64.70	64.70	64.70
Sheltered Bungalow	1	50	2,660.55	53.21	58.66	39.25
Sheltered Flat	1	172	8,946.49	52.01	72.46	43.14
Sheltered Flat	2	3	188.54	62.85	80.15	50.44
Sheltered Flat	3	1	57.26	57.26	57.26	57.26

Please Note:

Average Rent Charge Includes Service Charges

### Rental Increase By Amount

137	Properties will have a nil increase
58	Properties will have an increase of £0-£1
57	Properties will have an increase of between £1-£2
1541	Properties will have an increase of between £2-£3
1441	Properties will have an increase of £3 and over