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 **FIRST DAY** of **FEBRUARY 2012** 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 Meeting of the Council held on 23 November 2011 (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, 30 JANUARY 2012** 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, 30 JANUARY 2012).**

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, 31 JANUARY 2012**)**.**

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

	BOARD	DATE
(i)	Community Board	*30 January 2012 (Grey sheets)
(ii)	Policy & Organisation Board	*31 January 2012 (Grey sheets)

* These minutes are 'To Follow'.

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

- Policy and Organisation Board: 21 December 2011 and *31 January 2012 (Old Gold sheets)
- Community Board: 28 November 2011 and *30 January 2012 (Light Green sheets)
- Economic Development Board: *26 January 2012 (Lavender sheets)

* These minutes are 'To Follow'.

8. Review of Council Boards and Committees and Determination of Allocation of Seats

To consider the report of the Borough Solicitor (copy herewith)

9. Election of Mayor and Deputy Mayor 2012/2013

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 R J Dickson for Mayor-Elect and Councillor J W Beavis, MBE for Deputy-Mayor Elect for the 2012/2013 Municipal Year.

IAN LYCETT
CHIEF EXECUTIVE

TOWN HALL
GOSPORT

24 January 2012

<u>FIRE PRECAUTIONS</u>

(To be read from the Chair if members of the public are present)

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

MEMBERS ARE REQUESTED TO NOTE THAT:

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

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

APPENDIX CO1

(Minutes to be tabled on 1 Feb 12)

Board/Committee:	COMMUNITY BOARD
Date of Meeting:	30 JANUARY 2012
Title	COUNCIL DWELLING RENTS 2012/2013
Author	FINANCIAL SERVICES MANAGER AND HOUSING SERVICES MANAGER
Status:	FOR RECOMMENDATION TO COUNCIL

Purpose

This report considers the Board's revised 2011/2012 budget and the 2012/2013 budget for the Housing Revenue Account and makes recommendations on rent levels for next year.

Recommendations

That Board make the following recommendations to be effective from 2 April 2012 as described below:

a) That in line with national guidelines the average weekly Council Dwelling rents to increase on average by £5.23 per week

b) Garage rents for those built prior to April 2010 to increase by £0.66 per week.

c) No increases in rent for garages built since April 2010 under the Garage Strategy

1.0 Background

1.1 This report considers the revised budget for 2011/2012 and the budget for 2012/2013 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 2011/2012 is £2.869M, the same as in the original budget. The council house maintenance budget for 2012/2013 is £2.991M representing a £122,000 increase on the 2011/2012 revised estimate.

2.2 It is anticipated that HRA balance level will increase to approximately £603,000 from the current balance of £439,000 by the end of the financial year 2011/2012. This is still significantly below the target level of approximately £800,000 identified within the Medium Term Financial Strategy. The major variances to the original budget have occurred in the following areas:

- Operational costs have increased by £110,000 with additional software required for asset management and the decanting of residents form Agnew House accounting for the majority of the variance.
- Interest costs on borrowing have also increased by £70,000 on original budget due to increased borrowing requirements.

2.3 It is anticipated that the HRA balance will increase to £800,000 by the end of 2012/2013, the first year of self financing. This is line with the Council's medium term financial strategy. This increase in Council balances is essential as there will no longer be a subsidy safety net for authorities that go into deficit with their HRA.

3.0 <u>HRA Capital Programme</u>

3.1 The Capital Programme for 2011/2012 to 2015/2016 is shown on page 46 of the draft budget book. The HRA Capital Programme totalling approximately £3.910M in the revised budget for 2011/2012 is funded from the Major Repairs Allowance (MRA) £2.310M, grant funding of £50,000 and borrowing of £1.6m.This additional borrowing which has been agreed with the DCLG is to fund the family centre and finish off existing capital programme scheduled works. The Capital Programme for 2012/2013 is £3.094M.

3.2 The expenditure for 2012/2013 of £3.094M is to be financed directly from revenue as part of the self financing agreement.

4.0 <u>HRA Self Financing</u>

4.1 From April 2012 the national housing subsidy system will end and the Council will no longer have to make annual payments to Government. In 2011/12, the Council paid approximately £3.5m to the Government, funded from tenants' rents. Instead the Council will make a one off payment to Government (currently estimated at around £57.3m) in March 2012. After that point it will be able to retain all surpluses from its landlord activity, and use these to support its future business plan on a self-financing basis. It will continue to have to account for its landlord activity in a separate ring-fenced HRA.

4.2 The Government has imposed a limit on the amount of money the Council can borrow, and reserves the right to re-open the settlement in the event of major changes in housing policy. The borrowing limit, which is made up of existing borrowing [£5.9m] plus the settlement figure [£57.3m], constrains the ability of the Council to consider major regeneration and new build projects financed from this HRA business plan in the early years.

5.0 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. Although self financing takes effect from April 2012 the Government rent policy is still in existence until 2015/16. The settlement figure is based upon rent convergence by this date. The formula used to achieve rent convergence is RPI plus ½ % plus £2 per week .

5.2 This authority has benefited from work done on the most recent subsidy return and its guideline rents have reduced by £1.40 per property from their original 2012/13 level of £76.09. The guideline rent is now at £74.69 per property per week and the actual average rent with the proposed increase will be at £72.12. This still means that we are some way below the rent level that the Government assumes when calculating our subsidy payment. As reported to Board in October 2009, this results in a significant loss of income for the Council.

5.3 Actual rents will have to increase by £5.23 on average in order for this Council to restore the HRA working balance to the minimum level specified as being required in the Medium Term Financial Strategy.

5.6 It is proposed to increase rent levels for older style garages, by £0.66 per week so that they increase in line with rents. It is however proposed that the newly built garages (provided since April 2010 under the Garage Strategy) rent levels remain unaltered, as rents for these have already been set significantly higher and convergence with the older style garages is required.

6.0 Risk Assessment

6.1 The HRA is currently considered to be one of the higher risk areas of this Council's budget and as a result of the Government's proposals to reform the housing finance system it is essential that the rent increase for this year brings this authority closer to the guideline rent level set by the Government. The establishment of a reserve is essential to the future funding of HRA projects and also in safeguarding non-insurable risks. In addition, balance levels are significantly lower than what is considered to be the minimum level required to provide a reasonable safeguard against such risks. It is therefore seen as particularly important that the proposals relating to rent levels are approved to enable restoration of the balance to an acceptable level.

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 increase the rent levels on these by 7.7%

8.0 Summary

8.1 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.

8.2 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 proposed that the average rental increase of £5.23per week is approved.

Financial Implications:	As set out in the report
Legal Implications:	The Council is under a duty to set a budget which prevents a debit balance arising on the Housing Revenue Account
Service Improvement Plan Implications:	Not applicable
Corporate Plan:	More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan.
Risk Assessment:	As set out in the report
Background Papers:	Draft Budget Book and Fees and Charges
Appendices/Enclosures:	Appendix A and B
Report Author/Lead Officer	Tim Hoskins and Julian Bowcher

APPENDIX A

COUNCIL HOUSING

	ORIGINAL **2011/12** £'000	REVISED **2011/12** £'000	ORIGINAL **2012/13** £'000
HOUSING REVENUE ACCOUNT			
Income			
Dwelling Rents	11405	11297	12046
Shops & Garages	262	255	251
Service Charges	343	455	358
	12010	12007	12655
Expenditure			
Management	2877	2905	2933
Maintenance costs	2879	2879	2991
Rents, Rates, Taxes, Other Charges	45	47	45
Depreciation	2323	2324	3094
HRA Subsidy	3497	3497	0
Total Expenditure	**11621**	**11652**	**9063**
Net Cost Of Services	**389**	**355**	**3592**
Item 8 Debit	130	200	2536
HRA Investment Income	-9	-9	-9
	121	191	2527
Net Operating Expenditure	268	164	1065
Housing Revenue Account Balance			
Surplus at beginning of Year	439	439	603
Surplus/(-) Deficit for Year	268	164	1065
Surplus End Of Year	707	603	1668

APPENDIX B

	bedroom					
TYPE	1	2	3	4	5	Grand Total
Bedsit	12					12
Bungalow	316	63	11			390
Flat	949	59	17			1025
House	10	303	918	83	1	1315
Maisonette	24	108	58	2		192
Sheltered Bedsit	13					13
Sheltered Bungalow	50					50
Sheltered Flat	126	6				132
Grand Total	**1500**	**539**	**1004**	**85**	**1**	**3129**

* Excluding Sheltered Agnew, Barclay and RTB

		Increase Band				
TYPE	bedroom	Nil	up to £5	up to £6	up to £7	Grand Total
Bedsit	1		12			12
Bungalow	1		16	300		316
Bungalow	2			63		63
Bungalow	3			1	10	11
Flat	1		321	628		949
Flat	2			59		59
Flat	3	1		13	3	17
House	1			10		10
House	2			299	4	303
House	3		1	291	626	918
House	4			4	79	83
House	5				1	1
Maisonette	1			24		24
Maisonette	2			92	16	108
Maisonette	3			58		58
Maisonette	4				2	2
Sheltered Bedsit	1		13			13
Sheltered Bungalow	1		8	42		50
Sheltered Flat	1		122	4		126
Sheltered Flat	2		1	5		6
Grand Total		**1**	**494**	**1893**	**741**	**3129**

APPENDIX B (Cont.)

Average of Net increase in %		Increase Band				
TYPE	bedroom	Nil	up to £5	up to £6	up to £7	Grand Total
Bedsit	1		8.74%			8.74%
Bungalow	1		8.05%	7.86%		7.87%
Bungalow	2			7.45%		7.45%
Bungalow	3			7.76%	7.27%	7.31%
Flat	1		8.26%	7.97%		8.07%
Flat	2			7.69%		7.69%
Flat	3	0.00%		7.50%	7.31%	7.03%
House	1			7.86%		7.86%
House	2			7.48%	7.31%	7.48%
House	3		8.07%	7.43%	7.26%	7.31%
House	4			7.34%	7.20%	7.21%
House	5				7.23%	7.23%
Maisonette	1			7.91%		7.91%
Maisonette	2			7.76%	7.31%	7.69%
Maisonette	3			7.57%		7.57%
Maisonette	4				7.24%	7.24%
Sheltered Bedsit	1		8.76%			8.76%
Sheltered Bungalow	1		8.02%	7.95%		7.96%
Sheltered Flat	1		8.58%	7.88%		8.55%
Sheltered Flat	2		8.44%	7.58%		7.73%
Grand Total		**0.00%**	**8.35%**	**7.74%**	**7.26%**	**7.72%**

Average of 7.7% Net Rent convert to 52 weeks	bedroom					
TYPE	1	2	3	4	5	Grand Total
Bedsit	52.18					52.18
Bungalow	67.63	75.57	83.57			69.36
Flat	62.42	74.00	77.40			63.34
House	68.07	76.00	83.15	89.58	87.60	81.80
Maisonette	66.17	73.43	75.67	86.53		73.34
Sheltered Bedsit	52.06					52.06
Sheltered Bungalow	64.36					64.36
Sheltered Flat	56.45	70.69				57.10
Grand Total	**63.01**	**75.16**	**82.63**	**89.50**	**87.60**	**72.12**

APPENDIX PO1
(Minutes to be tabled on 1 Feb 12)

Board:	**POLICY AND ORGANISATION BOARD**
Date of meeting:	**31 JANUARY 2012**
Title:	**TREASURY MANAGEMENT & PRUDENTIAL INDICATORS 2012/13**
Author:	**FINANCIAL SERVICES MANAGER**
Status:	**FOR RECOMMENDATION TO COUNCIL**

<u>Purpose</u>

This report outlines the Council's prudential indicators for 2012/13 to 2014/15, together with the expected treasury operations for this period. It fulfils four key legislative requirements by reporting on:

- The main prudential indicators
- The Minimum Revenue Provision (MRP) policy
- The treasury management strategy statement and key indicators
- The investment strategy

Recommendations

The Board is recommended to consider this report and refer it to Council for formal approval of

- The prudential indicators with effect from 1 March 2012
- The Minimum Revenue Provision (MRP) policy (Appendix A)
- The treasury management strategy
- The investment strategy

1.0 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are required to be adequately scrutinised by board before being recommended to the Council. This role is undertaken by the Policy and Resources Committee.

Prudential and Treasury Indicators and Treasury Strategy (this report) - the first, and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report – this will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision, and **An Annual Treasury Report** – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. These two reports are combined and jointly reported in September.

1.3 Treasury Management Strategy for 2012/13

The strategy for 2012/13 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the MRP strategy.

Treasury management Issues

- portfolio
- limits to borrowing activity
- prospects for interest rates;
- borrowing strategy;
- limits on activity
- borrowing in advance of need;
- debt rescheduling
- investment strategy;
- external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CLG MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2012/13 TO 2014/15

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

A key issue facing the Council is the impact of planned HRA reform. This would essentially end the impact of the housing subsidy system and will see the HRA as a stand alone business. The Council will need to approve revised limits in advance of the reform being put into operation.

The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the CLG £57.3m. This payment is effectively HRA debt, and so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 28 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

2.1 Capital Expenditure.

This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Other long term liabilities - the above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

Capital Programme	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Non - HRA	**4,632.8**	**7,367.5**	**8,275.2**	**1,702.0**	**890.0**
HRA existing	2,329.2	3,843.0	2,990.0	3,030.0	3,100.0
HRA settlement	0.0	57,334.0	0.0	0.0	0.0
HRA	**2,329.2**	**61,177.0**	**2,990.0**	**3,030.0**	**3,100.0**
Total	**6,962.0**	**68,544.5**	**11,265.2**	**4,732.0**	**3,990.0**
Financed by:					
Capital receipts	83.7	1,338.3	151.7	550.0	550.0
Capital grants & contributions	1,642.0	1,913.7	1,299.7	599.0	240.0
Capital Reserves	0.0	0.0	0.0	0.0	0.0
HRA existing (MRA)	1,965.4	2,200.0	0.0	0.0	0.0
HRA settlement	0.0	57,334.0	2,990.0	3,030.0	3,100.0
Net financing need for the year	**3,270.9**	**5,758.5**	**6,823.8**	**553.0**	**100.0**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic 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. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has finance lease liabilities of £122,800 within the CFR at 31 March 2011.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement (CFR) at 31st March	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Capital Financing Requirement					
CFR - Non Housing	8,952.3	12,679.5	19,048.7	18,957.1	18,439.4
CFR - Housing	4,494.1	6,137.1	6,137.1	6,137.1	6,137.1
HRA Settlement	0.0	57,334.0	57,334.0	57,334.0	57,334.0
Total CFR	**13,446.4**	**76,150.6**	**82,519.8**	**82,428.2**	**81,910.5**
Movement in CFR	**2,912.8**	**62,704.2**	**6,369.2**	**(91.6)**	**(517.7)**
Movement in CFR is represented by					
Net financing need for the year (above)	3,270.9	5,758.5	6,823.8	553.0	100.0
HRA settlement	0.0	57,334.0	0.0	0.0	0.0
Less MRP/VRP / other financing mvmts	(358.2)	(388.4)	(454.6)	(644.6)	(617.7)
Movement in CFR	**2,912.7**	**62,704.2**	**6,369.2**	**(91.6)**	**(517.7)**

Note the MRP / VRP will include PFI / finance lease annual principal payments

2.3 Minimum Revenue Provision (MRP) – Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement at Appendix A

No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

Repayments included in annual PFI or finance leases are applied as MRP.

2.4 Affordability Prudential Indicators

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 Council's overall finances. The Council is asked to approve the following indicators:

Actual and estimates of the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

The ratio of financing costs to net revenue stream - this indicator identifies the trend in the cost of capital against the net revenue stream.

Ratio of financing costs to net revenue stream	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Non - Housing	2.9%	3.3%	4.7%	4.7%	4.6%

The estimates of financing costs include current commitments and the proposals in this budget report. The Housing indicator has been omitted at this stage as it is not clear what the final calculation will be – this will be clarified in the September Treasury report.

Estimates of the incremental impact of capital investment decisions on council tax. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of future Government support. The incremental impact is assumed to be cost neutral for 2013/14 and 2014/15 .

Incremental impact of Capital Investment decisions on	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Council Tax - Band D	£5.03	£0.00	£0.00

The estimate of the incremental impact of capital investment decisions on housing rent levels has been omitted at this stage as it is not clear what the final calculation will be – this will be clarified in the September Treasury report.

3.0 TREASURY MANAGEMENT STRATEGY 2012/13 – 2014/15

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2011, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Treasury Position at 31st March	2010/11 Actual £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
External Debt					
Debt	16,802.5	15,599.2	70,724.0	68,508.7	66,287.1
HRA settlement	0.0	57,334.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Total Debt	**16,802.5**	**72,933.2**	**70,724.0**	**68,508.7**	**66,287.1**
Investments	**(4,015.2)**	**(2,000.0)**	**(500.0)**	**(500.0)**	**(500.0)**
Net borrowing (investments)	**12,787.3**	**70,933.2**	**70,224.0**	**68,008.7**	**65,787.1**
CFR	**13,446.4**	**76,150.6**	**82,519.8**	**82,428.2**	**81,910.5**
CFR v Net Borrowing	**659.1**	**5,217.4**	**12,295.8**	**14,419.5**	**16,123.4**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt, net of any investments, 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 2012/13 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Debt	23,866.0	30,166.0	30,066.0	29,566.0
Add HRA Settlement	57,334.0	57,334.0	57,334.0	57,334.0
Other long term liabilities	0.0	0.0	0.0	0.0
Total	**81,200.0**	**87,500.0**	**87,400.0**	**86,900.0**

The Authorised Limit for external debt. A further key prudential indicator represents a control on the maximum level of debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following Authorised Limit:

Authorised Limit	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Debt	24,666.0	31,666.0	32,666.0	32,666.0
Add HRA Settlement	57,334.0	57,334.0	57,334.0	57,334.0
Other long term liabilities	0.0	0.0	0.0	0.0
Total	**82,000.0**	**89,000.0**	**90,000.0**	**90,000.0**

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This will be the final notified cap figure from the DCLG plus the apportioned amount for existing debt. For information, this is calculated to be approximately £63.5m.

3.3. Prospects for Interest Rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

This challenging and uncertain economic outlook has a several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;

- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing and Debt Strategy 2011/12 – 2013/14

The continuing 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 Interest Rate Forecasts.

All long-term loans (in excess of 365 days) to be raised through the PWLB, Bond Issue or Loan Receipt (1989 Housing Act) and variable rate loans may be considered. There may also be opportunities to borrow from other public bodies

All short term money market loans (less than 365 days) will be raised through dealings using brokers at the discretion of the Borough Treasurer, including

- Garban Harlow Ueda Limited,
- Tradition UK Limited
- ICAP
- R P Martins

Further funds may be raised directly (ie from other public bodies) without using intermediary brokers or the Council's bank.

In view of the uncertainties and higher risk levels in the money markets, a risk averse policy is being operated that is substantially within the parameters set by Council. 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.

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. The Council is in a net borrowing position.

Maturing investments 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 and effective use of cash resources.

The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £57.334m available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

The main principles involved in the planned structuring of the new borrowing for the HRA are:

- To minimise revenue costs in the first 4 years in order to allow an improvement/new build reserve to be established
- Beyond 4 years, to broadly match the debt repayment with available resources to minimise under or over borrowing and any unnecessary resultant risk exposure
- To take a tranche of long term funding (approximately £20M) to underpin future requirements at currently attractive low rates. This will provide future stability and flexibility without significantly increasing the average interest rate payable.
- A relatively wide spread of loan terms will reduce ongoing administrative costs and spread the overall risk.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Limits on Activity

There are four treasury activity limits which were previously classified as 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.

The Council is asked to approve the limits set out below:

	2012/13		2013/14		2014/15	
Limits on Activity	Upper		Upper		Upper	
	Investments £'000	Borrowing £'000	Investments £'000	Borrowing £'000	Investments £'000	Borrowing £'000
Limits on fixed interest rates	10,000.0	89,000.0	10,000.0	90,000.0	10,000.0	90,000.0
Limits on variable interest rates	10,000.0	57,334.0	10,000.0	57,334.0	10,000.0	57,334.0
Maturity Structure of fixed borrowing	Lower %	Upper %	Lower %	Upper %	Lower %	Upper %
Under 12 months	2%	80%	2%	80%	4%	80%
12 months to 2 years	2%	80%	4%	80%	4%	80%
2 years to 5 years	3%	80%	3%	80%	3%	80%
5 years to 10 years	9%	30%	9%	40%	9%	40%
10 years and above	7%	44%	7%	50%	7%	50%

3.6 Borrowing in advance of need

The Council has some flexibility to borrow funds for up to three years ahead. The Borough Treasurer may do this under delegated power where, for instance, a sharp rise in interest rates is expected meaning borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Borough Treasurer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

3.7 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Any rescheduling undertaken will be reported to Policy and Organisation Board.

3.8 Investment Strategy 2011/12 to 2014/15

The key objectives of the Council's investment strategy are security, liquidity and yield in that order.

In order to limit interest rate exposure all investments other than short term surplus funds are to be fixed rate transactions. No Investments are to exceed 3 years although most will not exceed 364 days.

New investments to be placed with:-

- The top three building societies (currently Nationwide, Coventry and Yorkshire)
- The Council's bank – NatWest (part of the RBS Group)
- The major British banks and their wholly owned subsidiaries (Royal Bank of Scotland, HSBC, Lloyds/HBOS, Barclays and Co-op)

Short term surplus funds are to be invested in either deposit accounts as operated by the Royal Bank of Scotland and the Bank of Scotland or UK Regulated Qualifying Money Market Funds.

- A £3m limit applies with any single group other than the Council's Bank or UK Regulated Qualifying Money Market Funds

Whilst credit ratings may be considered, undue reliance will not be placed on these. There is a clear operational difficulty arising from the current banking situation. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness and interest rates suggests short dated investments may provide lower exposure to risk.

3.9 Performance Indicators

The Code of Practice on Treasury Management (TMP 6 – Nov 2009) requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These include number of transactions and average rates achieved for borrowing and investments compared to suitable market comparators. These indicators are reported in the annual Treasury Management report in September.

3.10 Policy on the use of external service providers

The Council uses Sector as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The company provides a range of services to the Council which include:

- Technical support on treasury matters and capital finance issues,
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing and Debt rescheduling.

<table>
<tr><td>Financial implications:</td><td>As contained in the report.</td></tr>
<tr><td>Legal implications:</td><td>It is a legal requirement that an annual Treasury Management report is considered by a representative body of the Council.</td></tr>
<tr><td>Service Improvement Plan implications:</td><td rowspan="2">This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.</td></tr>
<tr><td>Corporate Plan:</td></tr>
<tr><td>Risk Assessment:</td><td>As contained in the report</td></tr>
<tr><td>Background papers:</td><td></td></tr>
<tr><td>Appendices:</td><td>Appendix A – MRP Policy</td></tr>
<tr><td>Author:</td><td>John Norman</td></tr>
</table>

APPENDIX A

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 to which capital expenditure has been financed by borrowing.

2. The MRP scheme is set out in SI 2003/3146 (Capital Finance and Accounting Regulations) as amended by SI 2008/414. Authorities are required to determine a 'prudent' MRP charge as set out in an MRP policy statement that must be approved by full council before the start of the financial year.

Options for MRP

3. 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 31st 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 1st 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:
   - The Equal Instalment Method allows a spread of equal charges over the life of the asset
   - 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

4. 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

5. 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.

6. Housing Assets continue to be excluded from these arrangements and there is no obligation to make an MRP charge in respect of Housing borrowing

7. Both options 1 and 2 may only be used for capital expenditure incurred before 1st April 2008 and after that date only for supported borrowing. For capital expenditure incurred after 1st April 2008 which is not supported, Option 3 or 4 may be applied.

8. In the case of finance leases the MRP requirement may be regarded as being met by an amount equal to the element of the rent/charge that goes to write down the balance sheet asset/liability. Thus, Option 3 will apply in a modified form.

Policy

- **For all capital expenditure incurred before 1st April 2008, MRP will be based on the Regulatory Method, an extension of the then existing policy.**

- **For all capital expenditure incurred after 1st 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 to be raised in a later year. This will allow flexibility in maximising capital receipts in terms of economic uncertainty without incurring a council tax penalty.**

- **For finance leases the MRP requirement is regarded as being met by the amount of the rent/charge that goes to write down the balance sheet asset/liability.**

APPENDIX PO2
(Minutes to be tabled on 1 Feb 12)

GOSPORT BOROUGH COUNCIL

BOARD/COMMITTEE:	**POLICY & ORGANISATION BOARD**
DATE OF MEETING:	**31 JANUARY 2012**
TITLE:	**COUNCIL BUDGET 2012/13**
AUTHOR:	**DEPUTY CHIEF EXECUTIVE & BOROUGH TREASURER**
STATUS:	**FOR RECOMMENDATION TO COUNCIL**

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 2012/13 including Exchequer support and reserve levels, recommends a budget level for that year. The proposed budget will result in no increase in the level of Council Tax for the Borough Council's requirements after taking account of reserve and tax collection fund balances.

RECOMMENDATION

It is recommended that the Board approve:

1). The budget requirements of all of the Council's Boards and recommend to Council a revised 2011/12 budget totalling £10,707,590 and a budget for 2012/13 totalling £10,539,690

2). The Pay Policy Statement and Member's Allowances Scheme for 2012/13 and recommend these to Council for approval.

1.0 PURPOSE OF REPORT

1.1 To recommend budget levels for General Fund services for 2012/13 and help determine, in due course, the level of Council Tax to be levied in the Borough. (The Council Tax level for 2012/13 will be set by Council on 24 February 2012 when precepting authorities' requirements are known).

1.2 The Local Government Act 2003 requires the Council to consider whether its budget is balanced with appropriate levels of reserves. The proposed budget is balanced and any proposed amendments must be considered in this context. In particular, any changes to the budget or reserves may 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.

2.0 NATIONAL ISSUES

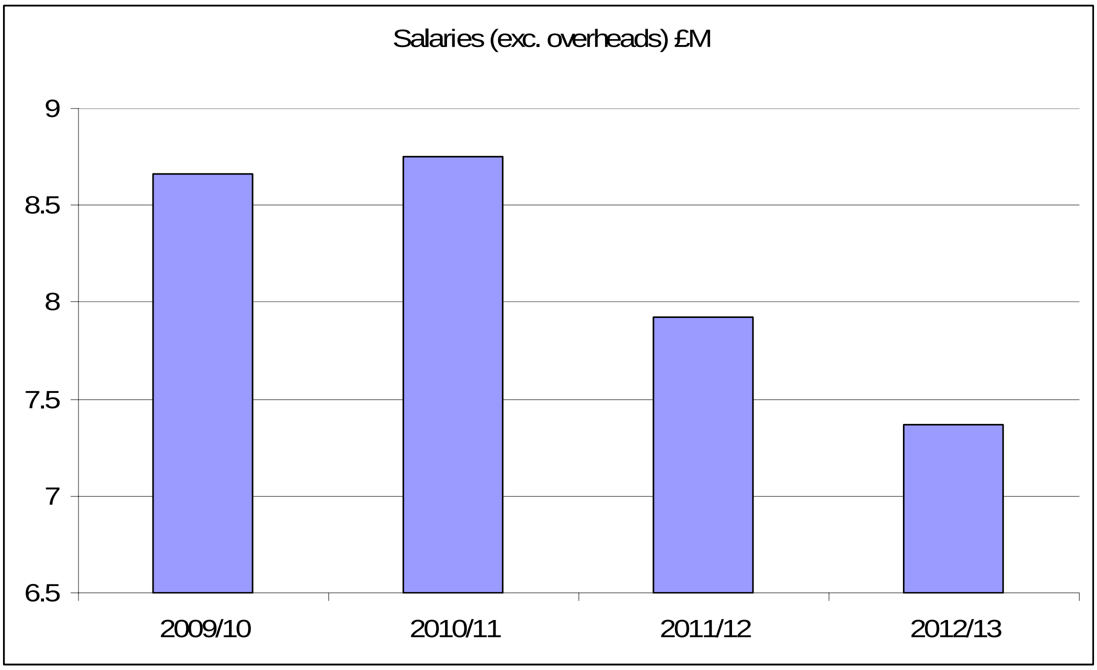
2.1 The credit crunch and ensuing recession had a severe effect on public services generally and is still impacting adversely on income streams and increasing demand for services, in particular Homelessness.

2.2 In order to rebalance the economy, the Government has set about making substantial reductions in public sector expenditure. Exchequer funding levels for 2012/13 have been further reduced and Gosport continues to contribute heavily to the grant damping mechanism. In 2012/13 the Council is contributing approximately £0.75M to help maintain excessive grants to other councils and it is now expected that this situation will be perpetuated in new grant methodology from 2013/14.

2.3 As a positive incentive to keep Council tax levels down, a second "Council Tax Freeze" grant equivalent to 2.5% Council Tax is to be made available to Councils by the Government, this time for one year only, conditional on their tax levels not being increased in 2012/13.

3.0 THE LOCAL FINANCIAL SITUATION

3.1 The Council undertook several measures between autumn 2010 and spring 2011 to ensure that it could continue to function within available resources. Early fees & charges increases were implemented, some services were reviewed and staff numbers were significantly reduced. The effect on the Council's salary bill is demonstrated in the chart below:



3.2 In order to restructure as rapidly as possible and minimise any disruption to services, sufficient staff reductions have already been made to address the further pressures on resources in 2012/13, using reserves to fund some of the severance costs on a spend-to-save basis.

3.3 As anticipated, the provisional Revenue Support (Exchequer) Grant (RSG) for 2012/13 of £4,745,443 is £405,560 lower than the current year, a 7.9% cash reduction. Within these figures Gosport continues to contribute heavily towards the damping mechanism which protects other authorities against extreme grant losses. This amounts to £750,000 in 2012/13 and it is likely that this will continue in to the new grant regime from 2013/14 onwards despite our representations. Final grant settlement figures should be available by early February and it is intended that any variation should be dealt with initially by adjusting the contribution to reserves.

3.4 For the second successive year the proposed budget will also qualify the Council to receive Council Tax Freeze Grant of £139,914 which will be paid with RSG, rather than the separate arrangement which applied for 2011/12. On this occasion, the grant is payable for one year only.

3.5 Whilst the Council did not qualify for the New Homes Bonus grant in the first year, over £200,000 will be payable from 2012/13 in respect of net growth in its Council Tax Base in 2011 and the delivery of affordable homes within that increase.

3.6 Conclusions about the adequacy of the Council’s proposed budget are based on a risk assessment (Appendix 1). The proposed budget assumes that further modest savings or economies can be achieved during the coming year, making use of the Revenue Financing Reserve on a spend-to-save basis where appropriate.

3.7 It is not yet certain whether the indicated levels of further cuts in Exchequer support will happen in 2013/14 and 2014/15. However, it is considered probable that they will, with a strong possibility that they will be more severe than forecast.

4.0 RESERVES

4.1 General Fund provisions available for general use comprise a Working Balance and the Revenue Financing Reserve (RFR). The Working Balance enables the Council to meet unexpected demands on its resources such as increased inflation or demand for statutory services and provides a cushion against uneven cash flows. RFR is an earmarked reserve, 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.

4.2 In order to facilitate the major reduction in the Council’s base budget, most of the RFR has been applied to spend-to-save initiatives in 2011/12 – primarily staff severance and one-off depot costs associated with accommodating the Council’s new contractors.

4.3 The next 2-3 years are undoubtedly going to be challenging, with substantial additional risk to the Council's finances from changes to Exchequer Grant mechanisms, Business Rates (Enterprise Zone etc) and significant further pressure on service costs resulting from national economic issues. The proposed 2012/13 budget includes provision to maintain the General Fund Working Balance at £890,000 and restore the RFR to over £300,000. These levels are considered to be adequate for the coming year but the RFR should be increased to a more substantial level in the longer term.

5.0 THE PROPOSED BUDGET

5.1 REVENUE

5.1.1 The revised 2011/12 budget totals £10,707,590 - the same as the original. 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. The main variations are additional costs in respect of the depot and local taxation plus income sources falling short of expectation. These have been offset by additional income from recycling and the RAPS scheme plus savings on capital financing charges (including investment income). Substantial severance costs incurred in the year have been financed by the RFR on a spend-to save basis and generate large ongoing savings.

5.1.2 The total proposed net budget for 2012/13 is £10,539,690 and represents a decrease of £167,900 (1.6%) on the original budget for the current year when transfers to and from reserves are included. The main variations are similar to those affecting the revised 2011/12 budget except that the full year effect of staffing savings plus the receipt of New Homes Bonus grant have reduced the net budget and allowed for a partial restoration of the RFR balance.

5.2 CAPITAL

5.2.1 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.

5.2.2 The Council's capital programme for the 6 years to 2016/17 amounts to over £40M and will continue to require substantial use of capital receipts and borrowing.

5.2.3 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 amount of discretionary capital expenditure in the capital programme is being strictly controlled as the Council can only use the prudential code for funding new capital investment if it can be demonstrated that the revenue consequences are affordable.

5.3 COUNCIL TAX

5.3.1 The budget of £10,539,690 for 2012/13 will result in no change in Gosport's share of the Council Tax when that is set on 24 February 2012. The Band D tax will therefore remain at £202.81 for 2012/13.

5.3.2 Based on provisional data, 1% Council Tax produces approximately £56,000 income in 2012/13. Any increase above the proposed budget required to be met from Council Tax will result in the loss of the Council Tax Freeze grant of approximately £140,000 e.g. £200,000 extra tax will only produce a net £60,000 income.

6.0 BEYOND 2011/12

6.1 A 4-year projection of revenue commitments (Appendix 2) indicates slightly reduced pressures on budgets. A significant proportion of the projected totals relates to the revenue impact of the Capital Programme. Inflation will, however add to budget pressures as it is not likely to be fully reflected in future grant settlements.

6.2 Projected budget totals including these commitments and inflation are as follows:

Year	**Budget** £'000	**Budget Increase** %	Impact on Council Tax %
2013/14	10,511	-0.3	+2.5
2014/15	10,620	1.0	+6.1
2015/16	10,935	3.0	+4.1
2016/17	11,230	2.7	+3.8

6.3 A reduction will be made in these commitments in the short term (2-3 years) as it is currently Council policy to restrict Council Tax increases for its own requirements to no more than 2.5%. (Council Tax rises in excess of 3.5% p.a. will, in future, require the holding of a local referendum).

6.4 Whilst the figures projected in paragraph 6.2 represent the best projection that can currently be made, there is increased uncertainty regarding future levels of Exchequer support, inflation and interest rates. The most optimistic current forecast beyond 2012/13 is that further cuts may not be necessary in order to work within Council Tax rises of 2.5%p.a., whilst the worst case scenario is for ongoing annual budget cuts of between £150,000 and £600,000 being required with 2013/14 probably being the most vulnerable year.

7.0 OTHER ISSUES

7.1 The Council is required to consider and publish its Pay Policy and Member' Allowances Scheme that will apply next financial year before the end of March. As both of these have budget implications, they are attached as appendices 3 & 4 for approval and recommendation to Council. The financial consequences of these are included in the proposed budget and reflect a continuation of existing policy.

8.0 CONCLUSION

8.1 The proposed 2012/13 budget of £10,539,690 is balanced and will result in no change in the level of Council Tax required for the Borough Council's purposes. The outlook for 2013/14 and beyond is moderate upward pressure on the Council Tax Requirement, largely resulting from projected Exchequer Support not keeping pace with inflation. The Council's Budget Strategy for 2013/14 will address this when it is considered during autumn 2012.

8.2 A budget book containing the budget as finally approved will be circulated by April and a revised Medium Term Strategy will be prepared shortly thereafter.

Financial Implications:	Council's General Fund Budget, Capital Programme and Council Tax level for 2012/13
Legal Implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically. It also has to determine and publish both its Pay Policy Statement and Member's Allowances Scheme in advance of the new financial year.
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan:	Ditto.
Risk Assessment:	See Appendix 1
Background papers:	Draft Budget Book Draft Fees and Charges Book

	Budget working papers
Appendices/Enclosures:	1. Risk Assessment 2. 4 year projection 3. Pay Policy Statement 4. Member’s Allowances Scheme.
Report Author/Lead Officer	Peter Wilson

APPENDIX 1

BUDGET RISK ASSESSMENT (GENERAL FUND)

Budget Area	Risk	Budget £'000	Likelihood	Revenue Impact	Comment
Housing Benefits	Overpayment rates &/or demand increase, grant formula change.	33,542	H	H	Fundamental system changes due from 2013/14 with the introduction of Universal Credit.
General Income	Shortfall due to unpredicted demand changes.	-2,639	H	H	
Capital Programme	Failure to raise necessary financing (capital receipts 2011-17)	-3,765	H	M	Economic climate may not facilitate the raising of the new capital receipts required in future years
Homelessness	Additional demand.	2,508	H	M	Conversion of Agnew House will mitigate this risk.
Government Grants	Data/Formula review/Policy change	-4,885	M	H	Further changes due from 2013/14
Inflation	Exceeds allowance.	88	M	H	Inflation is currently above budgeted levels.
Maintenance	Unforeseen urgent works.	321	M	M	Essential expenditure has been provided for.
Insurance	Claims experience deteriorates.	174	M	M	
Interest Rates	Changes from forecast or capital receipts & deposits get spent earlier than anticipated.	299	M	M	The economic climate & the need to fund major projects increase vulnerability to risk.
Savings & efficiencies	Target cannot be achieved.	145	L	M	Budgeted provision is considered achievable

NOTES

1 Assessment takes 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 2016/17
(AT CURRENT PRICES)

		(£'000)			
		2013/14	**2014/15**	**2015/16**	**2016/17**
A	2012/13 Base Budget	10,540	10,540	10,540	10,540
B	Budget Increases				
	Crematorium (income down)		50	100	150
	Leisure Centre running costs	50			
	Tax Freeze Grant stops			140	140
		50	50	100	290
C	Additional Financing Charges *****	189	194	173	165
D	(A+B+C)	10,779	10,784	10,953	10,995
E	Less Budget Decreases				
	New Homes Bonus income	100	200	300	400
	Local Elections	53		53	
	Leisure Centre running costs		100	100	100
	RFR reduced contribution	273	273	273	273
	Other	41	41	41	41
		467	614	767	814
F	**PROJECTED BUDGET TOTALS** (D-E)	10,312	10,170	10,186	10,181

*****Arising from the Capital Programme and accounting requirements

APPENDIX 3

GOSPORT BOROUGH COUNCIL

PAY POLICY STATEMENT 2012/13

This statement is produced in accordance with Section 38(1) of the Localism Act 2011, and sets out the Council's policies relating to the pay of its workforce for the financial year 2012/13.

Chief Officers of this Council are covered by the Joint National Council for Local Authorities' Conditions of Service for Chief Executives and Chief Officers; the JNC terms and conditions are incorporated in contracts of employment. The Council's most senior management structure from 1st April 2012 comprises the Chief Executive, Deputy Chief Executive and Borough Solicitor, and four Chief Officers: Borough Treasurer, Community and Customer Services Manager, Financial Services Manager, Housing Services Manager.

The Council recognises the need to exercise the greatest care in managing scarce public resources, whilst also securing and retaining high quality employees dedicated to the service of the public. The level of remuneration is a very important factor in both recruitment and retention; the Council is aware that its pay levels for the Chief Executive and Chief Officers are lower than those applied in the other authorities in the region, and keeps the situation under regular review. However, affordability is crucial to the amount paid to all levels of staff. The Government considers that large salary packages, which should be considered by full Council, are those above the threshold of £100,000; Gosport Borough Council has no salary packages at that threshold.

All other employees are covered by the NJC for Local Authorities' Services Conditions of Service. The level of pay is determined in accordance with national pay scales and the Council's grading structure which consists of 12 grades - grades within the pay scales are allocated to posts through the national job evaluation scheme, thus ensuring fairness and equality in the application of pay.

Staff reporting to Chief Officers are mainly Section Heads, responsible for a particular function, with some staff at a lower level (e.g. administration) also reporting direct. Section Heads are paid on a variety of different grades within the attached structure, depending on the level of duties and responsibilities of each post and as evaluated in accordance with the national scheme. The level of responsibility and pay of Section Heads reporting to the Chief Executive, Deputy Chief Executive and Chief Officers is not deemed to warrant their inclusion in this statement under the definition of "Chief Officers". The differential between the pay of Chief Officers and the most senior staff reporting to them is just under £7,000 or 12%.

The lowest paid staff within the authority are defined as those whose posts have been evaluated at the lowest grade, i.e. Cleaners on a fixed point (spinal column point 4) – currently £12,145 per annum. The Council has employed temporary trainees on a lower rate of pay (based on the National Minimum Wage), but these are now being phased out and apprenticeships introduced. The highest paid staff are Chief Officers (£55,584 to £64,404), the Chief Executive (£79,470 to £90,168) and Deputy Chief Executive and Borough Solicitor (£66,702 to £77,286). The comparison between the lowest paid salary and the highest paid is 7.41:1.

The highest paid salary, at the top of the grade, is 3.5 times the mean average salary of the whole workforce. This is considered to be a fair and reasonable pay multiple, striking an appropriate balance which recognises the need to adequately recompense the different levels of duties and responsibilities.

Determination of Salary Levels

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

Reviews of Chief Officer salaries are carried out from time to time, the last such formal review having been undertaken in 2003 for which purpose information was collected on the pay and benefits package across the South East region, recent advertisements across the country, and pay and benefits offered in other councils in the "Audit group", i.e. of a similar size. That review identified Gosport Borough Council's package as being the lowest. Annual information is provided by South East Employers for benchmarking purposes, and as indicated above, it is recognised that the Council remain the lowest in the Hampshire and Isle of Wight area. This may affect the Council's ability to recruit the best calibre officers, and needs to be kept under review as circumstances allow. Chief Officer salary reviews are considered by the appropriate Board of the Council.

General increases in pay are made following national negotiations – Chief Officers have received no such increase in pay since 2008. The salaries of all other officers of the Council are in accordance with the national tables, with increases applied following national negotiations. There has been no such increase in pay since 2009 for other officers.

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

Grading Structure and Progression

The majority of the Council's grades consist of 4 incremental points. This recognises and allows for staff to gain knowledge and expertise in the job. Appointments are made on merit and on the appropriate point of the grade, taking into account the level of skills and knowledge of the successful applicant. The decision is made by the Appointment Panel; it is subject to regular monitoring, and formally reviewed through the Equal Pay Audit.

Whilst there is no formal performance related pay for any of the Council's officers, increments can be withheld where performance is unsatisfactory, and enhanced incremental progression or one-off honorarium payments can also apply to recognise and reward exceptional performance.

Additions to Salary

The Chief Executive and Chief Officers receive very few additions to their salary. Where additional duties and responsibilities, in excess of those normally required of a Chief Officer, are applied, a percentage supplement can be agreed by the appropriate Board of the Council.

Currently, a supplement is applied for the Deputy Chief Executive and Monitoring Officer roles, for the Section 151 Officer responsibility, and for a Chief Officer undertaking work across more than one Unit. The size of any such supplement is determined taking into account the level of duties and responsibilities, ensuring consistency and fairness.

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

The only other supplements to Chief Executive/Chief Officer pay are one professional subscription (in the region of some £300 to £400 per annum) to recognise the need for maintenance and updating of professional expertise, and the annual payment of telephone rental (currently £103 per annum) to recognise the requirement for such officers to be available out of hours. There is no payment made to these officers for hours in excess of the contractual 37 per week, although it is recognised that they work considerably in excess of that time.

All officers are entitled to claim an allowance for attendance at evening committee meetings, in accordance with the Council's formal Local Agreement, which depends on the amount of time involved. All officers who are nominated as "Essential" or "Casual" car users can apply for a loan from the Council to purchase a vehicle, the interest rate currently being 4%, in accordance with the formal Local Agreement. All officers of the Council have the option to join the Hampshire County Council pension scheme.

There are no supplements applied to the salaries of other officers, apart from those recognising work out of normal hours, overtime or stand-by.

The Council has not introduced market supplements, having so far been able to recruit and retain essential staff as needed.

The Council does not award bonuses to any staff.

Payments on Termination of Employment

There are no additional payments made on termination of employment, other than in situations of redundancy or early retirement. The provisions relating to such payments are set out in the Council's Statement on Early Retirement and Discretionary Payments, and the Redundancy Policy, which are approved by the relevant Board.

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

Early payments of pension on compassionate grounds are considered by the appropriate Board of the Council in exceptional circumstances only.

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

Re-employment of Officers

Where an officer has been made redundant or taken early retirement, they do still have the right to make application for any posts which may arise after they have left. Before agreeing to any such termination, a full search is always made for any possible suitable alternatives to avoid the situation arising, but there are times when redundancies/early retirements cannot be avoided.

Should suitable vacancies arise after such staff have left the Council, any applications from these staff would be given full consideration together with all other applicants. The Council will in such cases, as in any recruitment exercise, take the necessary action to ensure that the appointment is made on merit, selecting the best person for the relevant post. Any necessary adjustments to pension would be made in accordance with the Regulations.

Publication of Information

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

Review

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

Associated Documents

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

Grading Structure
Statement on Early Retirement and Discretionary Payments
Redundancy Policy
Guidance on the Award of Merit Increments and Honoraria
People Management Strategy

APPENDIX 4

MEMBERS' ALLOWANCE SCHEME 2011-12 ONWARDS
(Scheme revised May 2011)

Allowance	**2011-12***
	£ pa*
Basic Allowance	5,630.00
Leader of the Council	13,078.00
Chairmen of Service Boards and Regulatory and Licensing Boards	4,188.00
Chairman of Overview and Scrutiny Committee Opposition Group Leader (Liberal) Opposition Group Leader (Labour) Opposition Group Leader (Independent Liberal Democrats Group) Opposition Group Leader (The Independent Group)	3,141.00 1,580.42 948.25 632.17 (Ceased 15/12/11) 632.17

* These figures will be indexed, in accordance with the approved scheme, in March 2012 in order to produce the rates to apply in 2012/13. The 2012/13 rates will be notified to members and published at that time.

AN EXTRAORDINARY MEETING OF THE POLICY AND ORGANISATION BOARD WAS HELD ON 21 DECEMBER 2011

The Mayor (Councillor Carter) (ex-officio) (P); Councillors Beavis (P), Burgess (P) Chegwyn (P), Mrs Forder, Hook (Chairman) (P), Lane (P), Langdon (P), Philpott (P), Smith (P) and Wright (P).

PART II

31. ANY OTHER ITEMS

By reason of special circumstances, the Chairman determined that the following item be considered at this meeting notwithstanding the fact that the item had not been available for public inspection in accordance with the provisions of Section 100B(4) (a) of the Local Government (Access to Information) Act 1985. The reason for the urgency was the need to provide the certificate on financial close, which is scheduled for mid January 2012, before the next meeting of the Policy and Organisation Board.

Consideration was given to a report of the Borough Solicitor seeking authority for the Chief Executive('Ian George Lycett') to certify a contract for the provision and maintenance of Leisure Facilities and related services at Holbrook Recreation Centre (the Contract) under the Local Government (Contracts) Act 1997 and to provide a certificate in respect of the Contract to DC Projects (Gosport) Limited; and that the Chief Executive to be indemnified against any personal liability in respect of him giving such a certificate.

RESOLVED: That:

1 The Chief Executive be authorised to issue on behalf of the Council a certificate under the Local Government (Contracts) Act 1997 to D C Projects (Gosport) Limited in respect of the Contract;

2 (a) the Chief Executive be fully indemnified by the Council in the event of any claim against him arising from the provision of any certificate he may issue; and

(b) the Council enters into an indemnity agreement with the Chief Executive on terms advised by the Council's external lawyers as outlined in Appendix A of the Borough Solicitor's report.

32. EXCLUSION OF THE PUBLIC

RESOLVED: That in relation to the following item the public be excluded from the meeting, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this item there would be disclosure to them of exempt information within Paragraphs 1 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all circumstances of the case, the public interest in maintaining the exemptions outweighs the public interest in disclosing the information, for the reasons set out in the report.

33. STAFF CHANGES

Consideration was given to an exempt report of the Chief Executive.

The report was exempt from publication as it identified specific individuals and information regarding their personal financial affairs rather than the Council's overall financial affairs. The public interest in the Council's overall affairs could be met in other ways without releasing such personal information and therefore the public interest in maintaining the privacy of personal information outweighed the public interest in the Council's financial affairs.

RESOLVED: That the Board approves all the recommendations set out in the exempt report.

The meeting ended at 5.26pm.

A MEETING OF THE COMMUNITY BOARD

WAS HELD ON 28 NOVEMBER 2011

The Mayor (Councillor Carter C R) (ex-officio), Chairman of the Policy and Organisation Board (Councillor Hook) (ex-officio) (P), Councillors Mrs Bailey, Burgess (P), C K Carter (P), Mrs Cully (P), Edgar (P), Mrs Forder (P), Henshaw (P), Hylands, Mrs Hook (P), Jessop (P), Kimber (P) and Murphy (P).

PART II

32. OLDER PERSONS SERVICES; HCC SUPPORTING PEOPLE STRATEGIC REVIEW AND SERVICE IMPLICATIONS

Consideration was given to a report of the Housing Services Manager which informed Members of the conclusions of the Hampshire County Council Strategic Review of Older Persons Services and outlined the implications for the older person's services in Gosport.

The Manager advised the Board of the following amendments to Table 4 on page 6/6:

Level Two	Alarm monitoring plus 24 hour response	£5.08 Clients currently pay nothing. This will affect 109 clients	7.58 Clients currently pay £6.81. This £0.77 increase will affect 51 clients
Level Three	Alarm monitoring plus weekly visit	£7.38 New service	£9.88 New service
Level Four	Alarm monitoring, 24 hour response, weekly welfare visit	£9.23 Clients currently pay nothing. This will affect 35 clients	£11.73 Clients currently pay £9.93. This £1.80 increase will affect 6 clients

A Councillor observed that the needs and security of those living in sheltered accommodation needed to be considered when opening up the facilities at sheltered accommodation to those who do not live there. Officers reassured the Board that this would be taken into consideration.

Councillors asked whether these new services would stretch officers beyond their capacities. The Board was reassured that staffing issues were not an issue.

Officers advised that 144 clients would be affected by the increases and it was confirmed that those who would be affected would receive advice and assistance to help them making a decision about the type and level of service they will continue with after the changes are introduced in April 2012.

RESOLVED: That:

a) the outcome of the Hampshire County Council Supporting People strategic review of older persons services within Hampshire and in particular the impact on services currently provided by this Council be noted;

b) the changes to the Council’s schemes, as a result of the review and as set out in the Managers report, including the amendments to table 4 be approved; and

c) the Housing Services Manager be authorised to negotiate the new contract as described in the report.

33. HOMELESSNESS PREVENTION INITIATIVES 2012/13

Consideration was given to a report of the Housing Services Manager which sought to inform Members of the continuing excellence of the Council’s homelessness prevention outcomes and to seek approval of continued financial support for 2012/13.

RESOLVED: That approval be given to the homelessness financial support to external bodies for 2012/13 as follows:

a) Gosport Citizens Advice Bureau, debt service: £31,640 of which £3,200 to be paid from Housing Revenue Account;

b) Accommodation Resource Centre or other agency determined through the Hampshire tender exercise (Mediation and homeless education service) £8,626; and

c) The Family Intervention Project operated by the Roberts Centre. Total funding required is £39,957.

34. ANY OTHER ITEMS

There was no other business.

The meeting ended at 6.12 pm.

Agenda item no. 8

GOSPORT BOROUGH COUNCIL

BOARD/COMMITTEE:	**COUNCIL**
DATE OF MEETING:	**1 February 2012**
TITLE:	**REVIEW OF COUNCIL BOARDS AND COMMITTEES AND DETERMINATION OF ALLOCATION OF SEATS**
AUTHOR:	**BOROUGH SOLICITOR**
STATUS:	**FOR DECISION**

PURPOSE

To advise the Council of recent changes to the political groups on the Council and to undertake a review in accordance with the “Proportionality Rules” of the balance of seats on the Boards and Committees of the Council.

RECOMMENDATIONS

That the Council approve:

1. The allocation of seats on the Boards and Committee as set out in paragraph 3.1
2. The allocation of seats on the Standard and Governance Committee as set in paragraph 4.2

1.0 Background

1.1 The Council previously reviewed the allocation of seats and made a determination as to the allocation between the Political Groups at the Annual Council Meeting in May 2011 when notice was given of 4 political groups on the Council.

2.0 PROPORTIONALITY RULES

2.1 Section 15 of the Local Government and Housing Act 1989 requires the Council to review the allocation of seats and when making allocation of seats to Political Groups allocations are made to give effect so far as reasonably practicable to the following principles:

1. That not all the seats are allocated to the same Political Group;
2. That the majority of seats are allocated to the Political Group having a majority of seats on the Council;
3. That subject to 1 and 2 above the number of seats on the total of all Boards and Committees of the Council allocated to each Political Group bears the same proportion to the proportion on the Council;
4. That subject to all the above the number of seats on each Board and Committee allocated to each Political Group bears the same proportion to the proportion on the Council.

The Council has five Boards and one Overview and Scrutiny Committee; there are 68 seats to be allocated as set out in paragraph 2.2 above.

2.2 On 15 December 2011 notice was received that a member of the Independent Liberal Democrat Group had joined the Conservative Group. This means that there are now 3 political groups on the Council and 1 independent member.

However it is not possible to allocate 68 seats, to the political groups, in exact proportion as can be seen from the table below.

	Conservative	**Labour**	**Liberal Democrats**	**Independent Group**	**TOTAL**
Members	23	3	5	2	33
Proportion	67.64%	8.82%	14.71%	5.88%	97.05%
Seats	45.99	5.99	10	3.99	65.97

3.0 PROPOSED ALLOCATION – BOARDS AND OVERVIEW & SCRUTINY COMMITTEE

3.1 The proposed allocation of seats is set out below.

	Conservative	**Labour**	**Liberal Democrats**	**Independent Group**	**TOTAL**
Group	23	3	5	2	33
Proportion	67.64%	8.82%	14.71%	5.88%	97.05%
Seats	45.99	5.99	10	3.99	65.97
Proposed Allocation	47	6	11	4	68
Proposed Allocation %	69.12%	8.82%	16.18%	5.88%	100%
Percentage Difference	+1.48%	0	+1.47%	0	

	Conservative	**Labour**	**Liberal Democrats**	**Independent Group**	**TOTAL**
Policy and Organisation	7	1	1	1	10
Economic Development	7	1	2	0	10
Community	9	1	2	0	12
Regulatory	8	1	2	1	12
Licensing	8	1	2	1	12
Overview and Scrutiny	8	1	2	1	12
TOTAL	47	6	11	4	68

3.2 This proposed allocation gives effect to the principles set out in paragraph 2.1 above

4.0 STANDARDS AND GOVERNANCE COMMITTEE

4.1 The proportionality rules do not apply to the Standards and Governance Committee. However, the Council had previously agreed that in addition to the independent members, each Political Group should be represented. The Standards Board for England believes that Standards Committees should include appropriate political representation so it is seen to be acting with the support of all political parties and that they should be constituted to ensure that no one political group dominates. They also believe that only one chairman of a Board (including the Leaders) should sit on the Standards & Governance Committee which is consistent with the regulations governing authorities operating executive arrangements. As there are 4 political groups and one independent Councillor the Standards Board guidance would be satisfied if the independent Councillor was allocated a seat.

4.2 It is proposed that the seats for members should be allocated as follows.

Conservative	Labour	Liberal Democrats	Independent Councillor
3	1	1	1

SUPPORTING INFORMATION

Financial Services Comments:	Nil
Legal Services Comments:	As indicated in Section 2
Service Improvement Plan implications:	Nil
Corporate Plan:	Nil
Risk Assessment:	Nil
Background Papers:	Reports to Council Meeting 19 May 2011
Appendices/Enclosures:	None
Report Author/Lead Officer:	Linda Edwards, Borough Solicitor