



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 **FOURTH DAY** of **FEBRUARY 2009** at **THE CONCLUSION OF THE POLICY & ORGANISATION BOARD 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 Meeting of the Council held on 26 November 2008 (copy herewith).
3. To consider any Mayor's Communications.
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, 2 FEBRUARY 2009 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, 2 FEBRUARY 2009).**

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, 3 FEBRUARY 2009).**

6. Consideration of recommendations by the Boards of the Council:-

	<b>BOARD</b>	<b>DATE</b>
(i)	Housing Board	*04 February 2009
(ii)	Policy & Organisation Board	*04 February 2009

\* These minutes are 'To Follow'.

7. To receive the following Part II minutes of the Boards of the Council:

- Policy and Organisation Board: \*26 January and \*4 February 2009
- Community and Environment Board: 19 January and \*4 February 2009
- Housing Board: 21 January and \*4 February 2009

\* These minutes are 'To Follow'.

8. Election of Mayor and Deputy Mayor 2009/2010.

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 Mrs D Searle for Mayor-Elect and Councillor M J Carr for Deputy-Mayor Elect for the 2009/2010 Municipal Year.

**IAN LYCETT  
CHIEF EXECUTIVE**

**TOWN HALL  
GOSPORT**

**27 January 2009**

**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 COMMUNITY AND ENVIRONMENT BOARD  
WAS HELD ON 19 JANUARY 2009**

The Mayor (Councillor Kimber) (P); Councillors Beavis (P), Burgess (P), Chegwyn (Chairman) (P), Edgar (P), Mrs Forder (P), Langdon (P) Murphy (P), Salter (P), Smith (P) and Wright (P).

**52. PLAY AND SKATEPARK IMPROVEMENTS AT WALPOLE PARK  
AND ELSON RECREATION GROUND**

Consideration was given to a report of the Leisure and Cultural Services Manager which sought the Board's approval for the use of Developer Contributions for improvements to the play area facilities at Walpole Park Play Area and Elson Recreation Ground.

Members were advised that consultation had taken place with young people who had specifically cited that the lack of facilities was an issue for them and contributed to antisocial behaviour in these areas.

Members agreed that undertaking the improvements would help strengthen the good relationship being developed between adults and young people and also expressed their appreciation to the Ward Councillors, Youth Council, Police and Officers for their hard work towards the project.

A Member queried whether older children would be kept out of the improved play areas as they were intended for younger children. The Board was advised that it was the responsibility of the Community Police to monitor this and Alan Gibson agreed to raise the issue with them.

RESOLVED: That the use of £43,500 of Developer Contributions for the following projects be approved:

- 1) Walpole Park Play Area - £32,500
- 2) Elson Recreation Ground - £11,000

**53. USE OF COUNCIL LAND FOR EVENTS**

Consideration was given to a report of the Chief Executive detailing a procedure for dealing with requests from third parties to use the Council's land for events.

The Chief Executive drew attention to Appendix A of the report and advised that approval was requested for the provisional bookings as detailed and the Waterfront Festival.

Members were also advised that there were draft fees in place; they were not

included in the report as they were subject to approval at the forthcoming Council meeting. Members advised that the bookings provisionally made in Appendix A would be subject to the fees agreed.

Clarification was sought as to whether requests for the use of Council land should be presented to the Community and Environment Board when the request was for use of Housing Land, e.g. Skipper Way. Members were advised that the Community and Environment Board would not be able to approve requests for land for which it was not responsible. Requests for use of land within the remit of Housing Board and Policy and Organisation Board would go to these Boards respectively.

An amendment was proposed to paragraph 2.5 of the report. The proposed amendment was to give greater clarification to the restrictions to be decided and imposed under the remit of the Board; Members felt that the report was sufficient in its purpose of detailing the procedure to be followed and the role of the Board.

Members voted on the proposed amendment to add a final sentence to paragraph 2.5 'and to specify any additional conditions the Board wishes to see included in the Land Hiring Agreement such as the times for the event, sale of alcohol and playing of music'

The motion was lost on the Chairman's casting vote.

It was suggested that the Housing Board would require a similar report to clarify the procedure of use for land managed by that Board.

RESOLVED: That:

- 1) the procedure detailed in paragraphs 2.3 to 2.6 in the report of the Chief Executive which detailed the procedure to be followed in dealing with requests for the use of Council land, be approved; and
- 2) the bookings detailed in Appendix A of the Chief Executive's Report and for the Waterfront Festival, be approved.

#### **54. HOLBROOK RECREATION CENTRE – EXTENSION OF MANAGEMENT CONTRACT**

Consideration was given to a report of the Leisure and Cultural Services Manager which sought the Board's approval to extend the contract for the management of Holbrook Recreation Centre until 31 March 2010, whilst the process of procurement for a replacement facility was progressed.

Members were advised that the closing date for expressions of interest for the development of the new Recreation Centre had passed and that details of the expressions of interest would be brought to the Board.

Members were advised that arrangements would be put in place to ensure that the Holbrook Recreation Centre remained open until the new facility was available.

The Members expressed concern whether, at the Centre's current rate of deterioration, it would realistically remain open for a further year. Members were advised that a replacement boiler had been fitted approximately four years ago and that despite a second back-up boiler currently being unavailable, the lifespan of the previous boiler had been 25 years.

Recently, some time had been lost to trading whilst repairs were undertaken to faulty pipe work. Funds were available in the budget to address issues of repair and maintenance.

The Mayor questioned whether there was to be a rise in the cost of entrance fees for the current facility in 2009/10 and, if so, whether they would be justified at such an ailing facility.

Members were advised that this was to be decided at the Council budget meeting and that the Council had control over the pricing of the key components, the swimming pool, the squash courts and the fitness centre.

Members were advised that the subsidised swimming scheme for over 60 and under 16 year olds would commence in April 2009, although a contingency plan to use other pools in the Borough had been considered should Holbrook Recreation Centre not be available.

Members were also advised that, due to a lower than expected uptake of the scheme, a small amount of additional funding had been secured.

**RESOLVED:** That the extension of the contract for the management of Holbrook Recreation Centre until 31 March 2010 be approved.

The meeting commenced at 6.00 pm and concluded at 6.25 pm

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

**WAS HELD ON 21 JANUARY 2009**

The Mayor (Councillor Kimber) (ex-officio), Chairman of Policy and Organisation Board (Councillor Smith)(ex-officio), Councillors Allen, Ms Ballard (P), Beavis (P), Bradley (P), Mrs Cully (P), Edwards (P), Geddes, Gill (Chairman) (P), Mrs Mudie (P) and Philpott (P).

It was reported that, in accordance with Standing Orders, Councillors Burgess and Carter had been nominated to replace Councillors Allen and Geddes.

Also in attendance: Tenant Representative – Mrs Jan Carter

### **27 REVIEW OF THE BOROUGH WIDE TENANT COMPACT**

The Board considered the report of the Housing Services Manager which presented the Borough Wide Tenant Compact for approval.

Members were advised that Tenant Compacts had been introduced under the Best Value regime in 2000, the last review having been carried out in 2006. The draft document for approval was the result of Councillors, tenants and officers working together.

RESOLVED: That the Borough Wide Tenant Compact be approved.

### **28 PROPOSED PLANS FOR THE REDEVELOPMENT OF ROGERS HOUSE, LEE-ON-THE-SOLENT**

The Board considered the report of the Housing Services Manager which outlined the progress made in developing plans for the future of Rogers House, Lee on the Solent. The proposed plans and proposed tenures of the scheme were presented with a draft timetable for the delivery of the scheme and known financial information at this stage. The proposals were subject to planning approval and to securing funding for the scheme from the Homes and Communities Agency which was the successor to the Housing Corporation.

Members were advised that local consultation had taken place on 27 November 2008 and that it was proposed that the site be redeveloped by Guinness Hermitage Housing Association to provide 40 one and two bedroom units as opposed to the existing 24 flats and bedsitters. It was anticipated that the new development would, should all arrangements go to plan, be completed by 2011.

Members raised concerns regarding an existing new development by Guinness Hermitage Housing Association where there were issues regarding maintenance of properties during the defects liability period. Members also expressed the view that any

leasehold scheme for the elderly should be as flexible as possible and that all aspects of the new scheme should be to the greatest possible benefit of Gosport residents.

With regard to wheelchair access, officers advised that the whole building should be accessible for wheelchair users but it would not be possible for every property to be designed to the standard required for disabled persons.

Officers advised that Members' agreement in principle on the detailed proposals was being sought and that a further report would be made to the Board at a later date. Members' comments and concerns would be taken into account.

**RESOLVED:** That the Board recommend to the Policy and Organisation Board that:

- (a) the land and associated buildings at Rogers House be transferred to Guinness Hermitage Housing Association, for £1 and on such other terms to be agreed and subject to planning approval;
- (b) authority be delegated to the Housing Services Manager in conjunction with the Borough Solicitor to finalise the terms of the transfer; and
- (c) the Housing Services Manager, in liaison with Ward Councillors and Housing Spokespersons, continue working on the detailed proposals including financial, management, development, and tenure discussions for the redevelopment of the Rogers House site.

## **29 HOUSING REVENUE ACCOUNT BUSINESS PLAN UPDATE**

The Board considered the report of the Housing Services Manager which presented to Members the current and future predicted position of the Housing Revenue Account Business Plan.

Members were advised that the Housing Revenue Account (HRA) working balance had reduced to £168,000 on 31 March 2007 but had been restored to £677,000 by 31 March 2008 after a surplus of £490,000 had been achieved on HRA services during the year. However, a negative subsidy determination and the removal of the rental constraint allowance had meant that the Council had not matched Government rent increase guidelines which had resulted in a shortfall and a subsequent revision of budgets. The determination for 2009/2010 had indicated that the Council would be required to pay £3,534,000, an increase of £362,000 on 2008/2009.

In order to sustain the HRA, a rent increase of 6.8% for the year 2009/10 would be sought. This was within the permissible range recommended by Central Government. Currently the Council's rents were lower than the national average in 2007/08 and lower than those of Fareham, Winchester and New Forest Councils.

Members were advised that there were a number of options for borrowing to meet any capital shortfall although a number of issues would need to be looked into before deciding on which option to adopt. Any selected option would need to be shown in the

30 year plan which would demonstrate how any loans would be paid back.

RESOLVED: That:

- (a) the Board note the current Housing Revenue Account Business Plan and the assumptions on which it is based; and
- (b) officers be recommended to explore future investment options for the stock and report back to a future Housing Board.

### **30 ASSET MANAGEMENT STRATEGY**

The Board considered the report of the Housing Services Manager which sought approval for the Asset Management Strategy, which provided an overview of the current condition of the housing stock and set out priorities for investment for the next five years.

Members were advised of the importance of assessing investment needs and that a further report would be made to the Board in March 2009 which would provide more details of what investment was required and what would need to be delivered.

Concerns were raised regarding the designation of accommodation for the elderly. Officers advised that certain restrictions had been introduced and the age limit had been reduced. Officers undertook to work with Housing spokespersons on this area.

Members raised concerns regarding the manageability of the Housing Waiting List. Demand always outstripped supply and there were applicants who were unlikely ever to be rehoused. Officers advised of the intention to present an allocations policy report to the Board in September or November 2009.

RESOLVED: That:

- (a) the Asset Management Strategy and its main themes and ambitions be approved;
- (b) the Board note that the required funding to meet the aspirations of this strategy cannot be met within current and predicted capital resources (as described in the Housing Revenue Account Business Plan report elsewhere on the agenda of this meeting); and
- (c) the Housing Services Manager be requested to bring a further report to the March 2009 Housing Board on the required capital investment that can be achieved and outlining where the aspirations of this strategy cannot be met.

### **31 CHANGES TO SUPPORTING PEOPLE FUNDING AND THE IMPACT ON SHELTERED SERVICE PROVISION**

The Board considered the report of the Housing Services Manager which informed Members of the impact of the Supporting People Strategic Review carried out by the

Hampshire County Council Supporting People Team and proposed changes to the Supporting People contract. It also considered the changes proposed by Housing Services to respond to the issues raised by that review and the amended funding regime.

Members were advised that the review would involve Gosport Borough Council providing alternative levels of service according to need and the wishes of residents. It would also enable support services to be provided in the community as well as in sheltered housing. The financial impact on Gosport Borough Council would be relatively small and staffing implications would be minor.

Members recognised that the process would need to be dealt with sensitively. Use of any sheltered scheme by non-residents would only take place with the agreement of the residents of the scheme.

RESOLVED: That:

- (a) the changes outlined in the Supporting People Funding Review be noted;
- (b) the recommendations outlined in paragraphs 5.1.2, 5.2, 5.4, 5.5 of the Housing Services Manager's report be noted;
- (c) the new structure outlined in paragraph 6.4 and the proposals in paragraphs 9.5 & 9.6 of the Housing Services Manager's report in respect of Telecare be noted; and
- (d) the amendments to the charging structure outlined in paragraph 8.0 of the Housing Services Manager's report be noted.

## **32 UNDER OCCUPATION INITIATIVE**

The Board considered the report of the Housing Services Manager which provided an overview of an under occupation initiative carried out between September 2007 and March 2008 and sought approval of the recommendations that had emerged as a result of that initiative.

Officers reported that one of the conclusions of the initiative was that money on offer through the Tenant Incentive Scheme was not the primary consideration for a tenant wishing to move to smaller accommodation. It was therefore agreed that the fourth recommendation in the Housing Services Manager's report should be amended so that the incentive payment to a tenant moving from a four bedroom property would remain at £1,000 and that a decoration allowance of up to a maximum of £1,000 should also be given.

RESOLVED: That the Board approve:

- (a) amendments to the Allocations Policy that all transfer applicants occupying three

or four bedroom properties be permitted, at customer request only, to be eligible for a move to properties one bedroom in excess of need; provided the move releases a property with more bedrooms than the property allocated;

- (b) that these transfer applicants benefit from a reduced (50%) financial package under the Tenants Incentive Scheme;
- (c) that the Tenants Incentive Scheme financial package (£1000) be still offered to those releasing two or three bedroom properties and moving to one bedroom accommodation; and
- (d) that the Tenants Incentive Scheme financial package remain at £1000 for those tenants moving out of four bedroom properties and, in addition, a redecoration allowance of up to a maximum of £1,000 be made available to those tenants where appropriate.

### **33 VOID PROPERTIES NEW LETTABLE STANDARD**

The Board considered the report of the Housing Services Manager which sought approval for the changes to the void properties lettable standards for general needs properties and for sheltered housing and also approval for the changes to the decorating allowance scheme for new tenancies.

Members were advised that the aim was for additional items to be included in the void property standard. There would be no major cost implications to the Council although there would be additional costs for materials. However, there would be fewer labour costs as the volume of items removed from void properties would reduce.

A pilot had been carried out in November and December 2008 using the new standard and processes. Very positive feedback had subsequently been received by officers from those new tenants who had benefited from the new arrangements over the pilot period.

**RESOLVED:** That the changes to the lettable standard and a new decorating allowance scheme as detailed in paragraphs 3.2 to 3.5 inclusive and Appendix B and C of the Housing Services Manager's report be approved.

The meeting commenced at 6.00 pm and concluded at 7.58 pm.

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

**WAS HELD ON 26 JANUARY 2009**

The Mayor (Councillor Kimber) (ex-officio); Councillors Burgess, Chegwyn, Gill (P), Hicks (P), Hook (P), Langdon (P), Philpott (P), Mrs Searle (P), Smith (Chairman) (P) and Wright (P).

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

### **52. RISK ASSESSMENT**

A presentation was made by the Financial Services Manager, a copy of which is attached in the Minute Book as Appendix A.

The Financial Services Manager was thanked by the Chairman for his presentation.

### **53. SOCIAL INCLUSION STATEMENT**

Consideration was given to a report of the Head of Economic Prosperity which sought Member approval of the Gosport Borough Council Social Inclusion Statement.

Members were advised that the Statement was based on local perspectives and data which were also shared with Hampshire County Council although no direct consultation had taken place with the County Council.

It was noted that there had been improvements in social inclusion in Gosport but there were still serious issues to be addressed. Many issues were due to influences not directly under the control of the Borough Council but it was important that they were identified and set out in a formal document.

Members were advised that the Borough Council had worked on social inclusion with Hampshire County Council and the Partnership for Urban South Hampshire. This had provided the opportunity to highlight the areas where too little investment was being made in Gosport; it was acknowledged that Hampshire County Council would not achieve its Performance Indicators if this situation continued. The draft Comprehensive Area Assessment report had shown that the least Hampshire County Council resources were being invested in Gosport. These concerns were supported by the evidence in the Social Inclusion Statement which documented some of the key issues for investment and intervention.

It was felt that the Statement could be used as a starting point for improvements and that partnership with other bodies was a key area of work. Members agreed that the document should be updated and a report made to the Policy and Organisation Board on an annual basis.

RESOLVED: That:

- a) the Gosport Borough Council Social Inclusion Statement, attached at Appendix A to report of the Head of Economic Prosperity, be approved; and
- b) an updated Social Inclusion Statement report be made to the Policy and Organisation Board on an annual basis.

#### **54. FREEDOM OF INFORMATION ACT – PUBLICATION SCHEME**

Consideration was given to a report of the Corporate Services Manager which sought retrospective approval of a revised Freedom of Information Publication Scheme to come into effect on 1 January 2009.

RESOLVED: That the revised Freedom of Information Publication Scheme be adopted with effect from 1 January 2009, based on the Model Scheme approved by the Information Commissioner.

#### **55. TOURISM SOUTH EAST – RENEWAL OF SERVICE LEVEL AGREEMENTS**

Consideration was given to a report of the Leisure and Cultural Services Manager which sought the approval of the Board for the renewal of the Service Level Agreements between the Council and Tourism South East.

RESOLVED: That the renewal of the Service Level Agreements between the Council and Tourism South East for the period April 2009 to March 2012 be approved.

#### **56. RENAMING OF ESPLANADE**

Consideration was given to a report of the Leisure and Cultural Services Manager which sought the Board's approval to the renaming of the Esplanade to "Esplanade de Royan" in recognition of the 50th anniversary of the Royan Twinning.

Concerns were raised regarding the lack of consultation with the residents living nearby. Members agreed that full consultation was not necessary but that residents of Harbour Tower, Seaward Tower and Watergate should be notified of the proposed renaming.

RESOLVED: That:

- a) the renaming of the Esplanade to "Esplanade de Royan" in recognition of the 50th anniversary of the Royan Twinning and the provision of appropriate signage and nameplates be approved; and
- b) residents of Harbour Tower, Seaward Tower and Watergate be notified of the above renaming.

The meeting ended at 7.08 p.m.

**AN EXTRAORDINARY MEETING OF THE HOUSING BOARD  
WAS HELD ON 4 FEBRUARY 2009**

The Mayor (Councillor Kimber) (ex-officio) (P), Chairman of Policy and Organisation Board (Councillor Smith)(ex-officio), Councillors Allen (P), Ms Ballard (P), Beavis (P), Bradley (P), Mrs Cully (P), Edwards (P), Geddes (P), Gill (Chairman) (P), Mrs Mudie (P) and Philpott (P).

Also in attendance: Tenant Representative – Mrs Jan Carter

**PART I**

**38. COUNCIL DWELLING RENTS 2009/10**

The Board considered the joint report of the Financial Services and Housing Services Managers (a copy of which is attached as Appendix 'HO1') which considered the Board's revised 2008/2009 budget and the 2009/2010 budget for the Housing Revenue Account and made recommendations on rent levels for next year.

RECOMMENDED: That:

- a) the average weekly Council Dwelling rents increase by 6.8%; and
- b) garage, carport and parking lot rents increase by 5.00 %.

**AN EXTRAORDINARY MEETING OF THE HOUSING BOARD  
WAS HELD ON 4 FEBRUARY 2009**

The Mayor (Councillor Kimber) (ex-officio) (P), Chairman of Policy and Organisation Board (Councillor Smith)(ex-officio), Councillors Allen (P), Ms Ballard (P), Beavis (P), Bradley (P), Mrs Cully (P), Edwards (P), Geddes (P), Gill (Chairman) (P), Mrs Mudie (P) and Philpott (P).

Also in attendance: Tenant Representative – Mrs Jan Carter

**PART II**

**39. HOUSING GENERAL FUND BUDGET 2009/10**

The Board considered the report of the Housing Services Manager the purpose of which was to consider the Board's revised 2008/09 and 2009/10 budgets, including the Board's fees and charges for 2009/10 and capital programme, and to recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

RESOLVED: That the Board recommend its requirements to the Policy and Organisation Board for the:

- a) Revenue Budget (revised 2008/2009 and estimate 2009/2010);
- b) Fees and Charges for 2009/2010; and
- c) Capital Programme 2008/2009 to 2013/2014.

## APPENDIX HO1

<b>Board/Committee:</b>	Housing Board
<b>Date of Meeting:</b>	4 <sup>th</sup> February 2009
<b>Title:</b>	Council Dwelling Rents 2009/2010
<b>Author:</b>	Financial Services Manager and Housing Services Manager
<b>Status:</b>	For Recommendation to Council

### **Purpose**

This report considers the Board's revised 2008/2009 budget and the 2009/2010 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

### **Recommendations**

The Board is requested to recommend to Council its requirements for increases from the 6th April 2009 as described below:

- 1.1 The average weekly Council Dwelling rents to increase by 6.8%
- 1.2 Garage, carports and parking lot rents to increase by 5.00%.

### **1.0 Background**

- 1.1 This report considers the revised budget for 2008/2009 and the budget for 2009/2010 for the Housing Revenue Account (Appendix A).
- 1.2 The report makes recommendations on rent levels for next financial year. A schedule detailing proposed rent levels is attached at (Appendix B).

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

- 2.1 The HRA revised Council house maintenance budget for 2008/2009 is £2.475M, a reduction of £49,000 on the original budget. The Council house maintenance budget for 2009/2010 is £2.456M representing a £19,000 reduction on the 2008/2009 revised estimate.
- 2.2 It is anticipated that HRA balance level will reduce to approximately £418,000 from the current balance of £677,000 by the end of the financial year 2008/2009. This is significantly below the minimum balance identified within the Medium Term Financial Strategy and means that there is a high risk of the HRA going into deficit if the required rent increase of 6.8% is not approved. The major variances to budget have occurred in the following areas:

- The slowdown in Right to Buy has affected revenue budgets as administration and maintenance expenditure on sold properties is reclaimable from the receipt issued to Central Government. In the current year the Council has sold only two properties and the subsequent loss to revenue is budgeted at approximately £90,000.
- Central recharges for services have increased by £39,000 and insurance costs by £12,000. Utilities costs for Sheltered Schemes have increased by £35,000 and Capital financing costs by £22,000.
- The level of rental income included within the original budget has also reduced by £47,000 primarily due to the earlier than originally anticipated decanting of tenants from the Sheltered Scheme at Rogers House.

2.3 It is anticipated that the HRA balance will increase to £479,000 by the end of 2009/2010. This slight increase in reserves is dependent upon several factors including a small increase in service charges to reflect the actual costs concerned and averaging approximately £0.52 per property per week.

2.4 The draft housing subsidy settlement for this Council shows an increase of approximately £360,000 payable to Central Government for the financial year 2009/2010. This means that this Council will now pay £3.524M in subsidy which equates to £0.34 in every £1 collected. This is primarily due to guideline rents increasing by 6.2% and management and maintenance allowances by only 2.7% and Major Repairs Allowance (MRA) by 4%. The subsidy settlement has used the RPI (Retail Price Index) figure to calculate the guideline rent increase figure and it was measured at 5.1% for the subsidy determination. A 6.8% rent increase is assumed within the budget which, if approved, will enable maintenance expenditure on Council homes to be maintained at the similar levels and increase the balance of reserves by approximately £60,000 to £479,000. Due to the anticipated deficit in the revised budget for 2008/2009 it is essential that action is taken to protect the level of HRA reserves in 2009/2010.

### **3.0 HRA Capital Programme**

3.1 The Capital Programme for 2008/2009 to 2013/2014 is shown on page 46 of the draft budget book. The HRA Capital Programme totalling approximately £3.676M in the revised budget for 2008/2009 is funded from the Major Repairs Allowance (MRA) £2.160M and borrowing of £1.51M. The Capital Programme for 2009/2010 is £2.3M as we work to achieve the Decent Homes Standard by December 2010.

3.2 The expenditure for 2009/2010 of £2.3M is to be financed primarily from MRA of £2.23M and is likely to stay at similar levels for the foreseeable future.

#### **4.0 HRA Subsidy**

- 4.1 There has been an increase in the formula for Management and Maintenance allowances in the Notional HRA. The increase is £143,000 or 2.7%. The allowance will increase from £5.124M to £5.267M.
- 4.2 The MRA has increased from £663 per property in 2008/2009 to £690 in 2009/2010, an increase of 4%. The MRA provides the Council with the resources to maintain the condition of its housing stock over the long term and keep on track to achieve the Decent Homes Standard to 2010.
- 4.3 There are further changes in the methodology for calculating formula rents although last years amendments were anticipated as being a one-off.
- 4.4 Rent convergence has been moved back to 2024/2025 (for the purposes of calculation and is in effect for one year only). The Government hope that this will keep rent increases to around the level of guideline rent increases mentioned earlier. The Government assumes that all Authorities are now close to their guideline rents when it makes its subsidy calculations, although this Council is still under this figure, which equates to lost revenue to the HRA. The Government assumes this Council will be charging close to guideline rent at £66.72 per property per week: whereas the actual charge will be £62.86. This figure takes into account the de-pooling of service charges, which equate to an average of £1.60 per week (which should be included when calculating the deficit in guideline rent). It appears likely that this level of subsidy settlement will be in place next year to coincide with the Comprehensive Spending Review (so it would appear that a similar increase will be required next year).

#### **5.0 2009/2010 Rent Level Proposals**

- 5.1 The Government policy of Rent Restructuring came into effect in 2002/2003 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 2006/2007.
- 5.2 In order to maintain the move towards target rents in equal annual steps, a national average increase of 8 - 9% would be needed. However the Government has estimated by using the RPI+0.5%+£2 rule this will limit the increases to an average of between 6.2 and 7% nationally. This has been achieved by moving the convergence date for one year only to 2023/2024 therefore allowing increases to be 5.5% +1/15th of the increase required from 2009/2010 until 2023/2024.
- 5.3 The change to the rent convergence date has meant target rents have increased significantly and actual rents will have to increase by £4.00 (6.8%) on average in order for this Council to have a working balance on

the HRA that is not too low as to pose a potential risk to repairs and maintenance contracts which could lead to the HRA having a deficit.

- 5.4 In 2001, changes were made to the way that the Government subsidised the HRA, by introducing Rent Restructuring. Under a process known as 'convergence', the rents of Gosport Borough Council properties will be increased incrementally each year, so as to reach the restructured levels by 20011/2012 which was the original date set for convergence. It appears likely that this date will be moved forward or removed completely when the HRA subsidy review results are made available sometime during 2009.
- 5.5 This process required Local Authorities and Housing Associations to set their rents based upon a range of factors, including average wages, property size and location and condition.
- 5.6 The Government's reasons for Rent Restructuring were stated as:
- 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 properties.
- 5.7 This process was intended to achieve a 'harmonisation' of rents, so that similar properties in the same area would have similar rents. Rent Restructuring was also about clarity and transparency. Its aim was to bring some coherence to the rather haphazard picture across the social rented sector.
- 5.8 Unfortunately it would appear that there is still some way to go before Housing Association and Local Authority rents in the same area are seen to be equal.
- 5.9 This Council has applied property specific Rent Restructuring from 2003/2004 and using the Government's prescribed formula it is calculated that an average increase of 6.8% is required this year.
- 5.10 In addition to ensuring the gap between guideline and actual rents does not widen any further, this proposed increase is also required to offset the loss in subsidy and to ensure a working balance that is not so low, as to pose a significant risk of an HRA deficit at the end of 2009/2010.
- 5.11 Since the principle of 'harmonisation' of rents was introduced this Council has frozen rent levels for Barclay House homeless persons hostel. The reason for this was that the rents charged were significantly higher than those charged for secure tenants. However, in comparison to rent levels at Stoke Gardens (homeless persons hostel (General Fund)) Barclay House

rents are significantly lower. At this stage, and pending a more detailed consideration of the hostels business plans, it is recommended that Barclay House rents increase in line with the Councils standard housing rents, proposed to increase at 6.8%.

- 5.12 It is proposed to increase rent levels for garages, carports and parking lots by 5.00% from April 2009.

## **6.0 HRA Balance Levels**

6.1 A report was taken to Housing Board in November 2007 concerning the restoration of HRA balances which estimated that a balance of £507,000 would be achieved by 31<sup>st</sup> March 2008. The balance at the end of the year was in fact £677,000 due to a combination of initiatives taken throughout the year. Due to a number of factors, this balance is now budgeted to reduce to £418,000 by 31<sup>st</sup> March 2009 (as mentioned in 2.2 above).

6.2 The Medium Term Financial Strategy currently states that a minimum balance required for the HRA is £640,000, which is equivalent to approximately £200 per property.

## **7.0 Other Properties**

7.1 There are a small number of other properties where the rent levels are assessed in line with HRA properties. The proposal is to also increase these by 6.8%.

## **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 is that they 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 2002/2003, although Authorities had been given the option not to implement the restructuring on an individual property basis until 2003/2004.

9.2 This Council agreed to the implementation of Rent Restructuring for

2003/2004. In order for rent convergence targets to be maintained the continuation of an effective service for the tenants of Gosport it is necessary that the proposed average rental increase of 6.8% 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 and Charges
<b>Appendices/Enclosures:</b>	Appendix A: HRA 2008/2009 Revised budget & HRA 2009/2010. Appendix B: A schedule detailing proposed rent levels
<b>Report Author/Lead Officer:</b>	Tim Hoskins and Julian Bowcher

## Appendix

### A

#### Income

Dwelling Rents	10,002	9,955	10,691
Shops & Garages	236	220	240
Service Charges	399	388	395
	<u>10,637</u>	<u>10,563</u>	<u>11,326</u>

#### Expenditure

Management	2,608	2,822	2,805
Maintenance	2,524	2,475	2,456
Rents, Rates, Taxes, Other Charges	77	77	77
Depreciation	2,161	2,160	2,234
HRA Subsidy(including MRA)	3,172	3,166	3,524
	<u>10,542</u>	<u>10,700</u>	<u>11,096</u>

#### Net Cost Of Services

	<u>(95)</u>	<u>137</u>	<u>(230)</u>
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Financing Adjustment	0	0	0
Item 8 debit	130	152	189
HRA Investment income/mortgage interest	<u>(35)</u>	<u>(30)</u>	<u>(20)</u>
	<u>95</u>	<u>122</u>	<u>169</u>

#### Net Operating Expenditure

	<u>0</u>	<u>259</u>	<u>(61)</u>
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#### Appropriations

Revenue Contributions to Capital	0	0	0
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#### Housing Revenue Account Balance

Surplus/(-)Deficit at beginning of Year	584	677	418
Surplus/(-)Deficit for Year	0	(259)	61
<b>Surplus(-)/Deficit at end of Year</b>	<b>584</b>	<b>418</b>	<b>479</b>

**Appendix B**

TYPE	Bedroom	Total	Weekly Total Rent Income	Weekly Average Rent	Maximum Rent Charge	Minimum Rent Charge
Bedsit	1	12	548.32	45.69	53.56	44.30
Bungalow	1	316	19,734.08	62.45	72.30	55.67
Bungalow	2	63	4,590.41	72.86	76.00	61.42
Bungalow	3	11	912.32	82.94	84.36	71.71
Flat	1	951	56,116.41	59.01	67.30	47.66
Flat	2	59	4,304.05	72.95	74.58	63.07
Flat	3	17	1,305.92	76.82	81.15	70.26
House	1	10	645.36	64.54	66.94	64.27
House	2	306	21,638.96	70.72	77.47	62.82
House	3	918	72,532.90	79.01	87.66	53.38
House	4	83	7,137.23	85.99	94.49	75.46
House	5	1	83.05	83.05	83.05	83.05
Maisonette	1	24	1,565.21	65.22	71.04	61.61
Maisonette	2	108	7,442.41	68.91	82.05	63.77
Maisonette	3	58	4,101.37	70.71	77.27	65.84
Maisonette	4	2	171.85	85.92	85.92	85.92
Sheltered Bedsit	1	13	602.24	46.33	47.50	46.11
Sheltered Bungalow	1	50	2,903.16	58.06	62.80	46.38
Sheltered Flat	1	129	6,893.93	53.44	68.19	39.54
Sheltered Flat	2	3	208.02	69.34	75.88	66.06

Please note: The above average weekly rental charge excludes the service charge element

2009-10 Rent Increment	
Band	Total
Nil Increase	41
Less Than £3	50
Between £3-5	2019
Above £5	1024
Grand Total	3134

**AN EXTRAORDINARY MEETING OF THE POLICY AND ORGANISATION  
BOARD**

**WAS HELD ON 4 FEBRUARY 2009**

The Mayor (Councillor Kimber) (ex-officio) (P); Councillors Burgess (P), Chegwyn (P), Gill (P), Hicks (P), Hook (P), Langdon (P), Philpott (P), Mrs Searle (P), Smith (Chairman) (P) and Wright (P).

**PART I**

**61. COUNCIL BUDGET 2009/10**

Consideration was given to a report of the Deputy Chief Executive and Borough Treasurer (a copy of which is attached as Appendix 'PO1') 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 2009/10 including Exchequer support and reserve levels, recommended a budget level for that year. The proposed budget was expected to result in an increase in the Borough's share of the Council Tax of 4.5% after taking account of reserve and tax collection fund balances. This increase equated to an extra 13.3p per week Council Tax for an average Gosport property (Band B).

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.

RECOMMENDED: That Council approve a revised 2008/09 budget totalling £12,707,000 and a budget for 2009/10 totalling £13,082,000 (including a contribution to reserves of £80,000) and note the amendment to the Capital Programme made by the Community and Environment Board.

**62. TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2009/2010**

Consideration was given to a report of the Financial Services Manager (a copy of which is attached as Appendix 'PO2') which outlined the Council's prudential indicators for 2009/10 to 2011/12 together with the expected treasury operations for this period. It fulfilled four key legislative requirements:

- The reporting of the main prudential indicators setting out the expected capital activities
- The Council's Minimum Revenue Provision (MRP) Policy
- The treasury management strategy
- The investment strategy

RECOMMENDED: That the report be referred to Council for formal approval including the prudential indicators and limits within the report and Minimum Revenue Provision Policy.

**AN EXTRAORDINARY MEETING OF THE POLICY AND ORGANISATION  
BOARD**

**WAS HELD ON 4 FEBRUARY 2009**

The Mayor (Councillor Kimber) (ex-officio) (P); Councillors Burgess (P), Chegwyn (P), Gill (P), Hicks (P), Hook (P), Langdon (P), Philpott (P), Mrs Searle (P), Smith (Chairman) (P) and Wright (P).

**PART II**

**63. POLICY AND ORGANISATION BOARD BUDGET 2009/2010**

Consideration was given to a report of the Financial Services Manager, which considered the Board's revised 2008/09 and 2009/10 budgets, including the Board's fees and charges for 2009/10 and capital programme, and recommended thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

RESOLVED: That:

- a) approval be given to:
  - the Revenue Budget (revised 2008/09 and estimate 2009/10)
  - the Fees and Charges for 2009/10;
  - the Capital Programme 2008/09 to 2013/14; and
- b) the current policy relating to the granting of discretionary rate relief, as set out in paragraph 4.2 of the Financial Services Manager's report, be reaffirmed.

## GOSPORT BOROUGH COUNCIL

<b>BOARD/COMMITTEE:</b>	<b>POLICY &amp; ORGANISATION BOARD</b>
<b>DATE OF MEETING:</b>	<b>4 FEBRUARY 2009</b>
<b>TITLE:</b>	<b>COUNCIL BUDGET 2009/10</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 2009/10 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 4.5% after taking account of reserve and tax collection fund balances. This increase equates to an extra 13.3p per week Council Tax for an average Gosport property (Band B).

**RECOMMENDATION**

**It is recommended that the Board consider the budget requirements of all of the Council's Boards (including Fees & Charges and Capital Programme) and the capital financing principles outlined in paragraph 7.4 of the report and recommend to Council a revised 2008/9 budget totalling £12,707,000 and a budget for 2009/10 totalling £13,082,000 (including a contribution to reserves of £80,000).**

**1.0 PURPOSE OF REPORT**

- 1.1 To recommend budget levels for General Fund services for 2009/10 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 2009/10 at a special meeting scheduled for 23 February 2009 when precepting authorities' requirements are known).

**2.0 INTRODUCTION**

- 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. In addition, many areas of the Council's finances have been under pressure from increased demand, new statutory responsibilities and above-RPI cost increases.

- 2.2 A recent survey by the Local Government Association on how the recession is hitting councils produced the following headlines:
- Reduced income is projected to cost councils up to £2.5bn next year.
  - Income from services that councils charge for is expected to drop by around £100m for both this financial year and the next.
  - Income from services connected to the property market is falling most rapidly – property searches by 45%, planning fees by 17% and building control by 13%
  - Capital receipts from money that councils earn from property or land are projected to fall by £1.8bn
  - Income from interest on money deposited by councils is expected to fall by 44% or £600m in 2009/10.
- 2.3 **Whilst, the current economic crisis has so far mainly impacted on income levels increased demand for services is also likely in the longer term. Combined with a significant real terms reduction in the amount of Exchequer support being received, the Council is entering a period of several years where there may be insufficient resources to deliver services to the current level, despite the efficiency savings and other economies being achieved.**
- 2.4 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. In particular, any significant reduction of the budget or reserves will have an impact on the forecasts for future years and affect the Council's ability to maintain adequate service levels and fund the proposed capital programme.**
- 2.5 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 services are being reviewed in order to achieve efficiencies in the longer term. **The proposed budget assumes that substantial spend-to-save economies can be achieved during the coming year, possibly requiring extensive use of the revenue financing reserve.**
- 2.6 Reserve powers for 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 a Council Tax increase of over 5% would result in capping and it has been indicated that a lower figure might be applied this year.
- 2.7 The Exchequer Grant for 2009/10 of £7,260,152 is only £36,121 higher than the current year, a 0.5% cash increase. A cash increase of only 0.5% has been provisionally announced for 2010/11 and only minimal increases should be expected in the following 3 years.

### 3.0 REVISED 2008/9 EXPENDITURE & INCOME

- 3.1 The revised budget totals £12,707,000, the same as the original.
- 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 substantial variations, many of which have previously been anticipated in budget monitor reports, plus a large number of smaller variations. As volatility of the budgets has increased during the year, particularly as economic conditions have deteriorated, risks associated with the budgets have also increased.
- 3.3 The Working Balance is currently being maintained at its 7% target level (£890,000 by 31 March 2009) but the Revenue Financing Reserve is barely at an adequate level sufficient to fulfil its intended purpose, being used to fund spend-to-save initiatives during 2008/9 as well as meeting the cost of slippage from 2007/8.
- 3.4 Efforts will be made to improve the 2008/9 finances further during what remains of the financial year, although there is still a risk of increased costs associated with the national Bus Pass scheme.

### 4.0 BUDGET PROPOSALS FOR 2009/10

- 4.1 The total proposed net budget for 2009/10 is £13,082,000 and this represents an increase of £375,000 (3.0%) on the original budget for the current year. Of this change the most striking issue is the expected loss of income, primarily due to the recession and deterioration in the national economy: £36,000 relates to Market income, £28,000 recycling income, £8,000 car parking income, £88,000 land charges income £60,000 planning income and reduced investment income £227,000 (net). Also additional financing charges of £90,000 and inflation of approximately £427,000 have affected the budget. Staffing savings in excess of £260,000 have been achieved in the 2009/10 budget compared to that of the current year and the manpower budget shows a reduction of approximately 14 posts (4.1%). A detailed analysis of all variations is contained in the draft budget book.
- 4.2 Every effort has been made to ensure that the proposed budget is balanced and robust. Only the minimum necessary levels of maintenance and administration expenditure have been provided for.
- 4.3 Appendix 1 summarises a risk assessment of the budget areas considered most vulnerable. **These risks are now much higher than in previous years and must 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 revenue and capital initiatives. **Maintaining a viable Revenue Financing Reserve is essential for improved management of the Council's finances and the delivery of the level of efficiency savings assumed in the proposed budget.**
- 5.2 The Council's Working Balance minimum prudent target level of 7% of net expenditure would equate to £916,000 for 2009/10. It has previously required budget contributions and use of council tax collection fund surpluses in order to maintain the percentage link. Although very low compared to most local authorities, it is now considered appropriate to cap the Working Balance at a level of £900,000, subject to annual review of budget risk. This will ease pressure on Council Tax levels slightly and should allow a faster build up of the Revenue Financing Reserve in future for application to spend-to save initiatives etc.
- 5.3 Provision is therefore made in the 2009/10 budget to maintain reserves as follows: General Fund Working Balance will be increased by £10,000 to £900,000 during 2009/10 and Revenue Financing Reserve will increase by £70,000 to £519,830.

## 6.0 THE LONGER TERM OUTLOOK

- 6.1 A 3-year projection of revenue commitments (Appendix 2) indicates further pressures on budgets. A significant proportion of the projected increases continues to relate to the expected costs of major contracts that are due to be retendered and the revenue impact of the Capital Programme.
- 6.2 Projected budget totals including inflation are as follows:

	Budget £'000	Budget Increase %	Potential Council Tax Increase %
20010/11	13,749	5.1	11.6
20011/12	14,453	5.1	9.1
20012/13	15,232	5.4	9.3

- 6.3 **Action must be taken to cut the projected cost of services to an affordable level and/or increase income in order to reduce the required Council Tax rises to a level that will avoid capping in coming years. The reductions necessary to the Council's projected General Fund budget to achieve a Council Tax increase of 4.5% (below likely capping level) amount to £407,000 in 2010/11, a further £317,000 in 2011/12 and an additional £374,000 in 2012/13.**
- 6.4 **A significant factor contributing to the budget pressure now being experienced is the reduced level of central government grant that is being allocated to district councils. Inherent in the grant settlements is the expectation that councils can continue to make significant efficiency savings. Gosport has a long track record of achieving savings and providing services in innovative ways – partnerships, outsourcing etc. The Council will continue to explore ways of operating more efficiently and will use its reserves for spend-to-save initiatives where appropriate. A review of the organisational structure will seek to identify where there are opportunities to deliver services differently in the future, taking advantage of natural staff turnover wherever possible. Whilst efficiencies should be expected to provide a large part of the required savings, service levels will almost certainly also be affected.**
- 6.5 A revised Medium Term Financial Strategy (2009/10-2013/14) will be brought before the Board in March 2009, reflecting the implications of the approved budget. Efficiency Review and Best Value processes will continue to 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 2013/14 amounts to over £45M and will require substantial use of capital receipts and borrowing.
- 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 is being strictly controlled as the Council can only use the prudential code justification for funding new capital investment if it can be demonstrated that the revenue consequences are affordable.**

7.4 In order to assist the overall affordability of proposed capital investment, it is vital that the Council applies available funding in the most efficient way. Therefore, in future the capital element of any non-ringfenced grants such as Housing and Planning Development Grant will be used as a source of general funding for the capital programme. In addition, any surplus investment income earned will generally be used to make a contribution towards the relatively high capital financing costs of short life assets and capital receipts will also be applied according to the same priorities. This will cushion the impact of the capital programme on Council Tax levels and facilitate the “prudential code” justification of major projects. These principles are considered to be good practice in response to new capital accounting requirements and have been integrated in to the presented budget and all forward projections, helping to underpin the long term financial health of the Council.

#### 8.0 COUNCIL TAX LEVELS FOR 2009/10

8.1 The budget of £13,082,000 for 2009/10 will result in an increase of 4.5% in Gosport’s share of the Council Tax when that is set on 23 February 2009. The Band D tax is likely to be £206.78 for 2009/10.

8.2 Based on provisional data, the Council Tax increases resulting from alternative 2009/10 budget levels are as follows:

BUDGET £M	TAX RISE %
12.834	0
12.944	2
12.999	3
13.109	5

(For 2009/10 1% Council Tax is equivalent to approximately £55,000 net expenditure).

#### 9.0 CONCLUSION

9.1 The proposed 2009/10 budget of £13,082,000 is considered both balanced and robust, producing an increase of 4.5% in Gosport’s Council Tax. **The outlook for 2009/10 and beyond is substantial upward pressure on budgets and the Council’s Budget Strategy for 2010/11 will address this when it is considered during summer 2009.**

9.2 A budget book containing the budget as finally approved will be circulated by April.

Financial Implications:	Council's General Fund Budget, Capital Programme and Council Tax level for 2009/10
Legal Implications:	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
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan:	Ditto.
Risk Assessment:	As contained in section 6 of the report and para's. 2.5, 3.2, 3.4 & 4.3
Background papers:	Draft Budget Book Draft Fees and Charges Book Budget working papers
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	Revenue Impact	Comment
Concessionary Fares	Increased costs.	>1,000	H	H	Cost of new national pass scheme remains a concern.
Political Balance	Problems delivering difficult decisions	N/A	H	H	
Capital Programme	Failure to raise necessary financing	N/A	H	M/H	Current economic climate may not facilitate the raising of the required level of new capital receipts
Homelessness	Additional demand.	2,045	H	M	Many authorities are already experiencing more demand
Gosport Market Income	Reduction in stall numbers.	122	H	L	Recession may lead to an improvement
General Income	Shortfall due to unpredicted demand changes.	3,300	M	H	Budget reflects prudent income forecasts but economic conditions may cause further deterioration.
Housing Benefits	Overpayment rates &/or demand increase, grant formula change.	22,391	M	M	There are signs of increasing demand due to the recession
Land Charges Income	Recession/policy change.	165	M	M	
Insurance	Claims experience forces more self-insurance.	350	M	M	Fire claims & susceptibility to storm damage are of concern.
Inflation	Exceeds allowance.	427	M	M	Savings are considered more likely
Vacancy Savings target	Target cannot be achieved.	310	M	M	Budgeted provision is considered achievable
Maintenance & Administration	Inadequate provision.	3,000	M	L	Essential expenditure has been provided for.
Interest Income (net)	Reduces from forecast or capital receipts & deposits get spent earlier than anticipated.	121	L	M	The Council has been over-dependent on investment income. Much of this income will disappear by 2011 as capital resources are spent.

**NOTES**

- 1 Assessment is of 2009/10 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 2013/14 (AT CURRENT PRICES)

	(£'000)			
	2010/11	2011/12	2012/13	2013/14
A 2009/10 Base Budget	13,082	13,082	13,082	13,082
B Revenue Increases				
Local Elections	53		53	
Major Contract re-tendering		350	350	350
Leisure Centre		-100	-100	-100
Pension Contributions	70	140	210	280
Other	-11	-4	-4	-4
	<u>112</u>	<u>386</u>	<u>509</u>	<u>526</u>
C Additional Financing Charges *	156	196	417	451
D (A+B+C)	<u>13,350</u>	<u>13,664</u>	<u>14,008</u>	<u>14,059</u>
E Less Revenue Decreases				
Specific Grants	-114	-189	-189	-189
Revenue Streams	65	150	215	230
	<u>-49</u>	<u>-39</u>	<u>26</u>	<u>41</u>
<b>F PROJECTED BUDGET TOTALS</b> (D-E)	<u>13,399</u>	<u>13,703</u>	<u>13,982</u>	<u>14,018</u>

\*Arising from the Capital Programme and accounting requirements

## APPENDIX PO2

<b>Board / Committee</b>	<b>POLICY AND ORGANISATION BOARD</b>
<b>Date of meeting:</b>	<b>4<sup>th</sup> FEBRUARY 2009</b>
<b>Title:</b>	<b>TREASURY MANAGEMENT &amp; PRUDENTIAL INDICATORS 2009-2010</b>
<b>Author:</b>	<b>FINANCIAL SERVICES MANAGER</b>
<b>Status:</b>	<b>FOR RECOMMENDATION TO COUNCIL</b>

### **Purpose**

This report outlines the Council's prudential indicators for 2009/10 to 2011/12 together with the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the main prudential indicators setting out the expected capital activities
- The Council's Minimum Revenue Provision (MRP) Policy
- The treasury management strategy
- The investment strategy

### **Recommendation**

The Board is recommended to consider this report and refer it to Council for formal approval including the prudential indicators, limits within the report and MRP policy

## **1.0 BACKGROUND**

- 1.1 Treasury management includes the management of the Council's cash flows, its banking, money market and capital market transactions and is generally reported twice a year to P&O Board in September (actual for the previous year plus year to date) and January (policy for the year ahead in conjunction with prudential indicators).
- 1.2 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.
- 1.3 The purpose of the indicators is to provide a framework for capital expenditure decision making. The report highlights through the prudential indicators 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.

- 1.4 Within this overall capital expenditure 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 2009/10 is included to set appropriate parameters for the expected treasury management activity. This report also includes the treasury prudential indicators. The production of the treasury management strategy is a requirement of the CIPFA Code of Practice on Treasury Management.
- 1.5 In addition, part of the treasury strategy requirement is the formulation of an investment strategy. Investment guidance issued by the DCLG during March 2004 overlaps into the Code of Practice requirements and the reporting requirements of the DCLG guidance have therefore been incorporated into the treasury management strategy.

## **2.0 CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT**

- 2.1 The capital expenditure plans 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.
- 2.2 A certain level of capital expenditure may 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.
- 2.4 A key risk of the plan is that these estimated sources of external funding are subject to confirmation and / or negotiation which may cause changes to the budgeted funding pattern.
- 2.5 The Council is asked to approve the following capital expenditure projections which are taken from the draft Capital Programme in the 2009/10 Budget.

Capital Programme	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>	7,235.0	7,745.3	14,755.6	11,657.0	4,555.0
Financed by:					
Capital receipts	719.7	123.0	4,162.8	3,065.0	1,265.0
Capital grants	2,365.6	2,450.0	2,460.0	2,460.0	2,460.0
Other contributions	923.3	1,737.6	6,174.5	1,267.0	300.0
Revenue	0.0	0.0	0.0	0.0	0.0
Total financing	<b>4,008.6</b>	<b>4,310.6</b>	<b>12,797.3</b>	<b>6,792.0</b>	<b>4,025.0</b>
Net financing need	3,226.4	3,434.7	1,958.3	4,865.0	530.0

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 paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need for capital purposes. The Council is asked to approve the CFR projections below:

Capital Financing Requirement (CFR) at 31st March	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Housing	2,371.3	3,887.3	3,987.3	4,301.3	4,315.3
Non - Housing	4,008.0	5,841.3	14,471.9	18,752.5	20,008.9
Total	<b>6,379.3</b>	<b>9,728.6</b>	<b># 18,459.2</b>	<b>23,053.8</b>	<b>24,324.2</b>

# an additional £7m is included to provide for the possibility of temporary funding pending capital receipts

### 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 2009/10 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Treasury Position at 31st March	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	8,000.0	11,434.7	20,393.0	25,258.0	25,788.0
Investments	(9,823.0)	(9,000.0)	(4,000.0)	(3,000.0)	(2,000.0)
Net borrowing (investments)	(1,823.0)	2,434.7	16,393.0	22,258.0	23,788.0
CFR	6,379.3	9,728.6	18,459.2	23,053.8	24,324.2

3.2 The Council complied with this prudential indicator in the current year and will manage borrowing activity within this parameter in 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 control the overall level of borrowing. These are:

- **The authorised limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with 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 (against maximum position)	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
	8,000	12,500	29,800	27,000	27,300

Operational Boundary for External Debt	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
	8,000	11,700	27,500	25,600	26,800

## 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 trend is one of increasing revenue costs which reflect the cost of funding the capital programme and place further pressure on medium term budget projections. These indicators assume that the £7m referred to at 2.6 will be raised from capital receipts. 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	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Revised	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Non - Housing	-3.4%	-2.9%	0.9%	1.2%	1.1%
Housing	0.1%	1.1%	1.5%	1.5%	1.4%

4.4 **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator illustrates the trend in the cost of the proposed draft capital programme

### 4.5 Incremental impact of capital investment decisions on the Band D Council Tax

Incremental impact of Capital investments decisions on			2009/10	2010/11	2011/12
			Proposed	Projected	Projected
			£'000	£'000	£'000
Council Tax - Band D			£7.31	£13.22	£18.40

4.6 **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 the proposed the housing capital programme expressed as a change in weekly rent levels.

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

Incremental impact of Capital investments decisions on	2009/10 Proposed £'000	2010/11 Projected £'000	2011/12 Projected £'000
Housing rent levels	£0.28	£0.30	£0.32

#### 5.0 TREASURY MANAGEMENT STRATEGY 2009/10 – 2011/12

- 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 recommended to Council outlining the expected treasury activity for the forthcoming 3 years and a further report is produced after the year-end to report on actual activity for the year. This report includes the Treasury Management Strategy for 2009/2010.
- 5.4 A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service.

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 DCLG guidance)
- Treasury performance indicators

#### ▪ **Treasury Position**

The following table summarises the Council's latest treasury position as compared to the end of the previous financial year.

	31 March 2008			9 January 2009		
	Gross no of	Principal at	Average	Gross no of	Principal at	Average
	transactions	above date	Interest Rate	transactions	above date	Interest Rate
	in year	£ m	for year	in year	£ m	for year
Short Term Borrowing	-	-	-	-	-	
Long Term Borrowing	-	8.000	3.890%	2	11.000	4.030%
<b>Total Debt</b>	<b>0</b>	<b>8.000</b>	<b>3.890%</b>	<b>2</b>	<b>11.000</b>	<b>4.030%</b>
Fixed Interest Investments	7	(8.000)	5.540%	13	(11.000)	5.960%
Variable Interest Investments	#	(1.823)	6.010%	#	(2.904)	2.150%
<b>Total Investments</b>	<b>7</b>	<b>(9.823)</b>		<b>13</b>	<b>(13.904)</b>	
<b>Net Debt (Investment)</b>		<b>(1.823)</b>			<b>(2.904)</b>	

# variable transactions may take place daily

In view of the uncertainties and higher risk levels that have recently developed in the money markets, a very risk averse policy is being operated that is substantially within the parameters set by Council. Current emphasis is on security and liquidity at the expense of revenue returns.

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. There is a clear segregation of duties between setting up and authorising loans and investments

In 2008/09 to date, the Council has been in a net investment position. This is expected to move to a net borrowing position in line with capital programme projections although the speed and degree of this will depend on the progress with capital schemes, the success in raising capital receipts and the uncertainties of the economic recovery.

Maturing investments in 2009/10 will be required to fund the capital programme and the projected need for available cash resources will be balanced against new capital receipts and the availability of low rates of interest for long term loans through the Public Works Loans Board. The robust management of capital budgets and schemes is a prerequisite to forward planning to ensure the availability of cash resources.

There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness

suggests shorted dated investments would provide lower exposure to risks.

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

The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.

The Bank is expected to continue to ease policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. Only when the markets return to some semblance of normality will official rates be edged higher.

#### **▪ Borrowing and Debt Strategy 2009/10 – 2010/11**

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.

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.

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

Returns are to be maximised by efficiency rather than risk – primarily by enhanced monitoring of capital fund projects rather than by exposing the Council to the market.

- **Investment Strategy 2009/10 – 2011/12**

- o In order to limit interest rate exposure all investments are to be fixed rate transactions
- o No Investments to exceed 364 days
- o A £3m limit with any single body
- o A minimum credit rating with Moodys Credit Rating Agency of P1 Short Term, Aa3 Long Term. Credit ratings are monitored closely on at least a weekly basis.
- o Investments to be placed with
  - › The Nationwide, Britannia and Yorkshire mutual / building societies, (biggest 3)
  - › Irish Banks (The January 2007 policy amendment to invest with Irish banks was not carried forward to the January 2008 policy statement due to an oversight and this is now corrected to formalise current lending. No further investments will be made in these institutions in the foreseeable future)
- o Short term surplus funds are to be invested in money market funds or deposit accounts as operated by the Council's bank, these offer immediate deposit and withdrawal facilities but still at advantageous rates of interest.
- o The main principles governing the Council's investment criteria are 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.

- **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.
- Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

- 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 required for 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 Council is asked to approve the prudential indicators set out below:

	2009/10	2010/11	2011/12
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Limits on Activity	Upper		Upper		Upper	
	Investments	Borrowing	Investments	Borrowing	Investments	Borrowing
	£'000	£'000	£'000	£'000	£'000	£'000
Limits on fixed interest rates	(14,000)	28,300	(14,000)	28,300	(14,000)	28,300
Limits on variable interest rates	(7,000)	9,000	(7,000)	2,500	(7,000)	2,500

Maturity Structure (limits & actual) of fixed borrowing	Lower %	Upper %	Lower %	Upper %	Lower %	Upper %
Under 12 months	0%	10%	0%	10%	0%	10%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	35%	0%	35%	0%	35%
5 years to 10 years	0%	20%	0%	20%	0%	20%
10 years and above	0%	100%	0%	100%	0%	100%

Maximum percentage of principal sums invested for over 364 days	2009/10	2010/11	2011/12
	£2m	£1m	£0m

Compliance with CIPFA Code of Practice for Treasury Management in the Public Services	2009/10	2010/11	2011/12
	Yes	Yes	Yes

- **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. The table at paragraph 5.4 setting out the present and last year end treasury positions includes information on the number of transactions and average interest rates.

## **6.0 MINIMUM REVENUE PROVISION (MRP)**

6.1 The MRP policy statement was approved by P&O Board on 25<sup>th</sup> June 2008. The policy statement has been amended so that MRP is not charged where capital receipts to fund specific schemes will be forthcoming in a later year. This is to allow flexibility on the timing of asset disposals in times of economic uncertainty. The MRP policy statement is included at Appendix A.

## **7.0 CONCLUSION**

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

<b>Financial implications:</b>	As contained in the report.
<b>Legal implications:</b>	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.
<b>Service Improvement Plan implications:</b>	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
<b>Corporate Plan</b>	
<b>Risk Assessment</b>	As contained in the report
<b>Background papers:</b>	Budget working papers
<b>Appendices/Enclosures:</b>	Appendix A – MRP Policy Statement
<b>Author / Lead Officer</b>	John Norman

**Minimum Revenue Provision (MRP) Policy Statement**

**Background**

1. Local Authorities are required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund revenue account each year for the repayment of General Fund debt – where debt is the extent that capital expenditure has been financed by borrowing.
2. The MRP scheme was set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) which has now been substantially amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414). The latter were issued in their final form on 26<sup>th</sup> February 2008 and came into force on 31<sup>st</sup> March 2008 which means that they apply retrospectively to the 2007/2008 financial year as well as all subsequent years.
3. Until 2007/2008, MRP resulted from a prescribed calculation that was specified in legislation while the new regulations give local authorities more freedom to determine a 'prudent' MRP charge that is in line with a statement of MRP policy that must be approved by full council.
4. The MRP statement for 2008/2009 may be combined with that for 2007/2008 and should be submitted to council as soon as practicable in the 2008/2009 financial year. For future years (2009/2010 and beyond) the statement should be submitted to council before the start of the financial year.

**Options for MRP**

5. The guidance sets out four ready-made options for calculating MRP. These are considered to be the most relevant to the majority of local authorities but other approaches are not ruled out.

**Option 1: Regulatory Method**

The current method, which is calculated as 4% of the council's general fund capital financing requirement at the previous 31<sup>st</sup> March, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003. This can continue to be used for all capital expenditure incurred prior to 1<sup>st</sup> April 2008.

**Option 2: CFR Method**

This differs from Option 1 only in that the smoothing factors are removed and it is designed as a simpler calculation.

For new borrowing under the Prudential system, two options are suggested

#### Option 3: Asset Life Method

Provision for the repayment of debt is determined by reference to the life of the asset for which the borrowing is undertaken.

This may be accomplished by either:

- o The Equal Instalment Method allows a spread of equal charges over the life of the asset
- o The Annuity Method links MRP with the flow of future benefits. Further guidance on the application of this method practice may follow.

#### Option 4: Depreciation Method

Provision for the repayment of debt is made in accordance with the standard rules for depreciation accounting

6. Additional voluntary revenue provision may be made under options 3 and 4 in which case there may be an appropriate reduction in later years levels of MRP
7. MRP normally starts in the financial year following the one in which the expenditure was incurred although it may be postponed until the financial year following the one in which the asset becomes operational.
8. Housing Assets continue to be excluded from these arrangements and there is no obligation to make an MRP charge in respect of Housing borrowing
9. Both options 1 and 2 may only be used for capital expenditure incurred before 1<sup>st</sup> April 2008 and after that date only for supported borrowing
10. For capital expenditure incurred after 1<sup>st</sup> April 2008 which is not supported, Option 3 or 4 may be applied.

#### **Recommended Policy**

**For all capital expenditure incurred before 1<sup>st</sup> April 2008, MRP will be based on the Regulatory Method – an extension of existing policy.**

**For all capital expenditure incurred after 1<sup>st</sup> April 2008, MRP will be based on the Asset Life Method except that where capital expenditure is incurred over more than one year then MRP will start in the year following the year in which the asset becomes operational.**

**MRP will not be charged on capital expenditure for which funding is by capital receipts which will be forthcoming later. This will allow flexibility in maximising capital receipts in term of economic uncertainty without incurring a council tax penalty.**

**A MEETING OF THE COMMUNITY AND ENVIRONMENT BOARD  
WAS HELD ON 4 FEBRUARY 2009**

The Mayor (Councillor Kimber) (P); Councillors Beavis (P), Burgess (P), Chegwyn (Chairman) (P), Edgar, Mrs Forder (P), Langdon (P) Murphy (P), Salter (P), Smith (P) and Wright (P).

It was reported that Councillor Carter had been nominated to replace Councillor Edgar for this meeting.

**PART II**

**59. BOARD BUDGET 2009/2010**

Consideration was given to a report of the Financial Services Manager which considered the Board's revised 2008/09 and 2009/10 budgets, including the Board's fees and charges for 2009/2010 and capital programme, and recommended thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

RESOLVED: That the Board recommend to the Policy and Organisation Board its requirements for:

- the revenue budget (revised 2008/09 and estimate 2009/10)
- the fees and charges for 2009/10
- the capital programme 2008/09 to 2013/14 subject to the deletion of items 60 and 61 and in respect of this item Standing Order 6.10 was moved

**AGENDA ITEM NO. 6(i)a**

<b>Board/Committee:</b>	COUNCIL
<b>Date of Meeting:</b>	4 FEBRUARY 2009
<b>Title:</b>	COUNCIL BUDGET
<b>Author:</b>	BOROUGH SOLICITOR
<b>Status:</b>	FOR DECISION

**Purpose**

The purpose of this report is to consider the Council's Capital Programme for 2008/09 to 2013/14.

**Recommendation**

To consider the Capital Programme 2008/09 to 2013/14.

**1 Report**

- 1.1 The Community and Environment Board at its meeting on 4 February 2009 amended the Capital Programme by deleting Items 60 and 61.
- 1.2 This resolution was Minority Ordered to full Council.