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8 September 2009

## **S U M M O N S**

**MEETING:** Policy and Organisation Board  
**DATE:** 16 September 2009  
**TIME:** 6.00 p.m.  
**PLACE:** Committee Room 1, Town Hall, Gosport  
**Democratic Services contact:** Chris Wrein

LINDA EDWARDS  
BOROUGH SOLICITOR

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### **MEMBERS OF THE BOARD**

The Mayor (Councillor Mrs Searle)(ex-officio)  
Councillor Hook (Chairman)  
Councillor Burgess (Vice-Chairman)

Councillor Carter	Councillor Hicks
Councillor Chegwyn	Councillor Langdon
Councillor Cully	Councillor Philpott
Councillor Gill	Councillor Wright

### **FIRE PRECAUTIONS**

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

**In the event of the fire alarm (single continuous sound) being activated, please leave the room 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.**

**IMPORTANT NOTICE:**

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

**NOTE:**

- i. Members are requested to note that if any member wishes to speak at the Board meeting then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

**AGENDA**

**PART A ITEMS**

RECOMMENDED  
MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

*All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.*

3. MINUTES OF THE MEETINGS OF THE BOARD HELD ON 24 JUNE AND 22 JULY 2009

*To approve as a correct record the Minutes of the meetings of the Policy and Organisation Board held on 24 June and 22 July 2009 (copies herewith).*

4. DEPUTATIONS – STANDING ORDER 3.5

*(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday, 14 September 2009. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).*

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

*(NOTE: The Board is required to allow a total of 15 minutes for questions from members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday, 14 September 2009).*

6. AMENDMENTS TO THE CONSTITUTION

PART I

*To seek Board approval to amendments to the Constitution to enable effective delegation of Community Partnership and Community Safety responsibilities.*

Contact Officer:  
Jamie O'Reilly  
Ext 5201

7. TREASURY MANAGEMENT ANNUAL REVIEW 2008/09,  
PROGRESS REPORT 2009/10 AND PRUDENTIAL  
INDICATORS

PART I

*The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2008/09 together with a review of 2009/10 to date. The report also covers the actual Prudential Indicators for 2008/09 in accordance with*

Contact Officer:  
John Norman  
Ext 5316

Policy and Organisation Board  
16 September 2009

*the requirements of the Prudential Code.*

- |     |  |  |
|-----|--|--|
| 8.  | BUDGET STRATEGY 2010 - 2011  | PART II                                      |
|     | <i>To consider the strategy for preparation of the General Fund budget for the next financial year in the light of the Medium Term Financial Strategy approved by the Board in March 2009.</i> | Contact Officer:<br>Peter Wilson<br>Ext 5301 |
| 9.  | APPROVAL OF STATEMENT OF ACCOUNTS  | PART II                                      |
|     | <i>Report to follow.</i>   | Contact Officer:<br>John Norman<br>Ext 5316  |
| 10. | CROSS REFERENCE FROM COMMUNITY AND ENVIRONMENT BOARD 7 SEPTEMBER 2009  | PART II                                      |
|     | SALE OF LAND ADJACENT TO 59 HANBIDGE CRESCENT  | Contact Officer:<br>Mark Pam<br>Ext 5564     |
| 11. | ANY OTHER ITEMS<br>which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.   |  |

## AGENDA NO. 6

<b>Board/Committee:</b>	POLICY AND ORGANISATION BOARD
<b>Date of meeting:</b>	16th SEPTEMBER 2009
<b>Title:</b>	AMENDMENTS TO THE CONSTITUTION
<b>Author:</b>	BOROUGH SOLICITOR AND BOROUGH TREASURER
<b>Status:</b>	FOR RECOMMENDATION TO COUNCIL

### **Purpose**

To seek Board approval to amendments to the Constitution to enable effective delegation of Community Partnership and Community Safety responsibilities.

### **Recommendation**

That the Board recommends to Council that

1. The Delegations to officers set out in Appendix 1 be approved.
2. The Borough Solicitor be authorised to make all necessary amendments to the Constitution to give effect to the above.

### **Background**

- 1.1 Recent advances in Community Partnership and Community Safety programmes have led to a number of Agreements being proposed with other Local Authorities or with third parties for the commissioning of specialised services.
- 1.2 These initiatives were not considered at the time that the Council's Constitution was compiled, and so it does not reflect the delegations to Officers necessary to permit such to be progressed, without reference to Policy and Organisation Board or to full Council.
- 1.3 The responsibility for such initiatives falls within the terms of reference of the Deputy Chief Executive.

### **2. Report**

- 2.1 Gosport Borough Council receives funds, usually on an annual basis, to help to develop, support and give effect to Gosport Community Safety Partnership's Community Safety Plan (copy of which is available on the Council's website). These funds include Area Based Grant from Hampshire County Council, Basic Command Unit funds from Hampshire Constabulary and other 'one-off' funds from the Government.
- 2.2 In the past, these funds have often been used to employ staff within the Borough Council to undertake specialist work in support of the plan. To an extent this continues, but the Partnership, like the Council, has increasingly sought to achieve better value for money, improve risk management and ensure greater sustainability, by adopting a more

‘enabling’ role as opposed to that of ‘provider’. This has meant that the Partnership has increasingly sought to ‘contract-out’ services to specialist providers and this is done through formal contractual agreements.

- 2.3 Examples of the work which is being commissioned in this way include the delivery of Acceptable Behaviour Contracts and the associated support and challenge for youngsters on these contracts, by ‘Motiv8’. Another is the provision of engagement, challenge and specialist support for our most prolific and priority offenders (by Hampshire Probation) – who are in the community but who are not under any form of Court mandated supervision. A further example is the provision of mediation services by a ‘not-for-profit’ organisation who are specialists in the peaceful settlement of neighbour disputes.
- 2.4 These examples are just some of the services which have been identified by the Community Safety Partnership as necessary for the delivery of the Community Safety Plan and for which the Partnership has allocated funds. In order to facilitate the commissioning of this area of work and efficiently manage the resulting contracts it is necessary to specifically delegate this to an appropriate officer of the Council. In this case it would be the Deputy Chief Executive as the officer specified in the Council’s constitution with “Service and Management responsibility for Community Safety”

### **3. Risk Assessment**

- 3.1 **There are reputational risks for both the Council and the Community Safety Partnership if business is not transacted efficiently and appropriate contractual arrangements arranged with third parties for the delivery of services.**
- 3.2 There is a small financial risk to existing agreements if payments are not promptly processed.

<b>Financial Services comments:</b>	None
<b>Legal Implications:</b>	Contained in the report
<b>Service Improvement Plan implications:</b>	No implications for Legal and Democratic Services
<b>Corporate Plan</b>	Helping to reduce crime and anti social behaviour
<b>Risk Assessment</b>	See section 3 of the Report
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Appendix 1
<b>Report author/Lead Officer:</b>	Peter Wilson, Linda Edwards, Jamie O’Reilly

## APPENDIX 1

### PROPOSED AMENDMENTS TO OFFICE DELEGATIONS PART 3- SCHEDULE 10

Change Section 5 - Delegations - Borough Treasurer.

Add to Section 5 -

“5.8. Authority to enter into Agreements with other Local Authorities or third parties to deal with matters relating to community safety, crime and disorder and crime reduction”

<b>Board / Committee</b>	<b>POLICY AND ORGANISATION BOARD</b>
<b>Date of meeting:</b>	<b>16<sup>th</sup> SEPTEMBER 2009</b>
<b>Title:</b>	<b>TREASURY MANAGEMENT ANNUAL REVIEW 2008/09, PROGRESS REPORT 2009/10, &amp; PRUDENTIAL INDICATORS</b>
<b>Author:</b>	<b>DEPUTY CHIEF EXECUTIVE &amp; BOROUGH TREASURER</b>
<b>Status:</b>	<b>FOR APPROVAL AND RECOMMENDATION TO COUNCIL</b>

### **Purpose**

The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2008/09 together with a review of 2009/10 to date. The report also covers the actual Prudential Indicators for 2008/09 in accordance with the requirements of the Prudential Code.

### **Recommendations**

The Board is recommended to

1. Note this report and approve the 2008/09 prudential indicators, and
2. Approve the updated investment strategy at 3.3.

## **1.0 BACKGROUND**

### **1.1 Purpose of Report**

- 1.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. These are summarised in Appendix A.

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the requirements set out in Appendix A. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis.

The Code requires as a minimum the regular reporting of treasury management activities to:

- forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and
- review actual activity for the preceding year (this report).

## **1.2 Prudential Indicators**

The purpose of the indicators is to provide a framework for capital expenditure decision-making. The indicators highlight the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable. The report also contains treasury prudential indicators.

## **1.3 Money Laundering**

Anti money laundering is now a key issue for all organisations that deal with large amounts of money and although Councils fall outside the scope of the Money Laundering Regulations 2003 they are not immune to the risks surrounding money laundering. The Council has accepted the CIPFA Treasury Management Code of Practice, which includes TMP9. TMP9 states that the Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council has a very restricted list of counter parties for treasury activities who are contacted mainly through the approved brokers. Knowing who is being dealt with reduces the risk of crime. The Head of Audit and Risk Management is the Council's Money Laundering Reporting Officer to whom officers may report any suspicious transactions.

## **2.0 ANNUAL REVIEW 2008/09**

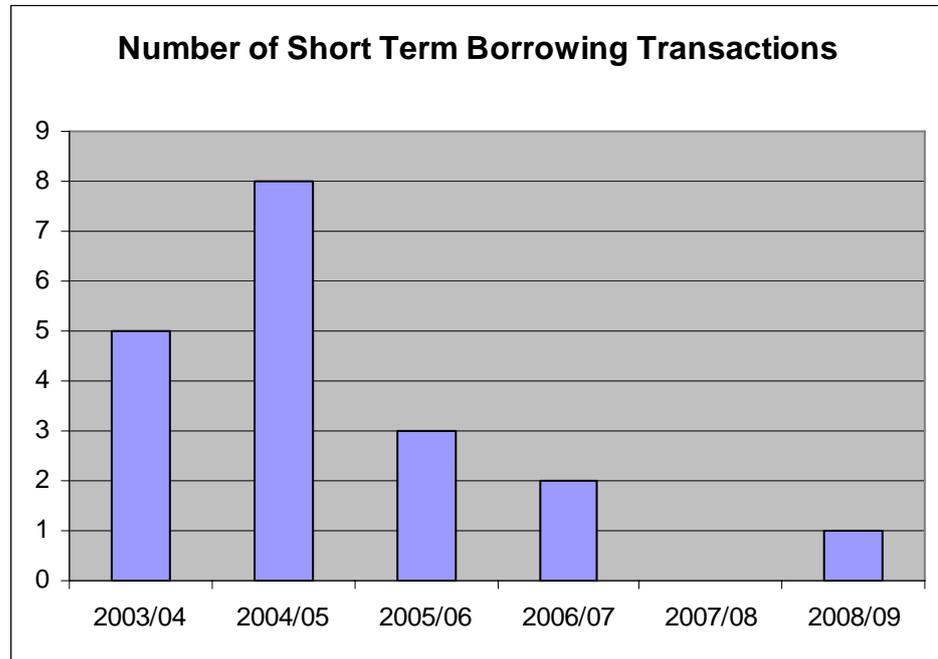
### **2.1 Treasury Management**

2.1.1 Treasury management activities are defined as the management of the Council's 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. Activities are strictly regulated by statutory requirements and the CIPFA code of practice. It 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

#### **2.1.2 Short Term Borrowing**

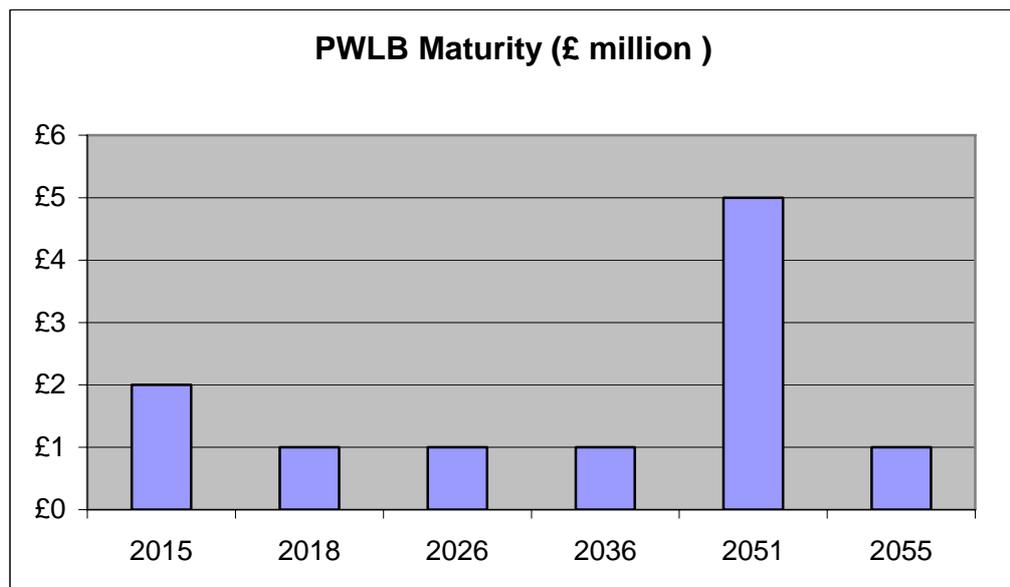
There was one short term borrowing transaction during 2008/09 and no short term debt outstanding at 31<sup>st</sup> March 2009. This single transaction was for a 6 day duration and was financially beneficial as it avoided a more costly overdraft charge; it did mean, however, that the authorised

limit was temporarily exceeded. The chart below shows a comparison of the number of short term borrowing transactions over the past five years.



### 2.1.3 Long Term Borrowing

At 31<sup>st</sup> March 2009, long term borrowing was £11 million including an additional £3 million that was taken from the PWLB at favourable rates of interest in October in line with policy and the need to fund the Council's future capital programme. The profile of when the loans fall due for repayment is shown below.

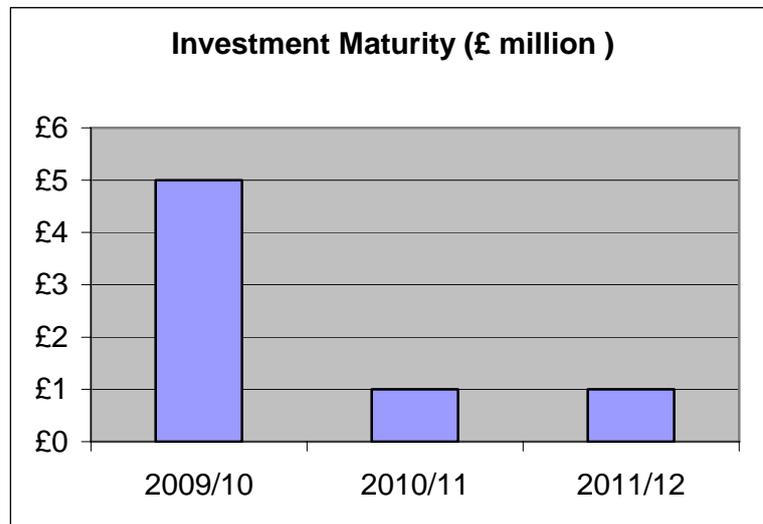


## 2.1.4 Investments

The Council maintains two broad types of investments.

- Funds that do not warrant by size or need to be invested in short or long term investments are generally placed in either the Global Treasury Fund (a money market fund operated by the Royal Bank of Scotland) or the Corporate Deposit Account (a high interest account operated by the Bank of Scotland). Money Market Fund interest rates may vary daily with both the amount placed and economic conditions. These liquid accounts offer immediate deposit and withdrawal facilities.
- Investments placed with counterparties in accordance with the criteria contained in the Treasury Management policy (approved by P&O Board in January & September 2008) and have fixed interest rates. Eight new investments totalling £10 million were placed in 2008/09 and nine investments totalling £11 million were repaid in 2008/09. The Council maintained an average investment balance of £9.3m and received an average return of 5.88%. A comparable indicator is the average 3 month LIBID rate of 4.50%.

Total investments at 31<sup>st</sup> March 2009 were £7 million, maturing (becoming repayable to the Council) as shown below.



## 2.1.5 The Treasury Position at the Year End

The treasury position at 31 March 2009 compared with the previous year was:

	31-Mar-08		31-Mar-09	
	Principal £m	Equated Annual %	Principal £m	Equated Annual %
Short Term	-	-	-	-
Long Term	8.000	3.89%	11.000	3.97%
<b>Total Borrowing</b>	<b>8.000</b>	<b>3.89%</b>	<b>11.000</b>	<b>3.97%</b>
Fixed Interest	(8.000)	(5.54%)	(7.000)	(5.88%)
Variable Interest	(1.823)	(6.01%)	(1.739)	(4.26%)
<b>Total Investments</b>	<b>(9.823)</b>	<b>(5.61%)</b>	<b>(8.739)</b>	<b>(5.51%)</b>

At 31<sup>st</sup> March 2009, the Council had investments of £8.7 million, including £7 million invested with banks and building societies and £1.7 million short term investments placed through the Council's Global Treasury Fund and Corporate Deposit Account.

The Council was therefore in a net borrowing position of £2.3 million at the end of the financial year.

It should be noted that the accounting practice required to be followed by the Council (the SORP), changed from the 2007/08 accounts, and required financial instruments in the accounts (debt and investments etc.) to be measured in a method compliant with national Financial Reporting Standards. The figures in this report are based on the amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest

## 2.2 Prudential Indicators

### 2.2.1 Treasury Position and Prudential Indicators

The Council is required by the Prudential Code to report the estimated and actual prudential indicators after the year-end. Appendix B provides a schedule of all the mandatory prudential indicators.

Certain of these indicators provide either an overview or a limit on treasury activity, and these are shown below:

### 2.2.2 Net External Borrowing

	2007/08 Actual £'000	2008/09 Revised £'000	2008/09 Actual £'000
Net borrowing position	(1,823.0)	2,434.7	2,261.0
Capital Financing Requirement	6,379.3	9,728.6	8,605.3

The Capital Financing Requirement (CFR) shows the Council's underlying need to borrow for a capital purpose, and this is an indication for the Council's net borrowing position shown above

In order to ensure that over the medium term borrowing net of investments will only be for a capital purpose, net borrowing should not, except in the short term, exceed the total CFR in the preceding year plus estimates of any additional CFR for the current and next two financial years.

The table above shows that the Council has complied with this requirement.

### 2.2.3 Borrowing Limits

	2008/09 Actual £'000
Original Indicator – Authorised Limit	12,500.00
Original Indicator – Operational Boundary	11,700.00
Maximum gross borrowing position during the year	13,000.00
Minimum gross borrowing position during the year	13,000.00

The Authorised Limit is the "Affordable Borrowing Limit" required by s3 of the Local Government Act 2003. One short term borrowing transaction for a six day period during 2008/09 caused the authorised limit to be exceeded by £500,000. This transaction was financially beneficial to the Council as it avoided a more costly overdraft charge.

The Operational Boundary is not a limit but it is an indicator of probable external debt during the year. Actual borrowing may vary above or below this boundary for short periods of time providing the Authorised Limit is not breached.

## 2.3 Economic Background for 2008/09 (largely derived from ICAP)

The 2008/09 financial year has featured one of the most testing and difficult economic and investment environments since the 1930s. It has featured a number of very significant changes in the performance of the UK as well as global economy. And beneath all of this has been the undercurrent of uncertainty and mistrust in the financial markets. This was not an easy backdrop in which to manage an investment portfolio.

The year opened on an uncertain note. The ongoing effects of the “credit crunch” which had started in 2007, prompted a bout of monetary policy easing in early April when the Bank of England cut its Bank Rate by 0.25% to 5%.

But inflation was rising sharply, courtesy of the strength of global commodity and food prices and the very steep rise in oil prices. The CPI inflation measure breached the 3% upper limit of the Governments’ target range in April. The Bank was concerned that these external cost pressures could eventually transform into a domestic wage/price spiral and kick start a bout of damaging inflation.

Rates were left on hold through the summer months and there seemed to be some signs of a gradual return to slightly more normal conditions in the money markets. But this was not to last. Mid-September saw a “sea change” in financial markets and economic policies. The collapse of US investment bank, Lehman Brothers, dealt a devastating blow to the markets. Liquidity dried up almost completely making it extremely difficult for banks to function normally. These developments culminated in the failure of the entire Icelandic banking system in early October.

The failure of the Icelandic banking system had a major impact on local authority investments. A number of local authorities (not Gosport) had deposits with Icelandic institutions and these investments are still at risk.

The crisis in the financial markets deepened and threatened a complete ‘melt-down’ of the world financial system. This, together with evidence that economies had entered recession prompted a number of significant policy changes. In the UK these featured the following:

- a major rescue package totalling as much as £400bn to recapitalise the banking system
- a series of interest rate cuts down to 2% in early December
- a fiscal expansion package, including a 2.5% cut in VAT.

The New Year failed to herald a change in the fortunes of the banking sector. Central banks continued to ease monetary policies in an attempt to reduce borrowing rates and hence alleviate some of the cost pressures being experienced by financial institutions and, more to the point, the corporate and household sectors.

With official interest rates in the US already at close to zero at end-2008, the Bank of England was at the forefront of policy easing. Bank Rate was cut in successive monthly moves from 2% at the outset of the year to the historically low level of 0.5% in March. Thereafter, the Bank resorted to the quantitative easing of monetary policy via a mechanism of buying securities from investment institutions in exchange for cash. This commenced in early March and currently could rise to £175bn.

Aside from Bank of England assistance, the central government launched the second phase of its support operations for the banking industry during the second half of January. This failed to allay fears that even more aid might have to be extended to the banking industry before the crisis is over. During the course of the quarter, two major banks, RBS and Lloyds Group,

needed substantial cash injections; action that led the public sector to assume near-full ownership. In addition to this, the Dunfermline Building Society was rescued from bankruptcy.

The problems of the financial markets since late 2007 had clearly spread to other parts of the economy. Economic data confirmed that the UK was in deep recession and the latest Bank of England Inflation Report (published in mid-February) registered a marked change in official forecasts for 2009 and 2010. Economic activity was expected to decline sharply (GDP was forecast to contract by more than 4% in 2009) and inflation was projected to fall into negative territory

The generally uncertain backdrop to the UK and the financial markets prevented a marked easing in overall money market liquidity. While the situation did show some signs of improving as the financial year drew to a close, the margin between official interest rates and those quoted in the inter-bank market for periods longer than 1-month remained very wide

### 3.0 TREASURY MANAGEMENT IN 2009/10

3.1 The table below summarises the Council's treasury position at 1<sup>st</sup> August as compared to the end of the previous financial year.

	31-Mar-09		01-Aug-09	
	Principal £m	Equated Annual %	Principal £m	Equated Annual %
Short Term	-	-	-	-
Long Term	11.000	3.97%	11.000	4.03%
<b>Total Borrowing</b>	<b>11.000</b>	<b>3.97%</b>	<b>11.000</b>	<b>4.03%</b>
Fixed Interest	(7.000)	(5.88%)	(7.000)	(5.32%)
Variable Interest	(1.739)	(4.26%)	(3.204)	(0.74%)
<b>Total Investments</b>	<b>(8.739)</b>	<b>(5.51%)</b>	<b>(10.204)</b>	<b>(3.16%)</b>

The Council's present net debt position is expected to continue as funding is required for the capital programme.

The deteriorating economic situation is detrimentally affecting interest earnings on both the re-investment of maturing investments that are not yet required for capital funding and also the necessary investment of daily surplus funds. The negative impact of this on the Council's revenue budget is being reported through budget monitors and will be included in the Revised Budget 2009/10 and Budget 2010/11.

The Bank of England base rate remains at 0.5% which it has been since 5<sup>th</sup> March. At 31<sup>st</sup> March 2008 it was 5.25%.

- 3.2 As part of the 2010/11 budget process, the capital programme will include revised projections of funding implications and these will be integrated into the Treasury Management & Prudential Indicator Report in January 2010.
- 3.3 The current investment strategy for 2009/10, as approved by P&O Board in February 2009, has been reviewed in the light of both the Council's cash flow requirements and also the changing economic situation. The investment limit with the Council's bank is not now subject to the same limit as that for other external bodies as it is too restrictive when including both fixed and variable rate investments and Irish banks have been removed from the approved list in view of their reduced sovereign credit rating.

An updated strategy is set out below for approval.

#### **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 New investments to be placed with
  - › The top three building societies (currently Nationwide, Coventry and Yorkshire)
  - › The Council's bank
  - › The major British banks and their wholly owned subsidiaries (Royal Bank of Scotland, HSBC, Lloyds/HBOS, Barclays and Co-op)
- o Short term surplus funds are to be invested in money market funds or deposit accounts as operated by the Royal Bank of Scotland and the Bank of Scotland (part of the Council's bankers) respectively). These offer immediate deposit and withdrawal facilities but still at advantageous rates of interest.
- o A £3m limit applies with any single group other than the Council's bank
- o The main principles governing the Council's investment criteria are the security (as advised by the Council's broker) and liquidity of its investments, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

#### **4.0 Minimum Revenue Provision**

- 4.1 The Minimum Revenue Provision (MRP) is the amount which local authorities must charge to their revenue accounts to repay general fund capital debt. The calculation is prescribed by statute.

- 4.2 With effect from 1 April 2008 the Department for Communities & Local Government (CLG) introduced new MRP guidance which requires an MRP Policy to be approved by Members. The policy for 2009/10 was approved as part of the Treasury Management & Prudential Indicators Report 2009/10 by P&O Board on 4th February 2009. The 2010/11 policy will be submitted to members in January 2010.

## **5.0 RISK AND PERFORMANCE**

- 5.1 The Council has complied with the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 5.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Butlers, the Council's advisers, has proactively managed the debt and investments over the year.
- 5.3 Shorter-term variable rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, while the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 5.4 The economic climate and low interest rates have significantly reduced the Council's revenue investment income stream and will continue to do so in the short to medium term. It is anticipated that most of the current investments will be applied to the capital programme over the next 12 months which will therefore reduce the exposure to low interest rate returns.

<b>Financial implications:</b>	As contained in the report.
<b>Legal implications:</b>	It is a legal requirement that an annual Treasury Management report is considered by a representative body of 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 and Final Accounts working papers
<b>Appendices/Enclosures:</b>	Appendix A – Treasury Management Codes & Guidance Appendix B – Estimated and Actual Treasury position and Prudential Indicators
<b>Report Author / Lead Officer</b>	John Norman

**Treasury Management - codes and guidance**

- The Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing, which may be undertaken.
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Sector;
- Under the Act the ODPM has issued Investment Guidance to structure and regulate the Council's investment activities.

**Appendix B**

		<b>2007/08 Actual £'000</b>	<b>2008/09 Revised £'000</b>	<b>2008/09 Actual £'000</b>
<b>1</b>	<b>Capital Expenditure</b>	7,235.0	7,745.3	6,860.7
	Financed by:			
	Capital receipts	719.7	123.0	282.5
	Capital grants	2,365.6	2,450.0	2,449.0
	Other contributions	923.3	1,737.6	1,502.3
	Revenue	0.0	0.0	0.0
	Total financing	<b>4,008.6</b>	<b>4,310.6</b>	<b>4,233.8</b>
Net financing need	3,226.4	3,434.7	2,626.9	
<b>2</b>	<b>Capital Financing Requirement (CFR) at 31st March</b>			
	Housing	2,371.3	3,887.3	4,010.3
	Non - Housing	4,008.0	5,841.3	4,595.0
	Total	<b>6,379.3</b>	<b>9,728.6</b>	<b>8,605.3</b>
<b>3</b>	<b>Treasury Position at 31st March</b>			
	Borrowing	8,000.0	11,434.7	11,000.0
	Other long term liabilities	0.0	0.0	0.0
	Total debt	<b>8,000.0</b>	<b>11,434.7</b>	<b>11,000.0</b>
	Investments	(9,823.0)	(9,000.0)	(8,739.0)
Net borrowing (investments)	<b>(1,823.0)</b>	<b>2,434.7</b>	<b>2,261.0</b>	
<b>4</b>	<b>Authorised Limit (against maximum position)</b>	8,000.0	12,500.0	13,000.0
<b>5</b>	<b>Operational Boundary</b>	8,000.0	11,700.0	13,000.0
<b>6</b>	<b>Ratio of financing costs to net revenue stream</b>			
	Non - Housing	-3.4%	-2.9%	-2.4%
	Housing	0.1%	1.1%	0.8%

## Appendix B

		2007/08 Actual		2008/09 Actual	
<b>8</b>	<b>Limits on Activity</b>	<b>Upper</b>		<b>Upper</b>	
		<b>Investments</b>	<b>Borrowing</b>	<b>Investments</b>	<b>Borrowing</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Limits on fixed interest rates	(11,500.0)	8,000.0	(12,000.0)	11,000.0
	Limits on variable interest rates	(5,699.0)	0.0	(6,327.0)	2,000.0
<b>9</b>	<b>Maturity Structure (limits &amp; actual) of fixed borrowing</b>	<b>Lower</b>	<b>Upper</b>	<b>Lower</b>	<b>Upper</b>
		<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
	Under 12 months	0%	0%	0%	0%
	12 months to 2 years	0%	0%	0%	0%
	2 years to 5 years	0%	0%	0%	0%
	5 years to 10 years	0%	0%	0%	27%
10 years and above	0%	100%	0%	73%	
<b>10</b>	<b>Maximum percentage of principal sums invested for over 364 days</b>	31%		23%	
<b>11</b>	<b>Compliance with CIPFA Code of Practice for Treasury Management in the Public Services</b>	Yes		Yes	

## GOSPORT BOROUGH COUNCIL

<b>REPORT TO THE:</b>	<b>POLICY &amp; ORGANISATION BOARD</b>
<b>MEETING DATE:</b>	<b>16 SEPTEMBER 2009</b>
<b>TITLE:</b>	<b>BUDGET STRATEGY 2010-2011</b>
<b>AUTHOR:</b>	<b>BOROUGH TREASURER</b>
<b>STATUS:</b>	<b>FOR DECISION</b>

**PURPOSE OF REPORT**

To consider the strategy for preparation of the General Fund budget for the next financial year in the light of the Medium Term Financial Strategy approved by the Board in March 2009.

**RECOMMENDATION**

**That the budget strategy principles for 2010-2011 set out in bold type in sections 2 and 3 of this report be considered and approved.**

**1.0 BACKGROUND**

- 1.1 The Council has to prepare a budget for General Fund services in order to ascertain the amount required to be raised from Council Tax.
- 1.2 The Council's Medium Term Financial Strategy considered by the Board in March indicates that action needs to be taken to avoid substantial Council Tax increases in 2010/11 and beyond that would exceed the level that would risk capping by the Government. Council tax capping is likely to be considered at a threshold below 5% for next financial year.
- 1.3 Substantial reductions are therefore required in forecast budget requirements. It is not realistic to expect efficiencies to meet the level of savings required. However, as in previous years, savings from efficiencies, increased fees & charges and potential service cuts all have a part to play in addressing the problem. Whilst compulsory redundancies are not currently considered necessary at Gosport, it should be noted that it has been widely reported that many local authorities are now undertaking such a programme.

## 2.0 BUDGET STRATEGY 2010-2011

2.1 **Budget preparation will incorporate, as far as possible, requirements resulting from Council priorities identified in Capital Strategies, the Community Strategy and the Corporate Plan.**

2.2 There is a statutory requirement to produce a balanced budget and maintain adequate reserve levels. However, this will be increasingly difficult as income streams are now significantly depleted as a result of the recession but expenditure on statutory, demand-led services is expected to continue increasing.

2.3 **Budget preparation will initially be in accordance with previous policy i.e. “zero-based” wherever possible and new bids will be minimised. Maintenance proposals will be in accordance with Asset Management Plan requirements.** There will be further centralisation of control over supplies & services budgets in order to facilitate better value for money, minimising the number of contingencies held.

2.4 Inflation is expected to be rising through 2% during 2010/11, although it should be noted that many areas of the Council's expenditure e.g. contracts, are subject to inflationary pressures that can substantially exceed general inflation.

2.5 **Capital projects within the Capital Programme will be considered in terms of priority and affordability.** In any case, some additional long term borrowing will be necessary over the next few years in order to fund the capital programme.

2.6 In order to minimise any Council Tax increase required for 2010/11 and beyond, it is important that the proportion of underlying subsidy to service users from local taxpayers is not significantly increased. **Fees & charges will therefore generally increase in line with previous practice and within any statutory parameters.**

## 3.0 SAVINGS & EFFICIENCIES

3.1 It is clear that government funding for the public sector will have to be significantly reduced in coming years. Funding priority is likely to continue to be given to Health and Education. District councils are likely to experience severe real terms reductions in Exchequer support. Government will continue to assume that annual efficiency savings can be achieved and will continue to monitor this.

3.2 **As the Council has already externalised many areas of work, efficiency opportunities will be sought through the review of contract terms and specifications, either in partnership with existing contractors or when contracts fall due for renewal.** The overriding immediate need is for savings and/or additional income. Nonetheless, economies achieved through efficiency gains will be an important element

of the drive for the high level of cash savings required. Efficiencies will be separately identified within the savings achieved during budget preparation.

**3.3 Future service reviews will attempt to assess the value for money achieved in delivering individual services (mainly through benchmarking) and seek to identify improvements.**

3.4 Gosport has a track record of innovation and partnership working; many examples of joint working already exist and others are being explored. **The Council will continue to seek opportunities to deliver services more efficiently through outsourcing, partnership and joint working.**

**3.5 The Council will seek to identify areas of council business where savings can be made and additional income generated. In some cases it may be recommended that discretionary services are no longer provided or that a radically different approach to service delivery is adopted. Essential and statutory services will be protected as far as possible.** The Council's priorities identified in the Corporate Plan will guide this process.

3.6 Spend-to-save initiatives are an essential tool in managing future commitments down. Housing & Planning Delivery Grant and other non ringfenced grants already have their capital elements used for general funding of the Council's capital programme. Whilst it may be possible to draw on one-off windfall grant gains for a year or two, this will only postpone the point at which funds will be insufficient to maintain service levels unless these funds are used proactively. **It is now appropriate that the balance of these grants available for revenue funding is credited to revenue accounts as received. Uncommitted surpluses will then be gathered in to the revenue financing reserve, primarily for use on spend-to-save initiatives to reduce future tax requirements.**

3.7 Efficiencies sought as part of our strategy will include:

1. Carbon reduction (L)
2. Debt restructuring (M)
3. Collaboration/partnership working (M)
4. Procurement of goods & services (H)
5. Staffing reviews linked to succession plans, natural turnover and voluntary redundancies/retirements. (H)
6. Reduction of administration and support service costs (linked to 3, 4, 5 and improved business systems). (M)
7. Rationalisation of asset use e.g. raising capital receipts to offset the impact of new capital investment. (H)

(Risk assessment impact criteria have been used to indicate potential annual savings (H/M/L), where High = over £100,000; Medium = £50 – 100,000; Low = less than £50,000).

**3.8 The Council will continue to monitor progress in achieving efficiencies through established budgetary control processes.**

## **4.0 CONCLUSION**

4.1 Preparation of the General Fund budget for 2010/11 is going to be extremely challenging given the financial issues facing the Council. This report indicates the process and key underlying principles that will be adopted in order to prepare the draft budget.

## **SUPPORTING INFORMATION**

<b>Financial Implications:</b>	<b>See Report</b>
<b>Legal Implications:</b>	<b>Set out in the report</b>
<b>Service Improvement Plan implications:</b>	<b>No direct implications</b>
<b>Corporate Plan:</b>	<b>-</b>
<b>Risk Assessment:</b>	<b>There is a risk of intervention by way of budget capping and/or prescription of reserve levels if forecast budget deficits are not addressed.</b>
<b>Background papers:</b>	<b>Medium Term Financial Strategy</b>
<b>Appendices/Enclosures:</b>	<b>-</b>
<b>Report Author/Lead Officer</b>	<b>Peter Wilson</b>

**GOSPORT BOROUGH COUNCIL**

**REFERENCE**

**TO: POLICY AND ORGANISATION BOARD –  
16 SEPTEMBER 2009**

**FROM: COMMUNITY AND ENVIRONMENT BOARD –  
7 SEPTEMBER 2009**

**TITLE: SALE OF LAND ADJACENT TO 59 HANBIDGE CRESCENT**

**AUTHOR: DEVELOPMENT SERVICES MANAGER**

**Attached is a copy of the report that was considered by the Community and Environment Board on the 7 September 2009 (Appendix 'B'), together with the Minute extract and Board Resolution (Appendix 'A').**

**RECOMMENDATION:**

To follow.

**EXTRACT FROM THE MINUTES OF THE**  
**COMMUNITY AND ENVIRONMENT BOARD MEETING**  
**7 SEPTEMBER 2009**

**SALE OF LAND ADJACENT TO 59 HANBIDGE CRESCENT**

To follow.

## APPENDIX B

<b>Board/Committee:</b>	Community & Environment
<b>Date of Meeting:</b>	7 <sup>th</sup> September 2009
<b>Title:</b>	Sale of Land Adjacent to 59 Hanbidge Crescent
<b>Author:</b>	Development Services Manager
<b>Status:</b>	For Decision

### **Purpose**

To consider a request by the owner of 59 Hanbidge Crescent to purchase the freehold interest of the land shown on the attached plan for the consideration of £2800. The Constitution of the Council requires that where the value of the land exceeds £2000, or where the land is part of a piece of land worth in excess of £2000 that such requests be approved by the Board and referred to the Policy and Organisation Board for approval.

### **Recommendation**

That the Board approves the sale and refers the matter to the Policy & Organisation Board

#### **1 Background**

- 1.1 The request to purchase this piece of land has been dealt with through the adopted land sale procedure and all relevant officers and the ward councillors have been consulted. No objections have been raised

#### **2 Report**

- 2.1 The purchaser wishes to extend his garden and has approached the Council regarding the sale of the land. The area to be sold is 104m<sup>2</sup>.
- 2.2 A market value of the land of £2800 has been agreed with the proposed purchaser, which represents best consideration.
- 2.3 The use of the land would be restricted solely for garden purposes and the appropriate legal restriction would be incorporated in the conveyance to ensure that the Council's position is protected.
- 2.4 The land forms part of the communal estate created with a right for use for the estate residents. However the land is rarely used by residents either formally or informally and a large part of the land will remain. Under the provisions of the Local Government Act 1972 the sale of land used for open space is required to be advertised for two consecutive weeks in the local press and the Council must consider any objections to the proposed sale.

- 2.5 The purchaser has sought and received planning permission to change the use of the land from Open Space to a private garden and the sale documents would stipulate that the purchaser must comply with any and all planning conditions imposed
- 2.6 There are no Human Rights or Race and Equality Issues relating to this sale of land
- 2.7 There are no sustainability issues relating to the sale of the land
- 2.8 There is no prevention of crime and disorder issues relating to the sale of the land.
- 2.9 The financial implications of the sale are a receipt of £2800. There will also be a small saving in the grounds maintenance contract as the sale will result in a reduction of 104m<sup>2</sup> from the area.

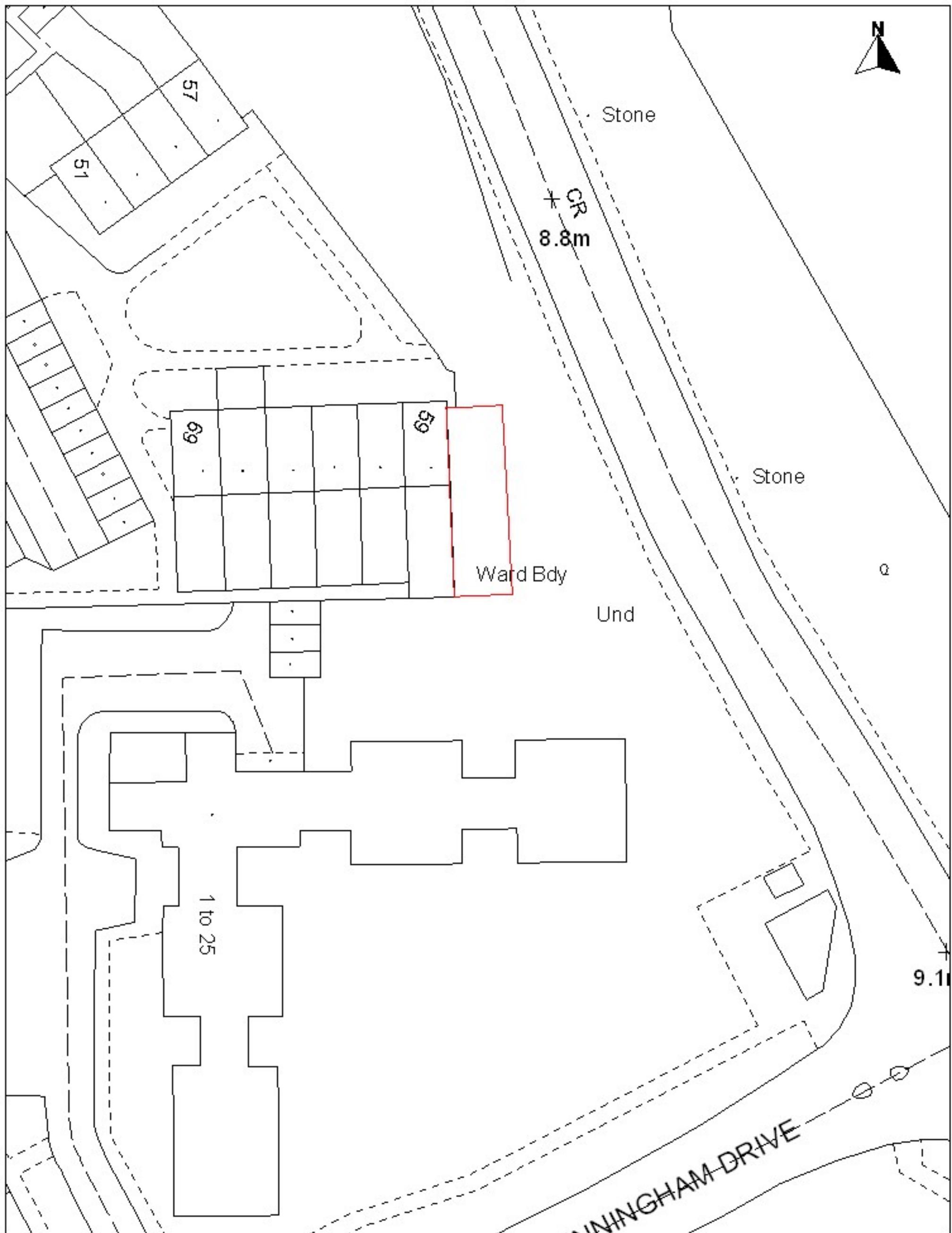
### **3 Risk Assessment**

- 3.1 As the purchaser has signed an undertaking to pay all fees and charges, there is no financial risk to the Council, other than the failure to receive £2800 and the continued liability to maintain the land.

### **4 Conclusion**

- 4.1 The sale of the land is at no risk to the Council, which if approved will result in £2800 receipt, on provision that there are subsequently no sustainable objections to the advertisement to sell.

<b>Financial Services comments:</b>	If approved, the £2,800 receipt will be credited to revenue in line with the de-minimus limit for recognising capital receipts of £10,000 (Local Government Act 2003)
<b>Legal Services comments:</b>	The Council is obliged to receive best consideration for the land and will be required, as set out in the report, to advertise the sale of the current Open Space in accordance with the Local Government Act 1972
<b>Service Improvement Plan implications:</b>	None
<b>Corporate Plan:</b>	None applicable
<b>Risk Assessment:</b>	Refer to paragraph 3.1 in report
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	Plan 1
<b>Report author/ Lead Officer:</b>	Head of Property Services x5564



**TOWN HALL, HIGH STREET, GOSPORT,  
HANTS, PO12 1EB.**

DATE : 24/06/2009

Scale 1:500  
0 4 8 12 16 20 m



Plan 1

If this map has been transmitted electronically, use the scale bar in preference to the written scale



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