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23 January 2012

S U M M O N S

MEETING: Policy and Organisation Board
DATE: 31 January 2012
TIME: 6.00 pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Geoff Rawling

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

The Mayor (Councillor Carter, CR) (ex-officio)
Councillor Hook (Chairman)
Councillor Burgess (Vice-Chairman)

Councillor Beavis	Councillor Langdon
Councillor Chegwyn	Councillor Philpott
Councillor Mrs Forder	Councillor Smith
Councillor Lane	Councillor Wright

FIRE PRECAUTIONS

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

In the event of the fire alarm sounding, 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. Councillors are requested to note that, if any Councillor who is not a Member of the Board 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 28 SEPTEMBER AND 21 DECEMBER 2011.

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 Friday, 27 January 2012. 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 Friday, 27 January 2012).

6. HRA BUSINESS PLAN 2012-2042

PART II

Cross reference from the Community Board

Contact Officer:
Tim Hoskins
Ext 5322

7. TREASURY MANAGEMENT ANNUAL STRATEGY

PART I

To Follow

Contact Officer:
John Norman
Ext 5316

8. POLICY AND ORGANISATION BOARD BUDGET 2012/13

PART II

To Follow

Contact Officer:
Julian Bowcher
Ext 5551

9. COUNCIL BUDGET 2012/13

PART I

Policy and Organisation Board
31 January 2012

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.

Contact Officer:
Peter Wilson
Ext 5301

9A. ECONOMIC DEVELOPMENT BOARD BUDGET REPORT 2012/13 PART II

Cross reference from the Economic Development Board – To Follow

Contact Officer:
John Norman
Ext 5316

9B. COMMUNITY BOARD BUDGET REPORT 2012/13 PART II

Cross reference from the Community Board – To Follow.

Contact Officer:
Peter Wilson
Ext 5301

10. ANY OTHER ITEMS
which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

GOSPORT BOROUGH COUNCIL

REFERENCE

**TO: POLICY AND ORGANISATION BOARD –
31 JANUARY 2012**

FROM: COMMUNITY BOARD – 30 JANUARY 2012

TITLE: HRA BUSINESS PLAN 2012-2042

AUTHOR: HOUSING SERVICES MANAGER

Attached is a copy of the report that was considered by the Community Board on the 30 January 2012 (Appendix 'B'), together with the minute extract and Board resolution (Appendix 'A').

To follow.

EXTRACT FROM THE MINUTES OF THE
COMMUNITY BOARD MEETING
30 JANUARY 2012

To Follow

Agenda item no.

Board/Committee:	Community Board
Date of Meeting:	30 January 2012
Title:	HRA Business Plan 2012-2042
Author:	Housing Services Manager/TH
Status:	For Decision

Purpose

This report considers the Housing Revenue Account Business Plan 2012-2042.

Recommendations

That the Community Board:

- a) Note the contents of the report.
- b) Approve the direction of travel including the financial model as laid out in the Business Plan (Appendix A).

1.0 Background

- 1.1 The Department for Communities and Local Government issued its proposals for self financing on 1st February 2011, following a consultation during 2010. These proposals were part of the Localism Act that was granted Royal Assent in November 2011.
- 1.2 The existing Housing Revenue Account (HRA) Subsidy system is the method an assessment the Government uses to determine financial support for Council housing. It is based on calculations derived from a 'notional' HRA. In broad terms, the Government takes *what it believes* an authority needs to spend and deducts from this the income *that it believes* an authority should raise (in rent). The difference between those two elements amounts to the subsidy entitlement for a local authority. This entitlement can be positive or negative. As this authority's notional income is greater than its notional expenditure; it therefore receives a *negative* subsidy. It means this Council pays *into* the 'national pot'. The amount the Council is due to pay for 2011/12 is £3.5m or £1097 for each Council property it manages.
- 1.3 Under the new proposals of self financing the Government has assessed how much financial support each Council needs to run its housing service over the next 30 years; this is the difference between the assumed cost of running the housing service against the assumed income from rents. This Council has had a valuation of £57.3m against its stock and will be required to borrow this amount and repay over 30 years. In exchange this authority will be allowed to retain all of its future rental income.
- 1.4 A 30 year Business Plan is a requirement of self-financing, with an accompanying

financial model, to show that self-financing is a viable option and that debt can be repaid within the timeframe.

2.0 Rents

- 2.1 Members will be aware that there is a national rent setting policy currently in operation. *Rent convergence* (closing the gap between Council rents and Housing Association rents) has been a national policy since 2002. Rent convergence was established by the Government to enable all social landlords to offer similar rents for similar properties, while still being lower when compared to market rents. A *formula rent* that took into account the value of properties as well as local earnings was introduced. Bedroom weighting factors were also applied. These formula rents have been increased each year by RPI +0.5% with an original objective of parity between Council and Housing Association rents by 2012. The date for completion has now been moved to 2015/16 as average rents were approximately 8% below guideline nationally.
- 2.2 An issue that this authority has had is that the notional guideline rent used by the Government in Gosport's self-financing valuation is currently £74.69 (on a 52 week basis), whereas the *actual* average rent for Council property is £66.90 (a difference of £7.79 a week per property). With an average rent increase of 7.7% the average rent will still only be £72.05 leaving a difference of £2.64 per property per week. This equates to 'lost revenue' of approximately £438,000 per annum.

3.0 Business Plan

- 3.1 The Business Plan describes the Council's vision for the future of the housing stock under self-financing and details how the Council intends to finance investment in the stock. The plan sets out the long term priorities, objectives and actions for Council housing in the Borough for the coming years.
- 3.2 The plan analyses the current position of both the service and the stock and sets out the actions to achieve the Council's objectives for the stock. It provides a framework for monitoring and evaluating the progress of the plan. It also reflects consultation carried out with residents, members and wider stakeholders.
- 3.3 The viability of the proposed plan has been established through a detailed financial model. The model is calculated over 30 years and shows the baseline position for the HRA. It shows the impact of the increase in housing debt as a consequence of the required borrowing and the HRA's ability to both repay the debt and manage stock for the next 30 years.
- 3.4 Detailed calculations are provided in the Business Plan for future rent levels, management and maintenance costs as well as capital spend, depreciation, debt repayment and working balances. The model will be updated on an annual basis and rolled forward so as to give a continual assessment of income and expenditure over the life of the Business Plan.

4.0 Future Need To Spend

- 4.1 The housing stock is a valuable asset and maintaining these homes to a decent standard is essential in order for the authority to meet its statutory responsibilities and contractual obligations. The Council's housing stock needs to be fit for purpose yet funding of capital investment has been limited in previous years to the investment available via the major repairs allowance.
- 4.2 Under self-financing, funding available for capital investment is predicted to increase considerably. Even with just inflationary increases in the early years, this will still enable a greater value of improvement works to take place. This will help the Council to deliver much needed investment; as identified in the current Asset Management Plan. As self-financing progresses, further work will be undertaken to inform (in more detail) the specific types of work required to the stock.
- 4.3 Asset management has an increasingly important role to play in the future of the housing stock. Detailed investment plans will be developed and used to ascertain when specific funding will be required to replace existing components as they reach the end of their useful life. It is essential that the plan has sufficient finances available to meet these investment requirements as they occur.

5.0 Borrowing Under Self-financing

- 5.1 Since April 2004, local authorities have been free to borrow for capital investment purposes, subject to that borrowing being assessed as 'affordable', against the terms of the Prudential Code. It is widely believed however that various aspects of the HRA subsidy system have to date constrained local authorities ability to use housing revenues to fund additional borrowing. Self financing requires Councils' to 'buy out' of the existing Government subsidy system.
- 5.2 The Council will borrow the £57.3m required under self-financing from the Public Works Loan Board (PWLB). This is considered to be the most suitable option for Gosport. The PWLB have reduced interest rates for both fixed and variable loans and these will be available for one day only; the 26th March 2012. 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.

This strategy has been prepared with advice from treasury management specialists.

- 5.3 A debt cap has been set for all authorities as the Government plans to retain a degree of control over the extent of public borrowing. The Government has determined that the debt cap for this Council will equal its existing borrowing of £5.9m and the self-financing settlement borrowing (£57.3m) and means that there is no borrowing headroom ie the Council will not be in a position (currently) to borrow more than its total debt (£63.3m). Subsequent additional borrowing under the new self-financing regime can only be achieved by this Council by repaying some of this combined debt. The resulting 'headroom' for borrowing being the difference between the actual debt and the overall debt cap.
- 5.4 It is envisaged that surpluses will be generated under self-financing that will be retained locally and these could be used to repay debt earlier or transferred to a new build reserve.
- 5.5 The Treasury has announced that reduced interest rates for Council's will be applicable on 26 March 2012, for one day only. This Council intends to borrow £57.3m on this day.

6.0 Timetable for Change

- January 2012; final determinations published and local authorities making debt payment receive questionnaire and final borrowing plans
- February 2012; consultation on final subsidy payment adjustments and local authorities set formal budgets
- March 2012; subsidy adjustment for 4 days interest are made and transactions between PWLB and local authorities
- April 2012; Self financing goes live
- March 2013; cut off for final subsidy payments/amendments.

7.0 Summary

- 7.1 It has been said that April 2012 will mark the most significant change in a generation to the way that Council housing is financed. A new local devolved system will replace one that involves annual subsidies controlled by Central Government.
- 7.2 Under the existing Housing Revenue Account (HRA) subsidy system this Council receives a *negative* subsidy. In 2011/12 it will have paid rental income into the 'national pot' of £3.5m; the equivalent of £1097 rent for each Council property it manages.
- 7.3 The new proposals of 'self financing' set out in the Localism Act abolish the existing subsidy system with effect from 1 April 2012.

- 7.4 This Council is required to 'buy' itself out of the existing subsidy system and will be required to borrow £57.3m in order to do that. This amount plus the Council's existing housing debt means that as at 1 April 2012 the total housing debt will be £63.3m. The debt cap for this Council, above which it cannot borrow, has been set by the Government and also stands at £63.3m. Future borrowing for Housing Service activity will only be possible for this Council once the debt is reduced.
- 7.5 The Council will borrow the £57.3m required under self-financing from the Public Works Loan Board (PWLB) at preferential rates.
- 7.6 The Business Plan (Appendix A) confirms that the Council has a viable strategy to meet future obligations and sets out the detail of how the Council intends to finance investment in the housing stock and repay debt through the management of the retained rental income.

Financial Implications:	As set out in the report
Legal Implications:	The Council has a statutory duty to maintain a separate revenue account for the provision of local authority housing
Service Improvement Plan Implications:	The HRA Business Plan is a service improvement plan item
Corporate Plan:	There are no corporate plan implications arising out of this report
Risk Assessment:	As set out in the Business Plan
Background Papers:	Reform Of Council Housing Finance – DCLG consultation paper
Appendices/Enclosures:	Appendix A - HRA 30 year Business Plan
Report Author/Lead Officer:	Tim Hoskins

Gosport Borough Council

HRA Business Plan 2012 – 2042

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Executive Summary

This Business Plan is produced in order to set out the Council's overall aims and objectives for the housing service, as a landlord for over 3,000 homes. It analyses the current position of the service and the homes and sets out the actions planned to achieve the Council's objectives. It reflects the findings from consultation carried out previously with residents, Members and wider stakeholders. It provides a framework for monitoring and evaluating progress in delivering the plan. The plan forms a key part of the Council's preparation for HRA self-financing. This is a major change in national housing finance which introduces new risks and opportunities for the Council's housing service.

Section 2; Strategic Direction, sets out the issues that influence the Business Plan, at a national, regional and local level. This includes how changes in national housing finance and policy impact on the Council's priorities for its housing service. In this section, we set out how the plan will support the delivery of the Council's corporate priorities and wider housing and community objectives. The Business Plan is structured to support defined housing strategic objectives

The plan also highlights the local context in which we operate and our service delivery mechanisms.

Section 3; Consultation, sets out the Council's existing arrangements for involving tenants in decisions about the housing service and summarises the key findings from consultation carried out as part of the development of plan. Tenant involvement is now well established in the Borough, with a clearly defined participation structure and decision making process in place to ensure tenants are involved in shaping, developing and monitoring our services, in a variety of different ways.

Section 4; Background, describes the way in which the service is currently delivered. The plan is produced in the context of major changes in national housing policy, both in the form of tenancy that Councils will be able to offer their tenants in future and in the rent levels charged. This section sets out the Council's initial response to these changes, welcoming future flexibility to improve the service and the use of the housing assets.

Section 5; Assets, describes the Council's housing stock and other assets. Our housing stock is a valuable asset. As a major provider of social housing we make a significant contribution to meeting the need for affordable housing in the Borough. Generally our stock has been well maintained, with an investment strategy targeted at bringing all homes up to the Decent Homes Standard. Tenant feedback indicates a high level of satisfaction with the quality of homes.

Section 6; Resources, describes the baseline financial position for the Housing Revenue Account. It shows the impact of the increase in housing debt that will be required as part of the introduction of self-financing.

Section 7; Equality and Diversity, sets out the Council's commitment to the diverse range of customers that it provides services to.

Section 8; provides the **Summary Progress Pre Self Financing**.

Once the Business Plan is completed and formally adopted, an annual action plan will be developed to ensure that the commitments in the plan are delivered. The plan will be reviewed annually to reflect changing aspirations, achievements and increased knowledge. The financial model underlying the plan will be subsequently amended to ensure that it remains both robust and affordable, within a changing environment.

Section 1 Introduction

This Business Plan is produced in order to set out the Council's overall aims and objectives for the housing service, as a landlord for around 3,200 homes. It analyses the current position of the service and the homes and sets out the actions planned to achieve the Council's objectives. It reflects the findings from consultation carried out previously with residents, Members and wider stakeholders. It provides a framework for monitoring and evaluating progress in delivering the plan.

The Business Plan outlines the Council's approach to the management of its housing stock and the strategic direction for the delivery of quality services in a sustainable environment. The Plan takes into account other strategic documents including:

- Capital Strategy
- Rent Strategy
- Financial Strategy.

The Business Plan will be supported by an action plan and will also assist in the development of a Tenancy Strategy (to be completed by late 2012).

Why does the Council need a new Business Plan?

The existing Business Plan for the service was developed in 2002 and there have been many changes since that time, both externally and internally.

Externally, the Council faces changes in national housing policy that have fundamental implications for all social landlords. Council housing finance is changing from April 2012 when the Council will no longer have to pay an annual amount to Government under the housing subsidy system. Instead it will need to take on a significantly increased level of housing debt and manage this debt within a "self-financing" Business Plan. The Council will be able to make long term decisions about its services and the management of its assets. Self-financing brings new financial risks that need to be managed within the Business Plan, but also brings new opportunities for freedoms and flexibilities and for effective asset management.

How the plan has been put together

The plan has been developed with reference to the extensive consultation with residents and stakeholders that took place recently in the development of Local Offers, where all aspects of the housing service were discussed. This included consultation with the newly formed Customer Opinion Panel and wider consultation with staff, Members and other stakeholders. Through this consultation, the strategic objectives for the service have been revisited and updated.

The starting point for the plan is the current service and the condition of the homes. The Council's strategy for managing the housing assets forms a fundamental part of this plan. The future investment needs of the stock have very significant financial implications for the plan and robust information on this is essential to ensure the homes can be maintained at a standard that fits with resident's aspirations and prevents them deteriorating in future.

How the plan will be delivered

Subsequent to the adoption of the Business Plan, an action plan will be developed to deliver the Council's objectives for the housing service, with both short and medium term targets. This will fit into the Council's performance management framework and the plan's objectives feed down into individual staff Members work plans through the Council's performance review and employee development scheme.

This will also include the key risks that may prevent the achievement of objectives and how these will be managed. Finally it will set out how the plan will be reviewed in future to ensure it remains up to date with external and internal changes, and reflects continuously developing consultation.

Section 2 Strategic Direction

In this section we set out the issues that influence this Business Plan, at a national, regional and local level. This includes how changes in national housing finance and policy impact on the Council's priorities for its housing service. In this section we set out how the plan will support the delivery of the Council's corporate priorities and wider housing and community objectives. The plan also highlights the local context in which we operate and our service delivery mechanisms.

Government priorities

The Government, through the Department for Communities and Local Government (DCLG) is setting the agenda for decentralisation and localism to deliver the Government's vision of the Big Society, encouraging family and social responsibility.

This will partly be delivered through what is suggested will be a radical redistribution of power and funding from Government to local people, allowing them to influence significantly public services in their communities. These aims include:

- Freeing Local Government from central and regional control
- Decentralising power
- Providing greater freedom and flexibilities to Local Government so that they can genuinely lead communities and deliver essential services according to local needs
- Providing Local Authorities with strong and transparent incentives to facilitate housing growth
- Making the provision of social housing more flexible.

The Council's Financial Strategy clearly indicates the key strategic role that housing plays within Gosport and the HRA Business Plan has been produced in accordance with the overall Financial Strategy. The successful delivery of this Business Plan will contribute significantly to the Council's overall objectives.

National Housing Policy

This plan is prepared in the context of major changes in housing finance and housing policy.

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 Housing Revenue Account (HRA).

Two elements of national control of Council housing finance remain. The Council will continue to have to pay 75% of the proceeds of any right to buy sales to Government. The remaining 25% will continue to be used for the Council's broader housing objectives for affordable housing and are not included in this HRA Business Plan which only represents the landlord element of the Council's housing role. However, Government is currently

consulting on an alternative approach to Right to Buy sales which could impact on the current position.

Secondly, 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 constrains the ability of the Council to consider major regeneration and new build projects financed from this HRA Business Plan. If the borrowing limit is relaxed, as a result of Government decisions in future spending reviews, this would increase borrowing capacity and enable a wider range of options to be considered.

The new regime will mean that for the first time the Council can set long term plans for the future of its housing stock and housing services. The change means that responsibility for long term Business Plan and debt financing moves from central to local Government and the Council will take responsibility for long term asset management. The change means that the Council faces increased risks, particularly around long term asset management, inflation and interest costs. This Business Plan is designed to manage those risks and to put the Council in a position to take advantage of the benefits offered by self-financing in order to improve its housing stock and services.

The plan supports the two key elements of the Government's housing policy; to continue to maintain its properties at the Decent Homes Standard and to set rents based on national policy, moving current rents to target by 2015/16 (rent convergence).

Supporting Council priorities

The Council's mission is:

"To work with our community to improve everyone's quality of life and deliver a sustainable future for the Borough."

The values and priorities of this Business Plan reflect the Council's corporate strategy that has been developed following community consultation. This approach has meant that the Business Plan priorities are closely aligned with the Council's corporate priorities. This means that the plan is able to deliver actions that reflect the concerns and priorities of the Council's residents. As the major provider of social housing in the area we have a key role to play in supporting the Council's strategic objectives and priorities.

The successful delivery of the plan will contribute towards the Council's following strategic objectives:

- Regenerating Gosport's town centre and Waterfront
- Responding to the challenges of Climate Change
- Promoting health and well-being
- Reducing crime and anti-social behaviour
- Strengthening Community Cohesion
- Improving social inclusion
- Delivering quality services.

More, specifically, there are two key actions within the Corporate Action Plan that will be delivered through the plan, namely:

- Review the Council's assets to ensure best value in service delivery and best use of land
- Improve provision for homeless customers in the Borough through improved reception and assessment facilities.

The plan sets out how local objectives for housing will be delivered. These local objectives have been developed through consultation with residents and Members during the development of the Local Offers and support the Council's corporate priorities

Housing vision

The vision for the housing service is to be a landlord that is providing a quality service in well maintained stock that is recognised by our diverse community as being appropriate to its needs, backed by a robust financial plan.

Our business principles for housing services

Within the HRA Business Plan we have reflected the following business principles:

- Excellent services: ensuring the delivery of accessible, high quality housing services that provide good value for money
- Customer driven: putting the needs of individual customers at the heart of all that we do
- Local focus: making a positive difference to the quality of life in communities across Gosport Borough
- A dynamic organisation: a housing service that is innovative, forward looking and focused on results.

Regional context – the Partnership for Urban South Hampshire (PUSH)

PUSH is a partnership of the unitary authorities of Portsmouth and Southampton, Hampshire County Council and the District Authorities of Eastleigh, East Hampshire, Fareham, Gosport, Havant, Test Valley and Winchester.

PUSH is committed to ensuring that over the next 20 years, South Hampshire will gain renown as an area offering sustainable prosperity and a high quality of life for residents, as a location of choice for growing businesses, as a major centre of excellence in innovation and technology enabling smarter and more sustainable growth and as a place where the benefits of growth are shared by all sectors and communities. This brighter future will be based on raising the performance of the PUSH partnerships economies..

This is a vision shared by the Members of PUSH, together with other public agencies and partners from all sectors working with them. Their collective view of key objectives can be summarised as follows:

- Promoting economic success by seeking to create a diverse economy where business, enterprise and individuals can flourish, underpinned by modern skills
- Providing the homes they need in sustainable communities

- Building more cohesive communities and reducing inequalities, closing the gap between deprived areas and the economic performance of PUSH sub-region
- Investing in infrastructure and sustainable solutions
- Promoting a better quality of life by safeguarding and promoting social and environmental wellbeing across the sub region and
- Tackling climate change by reducing carbon emissions and securing increased renewable and low carbon energy supply.

PUSH is working closely with the Homes and Communities Agency, raising partnership initiatives and issues on behalf of its member local authorities in a collaborative environment. This has led to the development of a Local Investment Plan (LIP), which will provide added focus and direction to the medium to long term investment strategy, enhancing the chances of securing future Government funding to deliver on PUSH's strategic and priority development sites.

Local context

Gosport Borough Council's housing stock comprises of 3,191 rented homes¹, with a further 285 leasehold properties. The housing service also owns and manages 705 garages.

A summary of the housing services properties is set out in the table below:

Type of Property	Total number
Houses	1316
Bungalows	440
Flats	1196
Maisonettes	193
Bedsits	46
Total number of properties as at 31st March 2011	3191

Future demand and supply of housing

The Council updated its Housing Needs Survey from 2003 in 2007, reflecting the changes within the local housing market and to provide the Council with a forecasting tool for the following decade.

The survey showed that there was:

- An out migration of younger economically active households
- An ageing population with increasing care and support needs

¹ As at 31.3.2011

- An average 23% increase in house prices between 2003 and 2006 which has excluded many first time buyers from the owner occupied market
- 53% of all households with less than £5,000 in savings
- 33.6% of all households in receipt of financial support of which 39.1% received Housing Benefit
- 89.4% of concealed households (those living with family and friends who desired their own household) had an annual income of below £27,500, with 44.2% below £15,000
- Income levels of around 39% of new households are below the necessary level to be able to buy and 36% of these households are also unable to access the private rented sector.

On the supply side, the following were identified:

- The total level of outstanding affordable need was 852 units per annum
- There was a requirement for smaller units across the stock to create a better balance
- More specialist accommodation for older people in both the affordable and private sector was required
- There was a need for around 85 units of extra-care accommodation for elderly people although 50 units have subsequently been delivered
- There was a need for 167 units of independent accommodation with external support over the next three years

Since that data was collected, the affordable housing completions have been as follows:

Year	Completions
2007/08	63
2008/09	97
2009/10	201
2010/11	24

Although the housing needs data was collected in 2007, our experience and the amount of activity that has taken place since, indicates that a similar level of need remains except where increased provision has been indicated above.

Housing Register and Homeless Demand

In 2011/12, the Council witnessed an increase in general demand in homelessness. Within this environment, the Council has strived to achieve a range of flexible and sustainable responses to provide an efficient fit for purpose service.

Gosport is currently in the top 5% of English Council's for homelessness prevention and has undertaken the following to ensure that it remains there:

- Maintained the Council's stake in the private rented sector, investing nearly £1M in a family centre which will double the current number of units available during 2012, reducing the need for expensive bed and breakfast placements
- Delivered a private rented accommodation scheme which is attractive to private landlords and that enhances the condition of many properties accepted onto the scheme
- Worked in partnership with local estate agents to deliver more private rented properties to households threatened with homelessness (at a time when many Councils are struggling to access the private rented sector).

Section 3 Consultation

Introduction

Gosport Borough Council is a listening organisation that values customer and public opinion and strives to deliver value for money services putting customers at the heart of all it does. In providing services, we value:

- Meeting the needs of our diverse community
- The professionalism of our staff
- Feedback on our services
- Our approachability.

Existing consultation arrangements

The Council has recently changed its approach to resident consultation as the previous structures, the Tenant and Leaseholder Consultation Framework, was finding it difficult to attract and retain interest.

The introduction of Local Offers and Scrutiny was used as a catalyst to stimulate involvement and to revise how the Council works with its tenants and leaseholders. Working with the remaining members of the existing structure, and with additional volunteers from the involvement database, the Council created a new platform for involvement. This is now known as the Customer Opinion Panel (COP) and began to take shape in early 2011, with Local Offers being developed on resident involvement and repairs.

There was also a greater focus and emphasis brought to the database of information that the Council had developed on its residents that wanted to be involved. It has been possible to refine the levels of activity and involvement that tenants and residents make and to reduce the commitment burden that had previously deterred some individual involvement, allowing them to become involved at a level that is appropriate for them.

Consultation to develop the Business Plan

It is intended to continue to develop the Business Plan through the structures that have been recently adopted and which are set out above. Rather than focusing on the plan as a whole, consultation will continue to be based on the areas that customers tell us, matter to them most. The findings of the consultation and the policy changes that are derived from that consultation will be fed into the plan and the financial framework that enables it to happen.

Section 4 Background

Housing Services

The housing service provides management and maintenance to 3,191 tenanted homes, as well as some 700 garages and sites.

There are 82.5 (full time equivalent) staff employed in the delivery of the service.

The Housing Services Unit contains 3 main service areas: Operational Services, Housing Options and Financial and Business Support Services. These together discharge the statutory and contractual housing duties of the Council.

Housing Operational Services

This service is primarily involves the delivery of General Funded activity and is divided in to five teams; Tenancy Management, Technical Services, Asset [and Contract] Management, Income Recovery and Older Persons Services.

The collection of rent remains one of the unit's primary activities, but in addition, Operational Services provides the key services to Council tenants and leaseholders outlined below:

- Dealing with rent enquiries, rent arrears and court action
- Dealing with neighbour disputes between Council tenants
- Environmental improvements on housing land
- General management of communal housing areas and estates
- Mobile caretaking services to various communal areas on housing estates (includes rubbish removal and general cleanliness)
- Cleaning services for communal areas in flats and sheltered schemes
- Management of sheltered schemes and Careline community support for the elderly, both activities being Supporting People funded
- Management of the Council's planned maintenance and improvements programme (including disabled aids and adaptations)
- Agreeing disabled adaptations to Council owned dwellings
- Turnaround of empty Council-owned dwellings
- The Resident Involvement Team is responsible for the comprehensive consultation processes the service undertakes with residents.

Financial and Business Support Service

- Financial management of HRA and (specific) General Fund activity
- Financial Benchmarking
- Right to Buy administration
- Management of services to leaseholders.

The Housing Options Service

Primarily involves the delivery of General Funded activity.

- Dealing with homeless applications
- Management of the joint housing register and Choice Based Letting Scheme (Gosport Choice)

- Housing advice aimed at helping people to find accommodation and/or to retain their existing accommodation
- Management of homeless persons hostel accommodation
- Management of the RAPS Scheme (Rented Accommodation in the Private Sector)
- Management of Bed and Breakfast/Hostel/Lodgings/Contractual Tenancies (Council general needs stock allocated on a temporary basis) and associated rent accounts
- Damage deposit/rent in advance scheme
- Supporting the Citizens Advice Bureau Fast Track Debt Service
- Fareport Fund-a-Home (assists non-priority homeless customers secure private rented accommodation)
- 'Supporting People' Services. The Homeless Support Officers provide support and resettlement services to our homeless customers.

Tenants can access the service by telephone, email and letter. The Council's website includes facilities for reporting repairs, paying rent and making complaints. Our housing service standards reflect the Tenant Service Authority's national standards on:

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community
- Value for Money.

Our Annual Report to tenants sets out what these standards mean to tenants and how well the service performs in delivering them.

Developing service delivery

The delivery of the service on a day to day basis has been heavily influenced by our residents. The work carried out last year on the development of the Local Offers is continuing to shape how we deliver services and communicate with residents.

In 2011, we published our commitment to residents in the shape of our Housing Annual Report. As well as using this to feedback to residents, the changes that we have made in response to their responses to us, we also set out our plans to improve the services we provide in the future, detailing commitments under Local Offers such as:

- Introducing new ways of consulting residents
- Developing a Tenant Information Network
- Introducing mystery shopping to check our customer care
- Including Resident Inspectors as part of the empty property process
- Publishing the results of surveys and performance of our contractors
- Introduce more formal Estate Walkabouts throughout the Borough and advertise them in At Your Service newsletter.

These and other continuing service improvements have been generated following consultation with residents. Each of these has been costed to ensure that the future Business Plan is able to deliver the plans that we have in place.

Gosport Choice; Choice based Lettings Scheme

Gosport Choice is a housing service provided by Gosport Borough Council on behalf of the Gosport Housing Partnership*. The scheme provides an easy way for applicants for rehousing to view and nominate themselves for a new home.

Available properties (and garages) are advertised each week and applicants can bid in any of the following ways:

- **On-line at:** www.gosport.gov.uk/gosportchoice
- **By calling the telephone bidding line**
- **In person at the Town Hall .**

The scheme dealt with approximately 21,100 'bids' or expressions of interest in properties during the financial year 2010/11. It successfully let 193 Gosport Borough properties in 2010/11 and 170 properties within local Housing Association stock (363 in total). The property type breakdown for those 363 let properties was as follows;

155	1 beds
95	2 beds
67	3 beds
7	4 beds
39	Sheltered

The total number of lets within Gosport Borough stock (193 properties) was to the following applicant categories;

Waiting List = 53%

Transfer List = 36%

Homeless = 11%.

* First Wessex , Guinness Hermitage, Home Group, A2 Dominion, Affinity Sutton, Radian, Hanover, Southern Housing, Raglan Housing, The Thorngate Almshouse Trust as well as Gosport Borough Council

Tenure policy

Currently all new tenants receive an introductory tenancy. The tenancy agreement sets out the rights and responsibilities of tenants and the Council. The Council provides support and assistance to tenants who need it to sustain their tenancy. The tenancy agreement includes ground for possession in the case of breach of tenancy. Eviction through a court order is used as a last resort in the case of continuous tenancy breach.

The Council is committed to developing a Tenancy Strategy, minded to the likely strategies that will be adopted by its RSL partners in the area. This will be completed by September 2012 and the impacts and outcomes included within next year's review of the Business Plan.

Rent policy

The Business Plan reflects the Council's current rent policy. This reflects national social rent policy to move Council rents to a target rent based on property value and local earnings. The aim of this policy is that rents charged by all social landlords (whether Council or Housing Association) converge. This Business Plan assumes convergence by 2015/16. Up until convergence, rents move gradually to target over 4 years, with maximum increases limited to inflation (RPI) + 0.5% + £2. After convergence, rents increase by inflation (RPI) + 0.5%. The financial viability of the Business Plan is dependent on annual rent increases being agreed in line with this policy. Any divergence from this policy will impact on Business Plan resources and on the deliverability of actions in this plan.

Affordable rents

The Localism Bill provides a further flexibility on rents. This would allow the Council to charge higher rents on new build properties and a proportion of relets, in order to fund new development. This would mean the Council could charge up to 80% of market rent on these properties. The proceeds would be used to fund new development and cannot be used to increase Business Plan resources generally.

Performance management

Effective performance management arrangements integrate planning, review, financial management and improvement strategies to enable managers to make informed decisions and improve services.

Housing Services believes that the integration of service and financial planning is the key to ensuring that performance management results in actual improvement. Effective performance management encourages housing managers to deploy resources to achieve priorities within a flexible budget environment.

Effective performance management is critical to the success of the service, by:

- Achieving the goals of the organisation and the community
- Prioritising what gets done and making sure there are enough resources to do it
- Ensuring that value for money is delivered
- Motivating and managing staff
- Providing satisfaction for users and communities.

The Housing Service has a systematic approach to performance management that includes:

- Setting objectives
- Using relevant performance indicators and other measures
- Regularly monitoring and appraising individuals and teams to identify achievements
- Identifying training and development needs using the knowledge gained to modify plans.

To achieve this, officers:

- Know and understand what is expected of them
- Have the skills and ability to deliver on these expectations
- Are supported by the organisation in developing the capacity to meet these expectations
- Are given feedback on performance
- Have the opportunity to discuss and contribute to individual and team aims and objectives.

Benchmarking and Value for Money

The primary purpose of our benchmarking is as an internal performance management and self-assessment tool for managers seeking to understand current levels of performance and costs in order to improve the quality and value for money for services delivered to tenants.

Benchmarking has other benefits. In particular, at a time of increased pressure on revenues, analysis enables service areas to be identified where costs can be reduced with minimum impact on service delivery standards.

Gosport Borough Council belongs to the Housing Quality Network (HQN) Benchmarking Club. The benchmarking analysis provided by HQN is structured around the Tenant Services Authority national standards and provides cost and performance data for 5 out of the 6 standards (it excludes Governance).

The data, which is collected to a standard methodology and has been independently validated, provides an assurance Gosport's decisions are being based on reliable and transparent information. The data provided within the annual benchmarking exercise compares Gosport to 51 local authorities in England.

Repairs service

Gosport has a highly successful track record in delivering its repairs service and capital programmes through a series of partnering contracts. From the window replacement trial in 1998, the programme was built up until by the end of 2006, 90% of capital and revenue repairs spend was through partnering arrangements. This provided tangible improvements to service delivery and over the longer term, genuine financial savings.

It naturally followed that the latest Housing Service contractor selection exercise (commenced in April 2010) should engender modern procurement principles, such as:

- Tenders evaluated on a 60% quality/40% cost ratio:
- Contract let for a maximum of 15 years (10+5) with 6 month determination for non-performance clauses
- 'Open book' model (providing access to contractor's costs with a breakdown of labour, material, overhead and profit while maintaining a fixed cost process)
- Costs managed through annualized target cost and incentives.

The well established and respected Kier Services Plc was successful in its bid for both the Housing Services contracts;

- Asset Management Services to all Housing Service owned housing and buildings with an approximate annual value of £5.60M
- Gas installations, servicing and breakdowns and electrical surveys and re-wires with an approximate annual value of £1.05M.

Kier Services successfully mobilised for the contract start date of 1 April 2011 and this new partnering arrangement continues to deliver:

- Improved Communication
- Co-ordinated asset management strategy
- Increased flexibility in specifications/working practices
- Better working environment
- Better customer relationships
- Effective day to day operating systems.

The Business Plan reflects the financial benefits that come from the open book approach, namely:

- Greater cost certainty
- A better understanding of the cost base
- Benchmarking of cost and productivity
- Establishing cost saving strategies and eliminating waste
- Improved cash flow for contractors and suppliers.

Income maximisation

The Income Recovery Section is responsible for a wider range of housing income/debt recovery processes. It includes:

- HRA dwellings and garages both current and former accounts,
- Community alarm charges
- Recharges to tenants and former tenants for void repair works and for minor repair which are tenants' liability
- General Fund charges for rent in advance/damage bond project
- Rent arrears on former temporary accommodation and charges for private sector licences.

In 2010/11 the service maintained a top quartile, top 10 position (compared to other districts) for a fifth year, with an income recovery collection rate of 99.57%. Average rent arrears debt per tenant as at end of that year, was just £55.83 and total current rent debt (secure tenancies) stood at £172,119, the lowest reported figure since 2006/07. Void loss as a % of rent debit of stood at 1.30% for the same period.

The introduction of a swipe card payment system from October 2010 was just one of a number of initiatives developed and delivered by the team as it prepared for the potential impact of welfare reform.

However, the impact of single universal credit is considered a high risk to income recovery performance; in particular direct payments. The Government is clear that only vulnerable people will get direct payments. At present within 55% of Gosport tenants on benefits, it is anticipated that a maximum of 30% of these will get payments direct. This could have a major impact on income collection rates and therefore the Business Plan. The target collection rate has been reduced to 99% (from 99.5%) for 2012/13.

This will impact on our ability to continue to reach previous high levels of collection. In line with our risk management approach, we have increased the allowance for bad debt provision to 1% of the gross rental income.

The Income Recovery Team is committed in 2012/13 to researching and estimating likely impact on income recovery rates, debt levels and implications for staffing levels. A review is also underway of processes – with more emphasis on targeting action at high risk groups.

Section 5 Assets

Introduction

Our housing stock is a valuable asset. As a major provider of social housing we make a significant contribution to meeting the need for affordable housing in the Borough. Generally our stock has been well maintained, with an investment strategy targeted at bringing all homes up to the Decent Homes Standard. Tenant feedback indicates a high level of satisfaction with the quality of homes. Demand for homes is high across the stock.

Traditionally, we have been very effective at ensuring that available investment was targeted at achieving the Decent Homes Standards and programme delivery has consistently been achieved. However, the requirements for Local Authority Asset Management Strategies have been strengthened under the self-financing proposals. Long term planning is essential to manage the risks of a self-financed Business Plan and to take maximum advantage of the opportunities for effective asset management that now exist.

The new regime will require a different mindset, with the emphasis on future planning and enhanced expectations.

Asset management

We have adopted the National Housing Federation definition of asset management (which focuses on Registered Providers (Housing Associations and other affordable housing providers) but has become more relevant to local authorities under self-financing):

The principal assets of a Social Landlord are the homes it owns and manages. Asset Management in this context will therefore consist of a range of activities undertaken so that our housing stock meets needs and standards now and in the future, including the development, retention, investment in and sale of homes. (Strategies for Asset Management, NHF).

Our aim is to ensure that the homes which the Council provides in the future are of a standard that our customers want to live in and which we are proud of.

Stock condition information

The information which the Council currently holds on its stock has been sufficient to enable it to manage its investment programmes on an annual basis. The updating of the stock information since the last comprehensive Stock Condition Survey in 2002 has been carried out, but the lack of suitable asset management software has prevented the comprehensive position being adopted that will be necessary for future planning.

This does not cause any problems for the delivery of the 2012/13 programme where the investment is, to a large extent, already determined by previous plans and commitments. However, by September 2012, we will have undertaken a comprehensive review of the asset management information available, as preparation for future years. This will include:

- Implementing of the new software system (IBS/Capita Asset Management Module)
- Reviewing the information currently held to identify any gaps

- Carrying out surveys/studies as necessary to ensure that these gaps are removed
- Reviewing all forecasting information for future investment including unit costs and life cycles
- Assessing future investment need of different assets.

Additional investment needs

The ability to plan into the future has meant that we are able to take a more pro-active view about potential future costs. Traditionally the Council has had to be reactive to Government subsidy allocations of funding.

Although we do not have a detailed asbestos survey at present, we have been carrying out asbestos management works in conjunction with other works taking place. We will develop an Asbestos Management Policy over the next year and have taken advice on what a suitable provision would be for this work. We have included £1,000 per unit over three years starting 2012/13 to fund the policy once adopted.

Similarly, there is a greater emphasis on achieving a proactive risk management approach to Health and Safety considerations. Here we have adopted £100 per unit per annum until a full health and safety risk audit can be completed to inform a more accurate consideration.

Future standards

There is also evidence of a desire for an investment standard that delivers more than basic decent home, with a focus on energy efficiency and sustainability, as well as environmental improvements. This will involve determining a future standard that we will achieve which will ensure that we do not have properties in the future that are hard to let or where no one wants to live. This will include a consultation process with residents.

Linking Asset Management and Business Planning

Once the review is completed, then the information will be used for several purposes:

- Informing the requirements of the Business Plan
- Annual programming
- Long term investment decision making
- Identification of non-performing assets for option appraisal
- Identification of assets under the Council's Disposal Policy (once adopted).

Section 6 Resources

This Business Plan is prepared in the context of major changes in housing finance with the introduction of self-financing from April 2012.

Existing housing subsidy system

The current housing subsidy system has been in operation for many years and is generally accepted to be both unfair and overly complicated. The Government has announced that it will completely change the way Council housing is funded.

Under the housing subsidy system the Government makes an assumption on how much each Council needs to spend on its housing services over the next year. It then calculates the amount that it thinks each Council will receive from rents assuming that the 'guideline rent increase' has been applied. If the result is a surplus, as is the case for Gosport, then the Government requires payment from the Council. Conversely if the result is a deficit the Government makes a payment to the Council. For 2011/12 the Council will pay approximately £3.5m to the Government, funded from tenant rents.

Housing finance reform

The Government has stated that, from April 2012, it will introduce a new funding system called 'self-financing'. Under this new system, the Government has assessed how much financial support each Council needs to run its housing service over the next 30 years; this is the difference between the assumed cost of running the housing service and the expected income from rents.

The Government has also taken into account how much housing debt each Council has accrued in the past. The debts are due to funding for major repairs and improvements or to fund new Council house building.

For Gosport, the Government has assessed that there will be a surplus of income from tenants rents over the next 30 years, after taking into account the assumed running costs of the housing service. In addition the Council does have a small amount of current housing debt. Therefore the Government has assessed that this Council must make a payment of around £57.3M in April 2012.

In order to control public sector borrowing, current Government policy is that HRA borrowing for Gosport will be limited at the opening debt settlement of £57.3M over the life of the 30 year Business Plan. This position may be reviewed in future spending review rounds.

The valuation assumes a level of Right to Buy sales of 4 per year in the early years, with numbers reducing in later years. The valuation reflects income lost from these sales. However the Council will continue to have to pay 75% of the proceeds from each Right to Buy sale to Government. The Business Plan assumes the retained 25% is used by the Council to assist in the delivery of its wider capital programme.

The assumptions used to estimate future cost allowances are higher than the assumptions used in the subsidy system, representing uplift in allowances of 17%. This means that the Council should be better off under self-financing than under the current subsidy system.

Baseline financial position for Gosport

In order to consider the impact of these proposals on the Council it is necessary to replace the indicative Business Plan based on DCLG's valuation assumptions, with actual costs and income estimated for Gosport over the next 30 years, in a new Business Plan financial model that can be used to project future income and expenditure, debt financing and stock changes over time.

Actual costs and income are based on the Council's 2011/12 budgets making the following assumptions:

- It is balanced to the 2011/12 HRA budget and the 2011/12 to 2014/15 Capital Programme
- Rents converge with formula and limit rents in 2015/16 (with no individual property by property adjustment for caps and limits) and increasing at inflation + 0.5% thereafter
- Average rents for 2011/12 are currently £66.90, compared to guideline rent of £74.69 and formula rent of £74.43. By 2015/16 all will need to be at £87.07 to achieve convergence
- General inflation (RPI) has been set at 2.5%
- Right To Buy properties of 4 per annum to start then decreasing by 1 every 5 years.
- Long term interest rates averaging around 4% from Public Works Loan Board, based on a mixed portfolio
- Retention of a minimum balance of £1M
- Non-dwelling income (predominantly garages) increase by inflation only from April 2013
- The void rate is set at 1.5%, increasing to 2%
- The bad debt rate increases from the current position of 0.4% to 1.0% to account for the potential impact of Welfare Benefit reform. This will be reviewed at the end of this year following the work being carried out by the Income Recovery Team
- Day to day maintenance costs increase in line with inflation and do not vary with small stock losses from Right to Buy.
- Management costs increase by inflation. Any further unforeseeable cost increases such as increases to employer pension contributions, pay awards and supplies and services increasing above general inflation plus 0.5% would have to be met by efficiency savings
- Supporting People grant reduces by a real 30% a year from 2013 and is withdrawn completely after 3 years. No reduction in related expenditure is made in the plan
- Major repair costs increase by inflation only and are based on the Council's internally generated figure. Costs are assumed to vary with stock loss over time
- Professional fees for major repair works are included within capital costs or management costs – no additional allowance is included
- Tenant's service charge income and costs increase in line with inflation but staggered to reflect review dates.

Current Council HRA debt, as measured by the Housing Capital Finance Requirement (HCFR) is £5.9M. The actual debt is higher than the amount assumed in the subsidy

calculation where the Subsidy Capital Financing Requirement is zero. When additional debt of £57.3M is added to the existing debt, this gives the Council an opening self-financing debt of £63.3M in line with the debt cap.

The Business Plan model assumes that debt is repaid in line with the Council's Treasury Management Strategy. The model ensures that the capital programme is fully funded by available revenue surpluses from the HRA, while maintaining a minimum balance. If additional borrowing is required, the model allows for this, up to the designated debt cap. Any capital shortfalls are carried over to the following year and inflated. If capital expenditure can be fully funded, any remaining balances above the £1M minimum HRA balance is used to repay debt to a base level of £20M.

In reality, the Council will be able to review the plan regularly and make decisions about the use of surpluses, balancing repayment of debt and additional investment. This gives the Council a much greater level of flexibility in its long term planning than has been possible under the existing subsidy system.

The graph below represents the projected in-year cash flows for the HRA and closing balances under self-financing in £'000s;

Sensitivities

In preparation awaiting final confirmation from CLG

Graphs

In preparation awaiting final confirmation from CLG

Section 7 Equality and Diversity

Gosport Borough Council is committed to the equal treatment of everyone and eradication of discrimination. The Council has general duties to promote race, disability and gender equality. In summary the Council has:

- A general duty to eliminate discrimination and harassment on the grounds of race, disability and gender
- Eliminate unlawful discrimination based on a physical, sensory or mental impairment
- Promote equality of opportunity
- Promote good relations between people from different groups
- Take steps to account for disabilities even where that involves treating disabled persons more favourably.

Since 2009, the Housing Service has been part of the Council's Equality Monitoring Framework to ensure statutory requirements are met for service monitoring against equality target groups and setting equality objectives.

Equality Impact Assessments are a statutory mechanism for all public bodies to track progress in achieving those objectives. The Housing Service completes these for all planned and existing policies, strategies, services and functions in order to identify any potential disadvantages to certain groups. These are completed at least every 3 years.

The Equality Impact Assessment (EIA) is therefore an effective tool to ensure that Council policies, strategies and functions are carried out fairly and benefit all members of the community [and employees'] equally. Most of the work the Housing Service does involves people, whether they are members of the public who live, work or visit Gosport or staff. The EIA process helps us to understand how our policies, strategies, functions and procurement affects different groups and highlights any possible inequalities. An EIA is therefore the tool to ensure services and practices are fair and inclusive.

The five stages to this process are:

- Assessment: Assess carefully who will be affected by our policy and whether it will have an affect on different communities
- Consultation: Review past consultation or plan future consultation
- Monitoring: Detail monitoring arrangements
- Communication: Communicate progress with staff and stakeholders
- Training: Identify any further training.

In recognition of the diversity of its customers, the Housing Services Unit provides information in a range of formats and provides free access for customers to a translation service. For those customers with caring responsibilities or with personal mobility problems, the Housing Service will undertake home visits to take the service to the customer.

Existing methods of assessment and monitoring are:

- Annual Status/Star Survey [formerly NI 160] age, gender, ethnic origin and disability information

- Customer surveys collecting age, gender, ethnic origin and disability information;
- Individual resident/user satisfaction surveys collecting age, gender and ethnic origin and disability information
- Benchmarking with other housing providers
- Partner agency feedback
- Programme of EIA's for key policies
- Formal customer inspection reviews and feedback.
- Housing Services (revised) Consultation Framework
- Supporting People Outcomes Framework monitoring (sheltered housing)
- Individual complaints under the Complaints procedure and review of the same.

Section 8 Summary Progress Pre Self Financing

Significant progress has been made over the last 12 months with the aims and priorities contained in the Housing Strategy and Improvement plans with many new initiatives being developed and targets achieved, in preparation for the self-financing regime, not least:

- **Partnering** –selecting a partnering contractor to carry out response, planned & cyclical repairs to Council homes has been completed.
- **Decent Homes** – the Decent Homes target was met in 2010.
- **Rented Accommodation in the Private Sector (RAPS) scheme** – there are now over 200 houses and flats in the Council's RAPS scheme. These properties are invaluable in providing good quality temporary accommodation for homeless households while minimising financial liabilities
- **Extra Care Housing** - we worked with Social Services, the Primary Care Trust, Health and one of our specialist Registered Providers to put together a bid for Extra Care Funding for a scheme in Gosport. That extra care scheme was delivered in 2010.
- **Stock Options Appraisal** - we completed the Stock Option Appraisal process in 2004 and received confirmation from Government that we could retain the Council housing stock
- **Rent Collection** - performance on rent collection remains high and in 2010/11 we have achieved the lowest [current] debt since 2006/07
- **Agnew Family Centre** – we are due to complete the conversion of a (surplus to requirements) sheltered scheme to a high specification family centre to assist in the delivery of our homeless objectives.
- **Rent Convergence** – we have made good progress and are on target with rent restructuring by 2015/16.
- **Localism Act** - We are on target to develop our responses to the housing elements of the localism agenda including the requirement for a Tenancy Strategy.

Board:	POLICY AND ORGANISATION BOARD
Date of meeting:	31 JANUARY 2012
Title:	BOARD BUDGET 2012/13
Author:	FINANCIAL SERVICES MANAGER
Status:	FOR RECOMMENDATION

Purpose

The purpose of this report is to consider the Board's revised 2011/12 and estimated 2012/13 budgets including the capital programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals

Recommendation

- 1) The Board is requested to recommend to P&O Board its requirements for
 - the revenue budget (revised 2011/12 and estimate 2012/13)
 - the capital programme 2011/12 to 2016/17
- 2) The Board is requested to consider and approve the proposed revisions to the Discretionary Rate Relief Policy detailed in Appendix A.

1.0 BACKGROUND

- 1.1 The Board is required to consider and recommend to P&O Board its requirements for the 2011/12 and 2012/13 financial years.
- 1.2 P&O Board will consider its own and other Board requirements on 31 January, and make recommendations to Council regarding the overall Council budget.
- 1.3 Members have been circulated with a draft of the Budget Book and Fees and Charges for 2012/13. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy (P&O Board 28 September 2011).
- 1.4 This Boards budgets are contained on the following pages:
 - Revenue budgets pages 21 to 32

- Capital Programme page 47
- Revenue variances pages 53 & 54

1.5 The compilation and presentation of the Revised 2011/12 and Estimated 2012/13 budgets have been complicated by factors including:

- Staffing reductions including one off severance payments producing future savings
- Constitutional changes
- Organisational restructuring
- An element of the employers pension costs is no longer reflected as an addition to payroll costs but is invoiced separately by Hampshire County Council and borne as a corporate budget. This accounting change applies to all local authorities.
- The major contract retendering exercise reflected in a different packaging and management of contracted services
- The need to generally seek cost reductions to meet reduced external funding levels

However, considerable budgetary savings have been achieved in a year of fundamental change for both management and services

1.6 The reported budgets include Board decisions taken up to the end of November.

1.7 Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as officers manage budgets and provide for service delivery under delegated authority and including virements in line with financial regulations. The variance analysis in the budget book includes the major variations only and focuses on the bottom line rather than the detail.

Capital Finance (depreciation) has been ignored within the analysis as this is offset by an opposite and equal figure within the P&O Board budget so that it does not impact on the level of council tax. This accounting treatment is obligatory and is carried out by all local authorities.

1.8 A subjective analysis (an analysis by type of expenditure as opposed to by service heading) is in the table below.

POLICY & ORGANISATION	ORIGINAL	REVISED	BUDGET
	2011/12	2011/12	2012/13
	£	£	£
1 - EMPLOYEES	26,440	858,880	544,370
2 - PREMISES	2,330	3,140	2,100
3 - TRANSPORT	10,320	9,710	9,760
4 - SUPPLIES & SERVICES	970,480	1,038,380	1,055,560
5 - THIRD PARTY PAYMENTS	161,770	170,370	170,600
6 - MISCELLANEOUS	30,889,490	32,352,660	33,055,980
7 - SUPPORT SERVICES	4,477,350	4,238,100	3,950,820
8 - CAPITAL/FINANCING	(863,140)	(1,165,800)	(1,140,860)
	35,675,040	37,505,440	37,648,330
9 - INCOME	(31,778,070)	(33,568,020)	(34,412,520)
	3,896,970	3,937,420	3,235,810

2.0 REVISED BUDGET 2011/12

2.1 The revised budget for 2011/12 for this Board is **£3,937,420**, an increase of **£40,450** on the original budget for 2011/12 of **£3,896,970**

2.2 Excluding the decrease in Capital Finance charges (**-£302,660**), and the movement in Admin Recharges (**-£239,250**) – both as mentioned above - the net cost of the Board's services has increased in the revised budget by **£582,360**. The main areas of variation are:

- Employees

The employees heading includes the general 'savings and efficiencies including vacancies' budget. As the actual staffing savings are firmed up through restructuring, retirements etc and included in the administration budgets so the revised general budget has reduced accordingly from a saving £240,400 to a cost of £90,000 for remaining severance payments. (+£330,400)

It is now a requirement that the historic cost of the pension fund is shown as a separate cost outside of the payroll costs. The budget for this for the general fund is £378,480. Administration recharges which are reallocated across all services have reduced accordingly and so there is no additional net cost to the Council. (+£378,480)

- Local Taxation

Lower than anticipated court costs (+£30,000) and an increase in the costs of NNDR Relief (+£30,540) – this is explained further at 6.0 and Appendix A.

- Development Services

Planning Appeal costs, advertising and a reduction in Planning Fees (+£71,250)

- Explosion

The agreed annual payment to the Portsmouth Naval Base Property Trust finishes with a final payment of £25,000 due in 2011/12. (-£25,000)

- Financing Costs

External Interest Payable and Receivable including the statutory Item 8 adjustment with the Housing Revenue Account have reduced by (-£165,900)

- Minimum Revenue Provision (MRP)

MRP is the statutory charge that must be made to the revenue account. The revised budget includes for the effects of funding the capital programme and also for principal repayments in connection with finance leases (£+45,770)

3.0 BUDGET 2012/13

3.1 The budget for 2012/13 for this Board is **£3,235,810**, a decrease of **£661,160** on the original budget for 2011/12 of **£3,896,970**; and a decrease of **£701,610** on the revised budget for 2011/12 of **£3,937,420**.

3.2 Excluding Capital Finance charges and the movement in Admin Recharges (**-£262,340**) - the net cost of the Board's services has decreased by **£439,270** from the revised budget to the estimated budget.

- Employees

Projected 'savings and efficiencies including vacancies' of (-£145,000) in 2012/13 – a movement of (-£235,000) from the revised budget of £90,000

- Local Taxation

Court costs are anticipated to increase (-£30,000) and NNDR Relief to reduce (-£15,540).

- Development Services

The reduction in appeal costs, advertising and a projected increase in fee income (-£45,540)

- Licensing

A reduction in employees arising from the staffing report to P&O Board in December 2011. (-£24,020)

- Elections

The cost of local elections in 2012/13 (+£53,800)

- Explosion

The agreed annual payment to the Portsmouth Naval Base Property Trust finishes in 2011/12. (-£25,000 in 2012/13)

- Grant Income

The first year of the new homes bonus grant (-£227,050)

- Financing Costs

External Interest Payable and Receivable including the statutory Item 8 adjustment with the Housing Revenue Account is estimated to increase by (+£73,210)

- Minimum Revenue Provision (MRP)

The statutory charge that must be made to the revenue account (+£66,240)

4.0 FEES AND CHARGES 2012/13

- 4.1 The Boards fees and charges are submitted for approval.

5.0 CAPITAL PROGRAMME 2011/12 TO 2016/17

- 5.1 The draft Capital Programme is included on page 47 of the Budget Book.

- 5.2 Where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs. This is projected to increase over the next two years and then to progressively reduce.

- 5.3 The figures in the columns headed 'Local Resources' at the right hand side of the capital programme pages show those schemes that do not benefit from external funding and therefore either draw on any general capital receipts or require external borrowing.

- 5.4 The full capital programme including the overall funding and the end impact on the revenue budget will be considered by P&O Board on 31 January as part of the overall Council budget.

6.0 DISCRETIONARY RATE RELIEF

6.1 The Council's current and proposed Discretionary Rate Relief Policies are detailed at Appendix A along with a schedule of the payments in 2011/12.

7.0 RISK ASSESSMENT

7.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities
- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market & economic factors including interest rates

7.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

7.3 Budget risks are considered further in the Council Budget report to P&O Board due to their potential impact on the Council budget and reserve levels.

8.0 CONCLUSION

8.1 This report summarises the Policy and Organisation Board revenue and capital budgets for 2011/12 and 2012/13 and seeks a recommendation of the Board's requirements to P&O Board.

Financial implications:	As contained in the report.
Legal implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan	
Risk Assessment	As contained in section 6 of the report
Background papers:	Budget working papers
Appendices:	Appendix A- Discretionary Rate Relief
Report Author:	John Norman

1.0 BACKGROUND

Clause 69 of The Localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief). Central Government will, however, continue to part fund discretionary reliefs in the same circumstances and to the same degree as in previous years. Local authorities will be responsible for fully funding any other discounts granted.

- 1.1 Currently Section 47 of the Local Government Finance Act 1988 permits the billing authority to grant discretionary rate relief to charities and other organisations. Relief may be awarded in respect of both occupied and unoccupied hereditaments. Discretionary Relief can be awarded to those organisations who do not qualify for the 80% Mandatory Relief or as a further 'top up' above that sum for those organisations who do qualify. Mandatory Relief is payable where organisations are formally registered charities and from April 2004 also those Community Amateur Sports Clubs (CASC) registered with the Inland Revenue.

Occupied Hereditaments

The conditions to be satisfied before the authority can consider an application for discretionary relief are:

- a) the ratepayer is a charity or trustees for a charity, and the hereditament is wholly or mainly used for charitable purposes; or
- b) the hereditament is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- c) the hereditament is wholly or mainly used for the purposes of recreation, and all or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

(Discretionary rate relief cannot be given where a hereditament is all or part occupied by a billing authority or by a precepting authority other than charter trustees)

- 1.2 The decision to grant relief is made by The Head of Local Taxation in accordance with the Policy.
- 1.3 Gosport Borough residents currently bear part of the costs when discretionary rate relief is awarded:

- a) where discretionary relief only is given then 25% of the cost of that relief is funded by the Council Tax
 - b) where discretionary relief (extra) is given in addition to Mandatory relief then 75% of the cost of the extra relief is funded by the Council Tax.
- 1.4 The changes will allow any ratepayer to apply and where the ratepayer is not a registered charity or not for profit organisation as detailed above in section 1.1 then Gosport Borough Council will have to fund any relief granted in full.
- 1.5 The current policy only allows the Council to give Discretionary relief of 50% or 100% or the 20% top-up discretionary relief for those receiving mandatory relief. Please see appendix A for details of relief's given for 2011/12

2.0 CURRENT POLICY GUIDELINES

1. Conditions for Granting Additional 20% Relief

- i) The premises are not occupied for administrative purposes only.
- ii) The property involved is not a shop
- iii) The organisation involved does not operate a bar on the premises
- iv) There is reasonable access by all sections of the community to membership (if applicable)
- v) The property is not a voluntary –aided school
- vi) Meets local needs in the borough and benefits local people

2. Applications for Discretionary Relief Only

a) Conditions for Granting 100% Relief

- i) The premises are not occupied for administrative purposes only.
- ii) The property involved is not a shop
- iii) The organisation involved does not operate a bar on the premises
- iv) Membership is open to all relevant sections of the community
- v) Membership cannot be excluded by the votes of existing members
- vi) Meets Local needs in the borough and benefits local people

b) Conditions for Granting 50% Relief

As in 2 (a) above, except for (iii)

3.0 PROPOSED REVISED POLICY

1. Conditions for Granting Additional 20% Relief for charitable organisations

- i) The premises are not occupied for administrative purposes only.
- ii) The property involved is not a shop
- iii) The organisation involved does not operate a bar on the premises
- iv) There is reasonable access by all sections of the community to membership (if applicable)
- v) The property is not a voluntary –aided school
- vi) Meets local needs in the borough and benefits local people

2. Conditions for granting up to 100% Relief for Discretionary Relief Only for organisations not established or conducted for profit

a) Conditions for Granting up to 100% Relief

- i) The premises are not occupied for administrative purposes only.
- ii) The property involved is not a shop
- iii) The organisation involved does not operate a bar on the premises (the operation of a bar will limit the maximum relief to 50%)
- iv) Membership is open to all relevant sections of the community
- v) Membership cannot be excluded by the votes of existing members
- vi) Meets Local needs in the borough and benefits local people

3. Applications for hardship and other discretionary rate relief

- i) Meets Local needs in the borough and provide significant benefit local people.
- ii) Its activities are supporting or complimentary to the strategic objectives of the council.
- iii) Must be considered to be in the interest of the local council tax payers to grant the relief

Applications under part 3 will require a separate application to be completed and will be considered by The Policy and Organisation Board of Gosport Borough Council which is a public meeting and therefore information provided in your application may be placed in the public domain.

The following information will be required in support of applications for relief under part 3 :-

1. Completed Application Form
2. Past two years audited accounts or, in the case of a new business, an estimate of annual income and expenditure.
3. A comprehensive Business Plan incorporating a brief history of the business.
4. Cash flow forecast for a minimum of the next twelve months.
5. Any other information that may be required in individual cases.

Where other reliefs may be available such as Small Business Rate Relief, the council reserves the right to require the ratepayer to make application for the other relief(s) first.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The reliefs granted in the current year for mandatory charity relief which represents 80% of the Rates due and are wholly funded from the NNDR national pool at no cost to this Council. A further £78,598 is granted as a discretionary top up of the remaining 20% payable by such organisations and 75% (£58,948) of this cost is borne by this Council.
- 4.2 Discretionary relief of 50% or 100% of the rates due (according to the current criteria) of £125,428 has been granted in the current year with 75% (£78,987) being borne by the pool and 25% (£26,329) by this Council.
- 4.3 For Hardship relief 25% of the amount granted is borne by the council and for any other discretionary relief granted under Part 3 the council tax payers fund in full.

5.0 CONCLUSIONS

- 5.1 Each organisation's eligibility for relief is assessed each year following receipt of the required information. It is also recommended that the policy itself is regularly reviewed (at least every five years).

Rate Relief awarded 2011/12

Mandatory Relief (****CASC)

Name	Rates for 2011/12	Relief	Cost to GBC
HEDCA	£ 7,252.75	£ 5,802.20	£ 0.00
Community Centre Wych Lane	£ 3,853.70	£ 3,082.96	£ 0.00
Gosport Community Assoc	£ 21,196.62	£ 16,957.30	£ 0.00
Lee Community Assoc	£ 6,603.25	£ 5,282.60	£ 0.00
Royal Naval Assoc	£ 4,654.75	£ 3,723.80	£ 0.00
Civil Service Sports Council	£ 5,520.75	£ 4,416.60	£ 0.00
Royal British Legion	£ 2,771.20	£ 2,216.96	£ 0.00
The RAF Assoc	£ 2,381.50	£ 1,905.20	£ 0.00
Falklands Veterans Foundation	£ 699.03	£ 559.22	£ 0.00
Hanover Housing Assoc	£ 1,277.35	£ 1,021.88	£ 0.00
Agaememnon Housing Assoc	£ 692.80	£ 554.24	£ 0.00
Kelsey Housing Assoc	£ 1,472.20	£ 1,177.76	£ 0.00
Wheatsheaf Trust	£ 1,667.65	£ 1,334.12	£ 0.00
Vitalise	£ 7,045.90	£ 5,636.72	£ 0.00
Two Saints	£ 1,125.80	£ 810.46	£ 0.00
The Maritime Workshop	£ 1,818.60	£ 1,454.88	£ 0.00
Thorngate Almshouse	£ 1,652.72	£ 1,322.18	£ 0.00
Ground Work Solent	£ 6,495.00	£ 4,680.00	£ 0.00
Sail Training International Events	£ 2,944.40	£ 2,355.52	£ 0.00
Ocean Youth Trust	£ 2,143.35	£ 1,714.68	£ 0.00
ASTO North Meadow	£ 1,125.80	£ 900.64	£ 0.00
Home Group Ltd	£ 963.43	£ 770.74	£ 0.00
GVA Pavillion Way	£ 16,389.05	£ 13,088.31	£ 0.00
Gateway Community Services	£ 8,768.25	£ 7,014.60	£ 0.00
Gosport Opportunity Group	£ 1,688.70	£ 1,350.96	£ 0.00
Gosport Cornerstone Trust	£ 3,983.60	£ 3,186.88	£ 0.00
The Shaw Trust	£ 333.62	£ 266.90	£ 0.00
The You Trust	£ 3,106.78	£ 2,485.42	£ 0.00
St Vincent College	£ 138,322.90	£ 110,658.32	£ 0.00
St Johns CE School	£ 18,835.50	£ 15,068.40	£ 0.00
St Mary's RC School	£ 15,155.00	£ 12,124.00	£ 0.00
School Playing Field Hse Farm	£ 3,810.40	£ 3,048.32	£ 0.00
Alverstoke CE School	£ 12,665.25	£ 10,132.20	£ 0.00
Bay House School	£ 182,942.50	£ 146,354.00	£ 0.00
Fareham College	£ 38,671.93	£ 30,937.54	£ 0.00
Barnados	£ 6,740.84	£ 5,392.65	£ 0.00
St Johns Ambulance	£ 736.10	£ 588.88	£ 0.00
Jacobs Well	£ 5,087.75	£ 4,070.20	£ 0.00
Sue Ryder	£ 9,306.90	£ 7,445.52	£ 0.00
Salvation Army	£ 11,691.00	£ 9,352.80	£ 0.00
YMCA	£ 11,697.51	£ 9,358.01	£ 0.00
OXFAM	£ 2,381.50	£ 1,891.62	£ 0.00
Rowans Hospice	£ 3,944.37	£ 3,155.50	£ 0.00
The Rose Road Assoc	£ 4,243.40	£ 3,394.72	£ 0.00
Scope	£ 4,546.50	£ 3,637.20	£ 0.00
British Heart Foundation	£ 8,551.75	£ 6,841.40	£ 0.00

PDSA £ 10,067.25 £ 8,053.80 £ 0.00

Mandatory Relief (****CASC)

Name	Rates for 2011/12	Relief	Cost to GBC
Help the Aged	£ 5,196.00	£ 4,156.80	£ 0.00
Solent Diabetes Assoc	£ 4,408.08	£ 3,526.46	£ 0.00
Cancer Research	£ 8,768.25	£ 7,014.60	£ 0.00
The Book Trade Charity	£ 1,082.50	£ 866.00	£ 0.00
Rugby Club****	£ 7,577.50	£ 6,062.00	£ 0.00
Cricket Club****	£ 2,208.30	£ 1,766.64	£ 0.00
Lee Sailing Club****	£ 5,520.75	£ 4,416.60	£ 0.00
Lee Sailing Club****	£ 2,208.30	£ 1,766.64	£ 0.00
Cadet Exec Hants & IOW	£ 1,558.80	£ 1,247.04	£ 0.00
Gosport District Scout Council	£ 746.93	£ 597.54	£ 0.00
5 th Gosport Scout Group	£ 175.37	£ 140.30	£ 0.00
TOTAL	£ 648532.68	£518,826.14	£ 0.00

Mandatory Relief (****CASC) and Discretionary 20% Top-up

Name	Rates for 2011/12	Relief	Cost to GBC
Gosport Gang Show	£ 4,481.55	£ 4,481.55	£ 672.23
6 th Gosport Scout Group	£ 1,450.55	£ 1,450.55	£ 217.58
7 th Gosport Scout Group	£ 1,450.55	£ 1,450.55	£ 217.58
1 st St Thomas Scout Group	£ 1,190.75	£ 1,190.75	£ 178.61
Hardway Guide Assoc	£ 164.54	£ 164.54	£ 24.68
Rowner North District	£ 920.13	£ 920.13	£ 138.02
Gosport 9 th Scout	£ 2,035.10	£ 2035.10	£ 305.26
Girl Guides Broderick Hall	£ 272.79	£ 272.79	£ 40.92
Alverstoke Scouts	£ 2,771.20	£ 2,771.20	£ 415.68
1 st Lee Scout	£ 1,082.50	£ 1,082.50	£ 162.37
Forton Girl Guides	£ 411.35	£ 411.35	£ 61.70
3 rd Gosport sea Scouts	£ 1,190.75	£ 1,190.75	£ 178.61
5 th Gosport Sea Scouts	£ 1,667.05	£ 1,667.05	£ 250.06
12 th Gosport Scout	£ 1,732.00	£ 1,732.00	£ 259.80
Sea Cadets	£ 2,598.00	£ 2,598.00	£ 389.70
GAFIRS	£ 5,520.75	£ 5,520.75	£ 828.11
National Coast Watch	£ 264.13	£ 264.13	£ 39.62
St Johns Ambulance	£ 18,727.25	£18,727.25	£ 2,809.09
CAB	£ 3,767.10	£ 3,767.10	£ 565.06
GVA	£ 2,693.65	£ 2,693.65	£ 404.05
Surestart	£ 15,028.08	£15,028.08	£ 2,254.21
Autistic Society	£ 14,776.13	£14,776.13	£ 2,216.42
Club Hampshire	£ 1,580.45	£ 1,580.45	£ 237.07
GADSAD	£ 2,641.30	£ 2,641.30	£ 396.19
Action for Children	£ 2,035.10	£ 2,035.10	£ 305.27
The Provincial Society	£ 2,511.40	£ 2,511.40	£ 376.71

Mandatory Relief (****CASC) and Discretionary 20% Top-up

Name	Rates for 2011/12	Relief	Cost to GBC
Harbour Cancer Support	£ 2,814.50	£ 2,814.50	£ 422.17
The Bivol Trust	£ 746.93	£ 746.93	£ 112.04
English Heritage	£ 1,299.00	£ 1,299.00	£ 194.85
Explosion	£ 53,692.00	£53,692.00	£ 8,053.80
Brune Park School	£ 129,900.00	£129,900.00	£ 19,485.00
Royal Naval Submarine Museum	£ 67,115.00	£ 67,115.00	£ 10,067.25
Jacobs Well	£ 12,340.50	£ 12,340.50	£ 1,851.07
The Historical Diving Society	£ 1,243.05	£ 1,243.05	£ 185.11
Hovercraft Museum Trust	£ 23,230.45	£ 23,230.45	£ 3,484.57
RNSA Haslar Marina	£ 7,252.75	£ 7,252.75	£ 1,087.91
ASBAH	£ 394.03	£ 394.03	£ 59.10
TOTAL	£ 392,992.36	£392,992.36	£ 58,947.47

Discretionary Rate Relief Only

Name	Rates for 2011/12	Relief	Cost to GBC
Peel Common Residents Assoc	£ 324.80	£ 324.80	£ 81.20
Civil Service Sailing Assoc	£ 13,942.60	£13,942.60	£ 3,485.65
Gosport Cruising Club	£ 5,648.58	£ 5,648.58	£ 1,412.14
Gosport Model Yacht & Boat	£ 1,082.50	£ 1,082.50	£ 270.62
Stokes Bay Sailing Club	£ 5,087.75	£ 2,543.87	£ 635.97
Hardway Sailing Club	£ 6,386.75	£ 3,193.37	£ 798.34
Forton Bowling Club	£ 855.18	£ 855.18	£ 213.79
Gosport Bowling Club	£ 3,334.10	£ 3,334.10	£ 833.52
Gosport & Stokes Bay GC	£ 9,742.50	£ 4,871.25	£ 1,217.81
Lee Tennis & Squash	£ 10,282.75	£ 5,828.81	£ 1,457.20
Alverstoke Tennis & Squash	£ 10,716.75	£ 5,666.57	£ 1,416.64
Pegasus Leisure	£ 56,075.53	£56,075.53	£14,018.88
Cherubs Pre School	£ 1,948.50	£ 1,948.50	£ 487.12
TOTAL	£125,428.29	£105,315.66	£26328.88

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

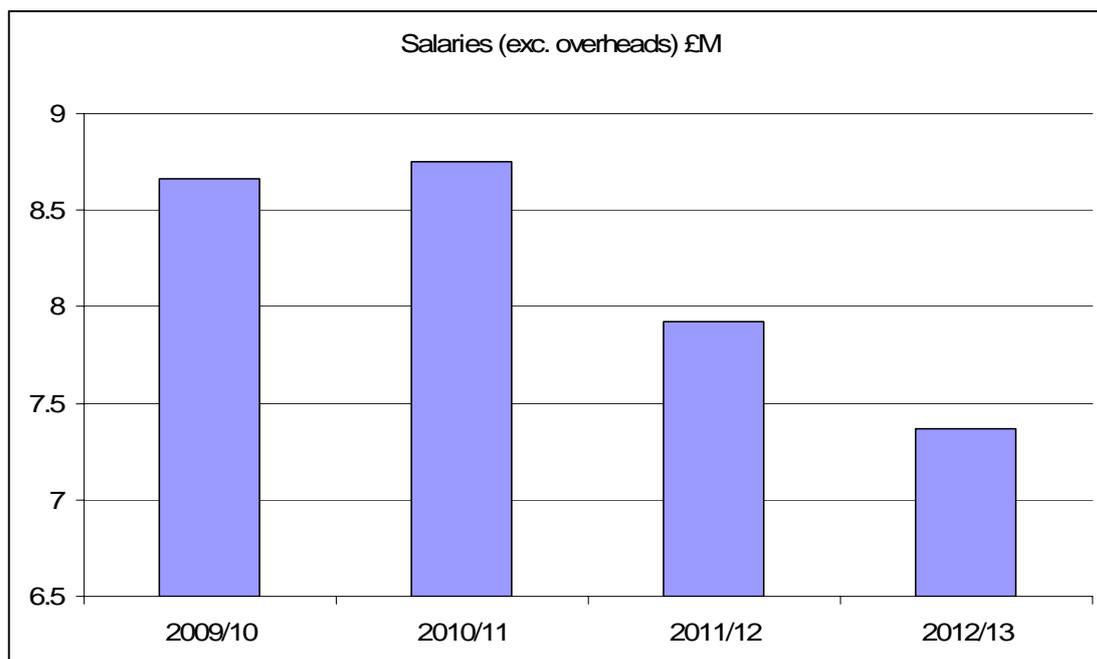
affect the Council's ability to maintain adequate service levels and fund the proposed capital programme.

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

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/Formular 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

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	3,141.00
Opposition Group Leader (Liberal)	1,580.42
Opposition Group Leader (Labour)	948.25
Opposition Group Leader (Independent Liberal Democrats Group)	632.17 (Ceased 15/12/11)
Opposition Group Leader (The Independent Group)	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.

GOSPORT BOROUGH COUNCIL

REFERENCE

**TO: POLICY AND ORGANISATION BOARD –
31 JANUARY 2012**

FROM: ECONOMIC DEVELOPMENT BOARD –26 JANUARY 2012

**TITLE: ECONOMIC DEVELOPMENT BOARD BUDGET REPORT
2012-2013**

AUTHOR: FINANCIAL SERVICES MANAGER

Attached is a copy of the report that was considered by the Economic Development Board on the 26 January 2012 (Appendix 'B'), together with the minute extract and Board resolution (Appendix 'A').

To Follow.

APPENDIX 'A'

**EXTRACT FROM THE MINUTES OF THE
ECONOMIC DEVELOPMENT BOARD MEETING
26 JANUARY 2012**

To Follow

Board:	ECONOMIC DEVELOPMENT BOARD
Date of meeting:	26 JANUARY 2012
Title:	BOARD BUDGET 2012/13
Author:	FINANCIAL SERVICES MANAGER
Status:	FOR RECOMMENDATION

Purpose

The purpose of this report is to consider the Board's revised 2011/12 and estimated 2012/13 budgets including the capital programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals

Recommendation

The Board is requested to recommend to P&O Board its requirements for

- the revenue budget (revised 2011/12 and estimate 2012/13)
- the capital programme 2011/12 to 2016/17

1.0 BACKGROUND

- 1.1 The Board is required to consider and recommend to P&O Board its requirements for the 2011/12 and 2012/13 financial years.
- 1.2 P&O Board will consider its own and other Board requirements on 31 January, and make recommendations to Council regarding the overall Council budget.
- 1.3 Members have been circulated with a draft of the Budget Book and Fees and Charges for 2012/13. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy (P&O Board 28 September 2011).
- 1.4 This Boards budgets are contained on the following pages:
 - Revenue budgets pages 15 to 20
 - Capital Programme pages 46
 - Revenue variances pages 53 & 54

1.5 The compilation and presentation of the Revised 2011/12 and Estimated 2012/13 budgets have been complicated by factors including:

- Staffing reductions including one off severance payments producing future savings
- Constitutional changes
- Organisational restructuring
- An element of the employers pension costs is no longer reflected as an addition to payroll costs but is invoiced separately by Hampshire County Council and borne as a corporate budget. This accounting change applies to all local authorities.
- The major contract retendering exercise reflected in a different packaging and management of contracted services
- The need to generally seek cost reductions to meet reduced external funding levels

However, considerable budgetary savings have been achieved in a year of fundamental change for both management and services

1.6 The reported budgets include Board decisions taken up to the end of November.

1.7 Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as officers manage budgets and provide for service delivery under delegated authority and including virements in line with financial regulations. The variance analysis in the budget book includes the major variations only and focuses on the bottom line rather than the detail.

Capital Finance (depreciation) has been ignored within the analysis as this is offset by an opposite and equal figure within the P&O Board budget so that it does not impact on the level of council tax. This accounting treatment is obligatory and is carried out by all local authorities.

1.8 The Economic Development Board was created by Full Council on 6 April 2011 and a subjective analysis (an analysis by type of expenditure as opposed to by service heading) is set out in the table below.

ECONOMIC DEVELOPMENT	ORIGINAL 2011/12 £	REVISED 2011/12 £	BUDGET 2012/13 £
1 - EMPLOYEES	46,750	39,120	13,590
2 - PREMISES	102,150	276,630	217,730
3 - TRANSPORT	200	120	0
4 - SUPPLIES & SERVICES	286,640	399,320	328,120
5 - THIRD PARTY PAYMENTS	15,300	47,840	47,840
7 - SUPPORT SERVICES	383,120	471,800	433,700
8 - CAPITAL/FINANCING	166,090	215,450	215,450
	1,000,250	1,450,280	1,256,430
9 - INCOME	(447,490)	(532,880)	(407,680)
	552,760	917,400	848,750

2.0 REVISED BUDGET 2011/12

2.1 The revised budget for 2011/12 for this Board is **£917,400**, an increase of **£364,640** on the original budget for 2011/12 of **£552,760**.

2.2 Excluding the increase in Capital Finance charges (**+£49,360**), and the movement in Admin Recharges (**+£88,680**) – both as mentioned above - the net cost of the Board's services has increased in the revised budget by **£226,600**. The main areas of variation are

- Economic Prosperity – the revised budget includes unbudgeted income from DCLG empty shops grant (£29,500) and DCLG economic assessment grant (£6,000) and the initiatives that they are funding.
- Town Harbour Foreshore – this heading covers the area from the Ramparts (Haslar Bridge) along the front to the Camper & Nicholson boundary including the Millennium walkway/the Esplanade, Falkland Garden & the Tidal Clock. The increased maintenance costs are due to the retendered and respecified major contracts as mentioned at 1.5
- Events - includes Celebrate Gosport, Gosport's Big Day Out, Christmas Events and partnership initiatives with arts, museums and library services - including support for Heritage Open Days. The revised budget includes expenditure and offsetting sponsorship (of £26,660) for the Gosport Festival.
- Properties - following approval of the revised constitution certain property budgets have been transferred from Community Board from revised budget onwards – eg Leisure Operational Properties and Sports Pavilions.
- Properties - Wilmott Lane Depot – works have been required in order to facilitate the delivery of the Council's new major contracts from April 2011 (eg upgrade works in connection with a new waste

transfer station licence) and also to address security and health and safety issues. Recharges to users have been made where possible including to the Housing Revenue Account. Additionally, parts of the Wilmott Lane Depot were required to be reclassified from an Investment Property to an Operational Property – this in turn requires that a depreciation charge is made which, while not resulting in an end cost to the Council (1.7 refers), does increase the published budget within this board by £38,340. (The net effect in 2011/12 of all the above on the Depot budget is £112,930).

- Local Development Framework – the Local Development Plan, funded from Housing and Planning and Delivery Grant of £63,000, is being carried forward to 2012/13.

3.0 BUDGET 2012/13

3.1 The budget for 2012/13 for this Board is **£848,750**, an increase of **£295,990** on the original budget for 2011/12 of **£552,760**; and a decrease of **£68,650** on the revised budget for 2011/12 of **£917,400**.

3.2 Excluding Capital Finance charges and the movement in Admin Recharges (**-£38,100**) - the net cost of the Board's services has decreased by **£30,550** from the revised budget to the estimated budget. The main areas of variation are

- Economic Prosperity – the final payment to Groundwork was in 2011/12 (£8,000) and the falling out of the DCLG empty shops grant (£29,500) and economic assessment grant (£6,000)
- Events - includes additional costs for the Olympic Torch Relay (£20,000), Harbour Events (£5,000) and the Queens Diamond Jubilee (£5,000).
- Wilmott Lane Depot – reduction due to the non repeating expenditure in 2011/12 (2.2 refers) of £30,360
- Local Development Framework – the Local Development Plan, is now budgeted for in 2012/13 as outlined above.

4.0 FEES AND CHARGES 2012/13

4.1 The Boards fees and charges are submitted for approval.

5.0 CAPITAL PROGRAMME 2011/12 TO 2016/17

5.1 The Boards capital schemes are included on page 46 of the Budget Book.

- 5.2 Where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs. This is projected to increase over the next two years and then to progressively reduce.
- 5.3 The figures in the columns headed 'Local Resources' at the right hand side of the capital programme pages show those schemes that do not benefit from external funding and therefore either draw on any general capital receipts or require external borrowing.
- 5.4 The full capital programme including the overall funding and the end impact on the revenue budget will be considered by P&O Board on 31 January as part of the overall Council budget.

6.0 RISK ASSESSMENT

- 6.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:
- New statutory responsibilities
 - Government led or notified activities
 - Demand led activities which may result in the Council have to react to external factors
 - Contractual obligations
 - Market & economic factors including interest rates
- 6.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.
- 6.3 Budget risks are considered further in the Council Budget report to P&O Board due to their potential impact on the Council budget and reserve levels.

7.0 CONCLUSION

- 7.1 This report summarises the Economic Development Board revenue and capital budgets for 2011/12 and 2012/13 and seeks a recommendation of the Board's requirements to P&O Board.

Financial implications:	As contained in the report.
Legal implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan	
Risk Assessment	As contained in section 6 of the report
Background papers:	Budget working papers
Appendices:	None
Report Author:	John Norman

GOSPORT BOROUGH COUNCIL

REFERENCE

**TO: POLICY AND ORGANISATION BOARD –
31 JANUARY 2012**

FROM: COMMUNITY BOARD – 30 JANUARY 2012

TITLE: COMMUNITY BOARD BUDGET REPORT 2012-2013

AUTHOR: FINANCIAL SERVICES MANAGER

Attached is a copy of the report that was considered by the Community Board on the 30 January 2012 (Appendix 'B'), together with the minute extract and Board resolution (Appendix 'A').

To Follow.

EXTRACT FROM THE MINUTES OF THE
COMMUNITY BOARD MEETING
30 JANUARY 2012

To Follow

Board:	COMMUNITY BOARD
Date of meeting:	30 JANUARY 2012
Title:	BOARD BUDGET 2012/13
Author:	FINANCIAL SERVICES MANAGER
Status:	FOR RECOMMENDATION

Purpose

The purpose of this report is to consider the Board's revised 2011/12 and estimated 2012/13 budgets including the capital programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals

Recommendation

The Board is requested to recommend to P&O Board its requirements for

- the revenue budget (revised 2011/12 and estimate 2012/13)
- the capital programme 2011/12 to 2016/17

1.0 BACKGROUND

- 1.1 The Board is required to consider and recommend to P&O Board its requirements for the 2011/12 and 2012/13 financial years.
- 1.2 P&O Board will consider its own and other Board requirements on 31 January, and make recommendations to Council regarding the overall Council budget.
- 1.3 Members have been circulated with a draft of the Budget Book and Fees and Charges for 2012/13. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy (P&O Board 28 September 2011).
- 1.4 This Boards budgets are contained on the following pages:
 - Revenue budgets pages 3 to 14
 - Capital Programme pages 43 to 45
 - Revenue variances pages 53 & 54

1.5 The compilation and presentation of the Revised 2011/12 and Estimated 2012/13 budgets have been complicated by factors including:

- Staffing reductions including one off severance payments producing future savings
- Constitutional changes
- Organisational restructuring
- An element of the employers pension costs is no longer reflected as an addition to payroll costs but is invoiced separately by Hampshire County Council and borne as a corporate budget. This accounting change applies to all local authorities.
- The major contract retendering exercise reflected in a different packaging and management of contracted services
- The need to generally seek cost reductions to meet reduced external funding levels

However, considerable budgetary savings have been achieved in a year of fundamental change for both management and services

1.6 The reported budgets include Board decisions taken up to the end of November.

1.7 Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as officers manage budgets and provide for service delivery under delegated authority and including virements in line with financial regulations. The variance analysis in the budget book includes the major variations only and focuses on the bottom line rather than the detail.

Capital Finance (depreciation) has been ignored within the analysis as this is offset by an opposite and equal figure within the P&O Board budget so that it does not impact on the level of council tax. This accounting treatment is obligatory and is carried out by all local authorities.

1.8 A subjective analysis (an analysis by type of expenditure as opposed to by service heading) is in the table below.

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2.0 REVISED BUDGET 2011/12

2.1 The revised budget for 2011/12 for this Board is **£6,463,610**, an increase of **£181,910** on the original budget for 2011/12 of **£6,281,700**

2.2 Excluding the increase in Capital Finance charges (**£341,250**), and the movement in Admin Recharges (**-£67,480**) – both as mentioned above - the net cost of the Board's services has decreased in the revised budget by **£91,860**. The main areas of variation are:

- Cemetery – income of £9,500 from the sale of equipment to the new contractor
- Waste Recycling income – income in excess of that originally budgeted of £53,820
- Car Parking income – lower income than budgeted of £43,690
- Gosport Ferry Pontoon – seabed lease effective from 27 June 2011 £14,140.
- Coast Protection – increased Coastal Partnership cost of £13,830 as reported to Community Board in October 2011
- Community Safety
 - o part of the budgeted Community Safety Partnership income has been carried forward to the 2012/13 budget
 - o reduced CCTV monitoring hours from 1 November 2011.
- Homelessness – an overall decrease in costs, excluding staffing, of £110,490 primarily due to anticipated savings in the rental of accommodation in the Private Sector

2.3 As with the Council's other boards, there has been a substantial realignment of budgets and costs for the reasons outlined at 1.5 – including the transfer of elements of some property budgets to Economic Development Board

2.4 The new major contracts included the tendering of budgets that were previously included under 'premises'. The final tender costs, while very beneficial to the Council, are reflected in the budget as increases and decreases across a number of services and subjective headings – which include reductions in some premises budgets and increases in third party budgets. The original Council budget for 2011/12 included savings of £300,000.

3.0 BUDGET 2012/13

3.1 The budget for 2012/13 for this Board is **£6,181,830**, a decrease of **£99,870** on the original budget for 2011/12 of **£6,281,700**; and a decrease of **£281,780** on the revised budget for 2011/12 of **£6,463,610**.

3.2 Excluding Capital Finance charges and the movement in Admin Recharges (**-£175,700**) - the net cost of the Board's services has decreased by **£106,080** from the revised budget to the estimated budget.

- Cemetery – additional annual income of £10,000 from the Portchester Crematorium
- Recreation Centres – an estimated part year saving of £112,600 as the new centre is constructed and the old centre is closed
- Car Parking income is anticipated to increase in 2012/13 by £30,000
- Navigational Aids – the purchase of 22 buoys for £8,000
- Homelessness – a continuation of the reduced service costs albeit on a lower scale - +£33,630

4.0 FEES AND CHARGES 2012/13

4.1 The Boards fees and charges are submitted for approval.

5.0 CAPITAL PROGRAMME 2011/12 TO 2016/17

5.1 The draft Capital Programme is included on pages 42 to 48 of the Budget Book.

5.2 Where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs. This is projected to increase over the next two years and then to progressively reduce.

5.3 The figures in the columns headed 'Local Resources' at the right hand side of the capital programme pages show those schemes that do not benefit from external funding and therefore either draw on any general capital receipts or require external borrowing.

5.4 The full capital programme including the overall funding and the end impact on the revenue budget will be considered by P&O Board on 31 January as part of the overall Council budget.

5.5 The capital programme includes for the following major schemes

- Item 3. Landing Stage replacement
- Item 15. Gosport Leisure Centre replacement

6.0 RISK ASSESSMENT

6.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities
- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market & economic factors including interest rates

6.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

6.3 Community Board budgets that are considered high risk include the service areas that are susceptible to demand and economic conditions such as Parking fee income and Homelessness.

6.4 Budget risks are considered further in the Council Budget report to P&O Board due to their potential impact on the Council budget and reserve levels.

7.0 CONCLUSION

7.1 This report summarises the Community Board revenue and capital budgets for 2011/12 and 2012/13 and seeks a recommendation of the Board's requirements to P&O Board.

Financial implications:	As contained in the report.
Legal implications:	The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically
Service Improvement Plan implications:	The budget submissions reflect both service improvement plans and the corporate plan.
Corporate Plan	
Risk Assessment	As contained in section 6 of the report
Background papers:	Budget working papers
Appendices:	None
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