

Please ask for:

Lisa Young

Direct dial:

(023) 9254 5340

Fax:

(023) 9254 5587

E-mail:

lisa.young@gosport.gov.uk

13 September 2016

S U M M O N S

MEETING: Policy and Organisation Board
DATE: 21 September 2016
TIME: 6pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Lisa Young

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

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

Councillor Allen	Councillor Foster-Reed
Councillor Bateman	Councillor Hicks
Councillor Carter	Councillor Hylands
Councillor Chegwyn	Councillor Jessop
Councillor Mrs Cully	Councillor Murphy
Councillor Edgar	Councillor Philpott

FIRE PRECAUTIONS

(To be read by the Mayor 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 or switched to silent for the duration of the meeting.
- iii. This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

AGENDA

RECOMMENDED
MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE MEETINGS OF THE BOARD HELD ON 6 JULY 2016

4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday 19 September 2016. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Board is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday, 19 September 2016).

6. LOCAL TAXATION WRITE-OFFS

To seek approval for the write-off of business rates in respect of D J P Developments Hampshire Ltd which exceed the Borough Treasurer's delegated limit under the Council's Financial Regulations

PART II
Julian Bowcher

7. BUDGET STRATEGY (INCLUDING CAPITAL PROGRAMME)

To consider the strategy for preparation of the General Fund budget and Capital Programme for the next financial year in the light of the Medium Term Financial Strategy 2016-2021 (submitted to today's meeting of the Board for consideration and approval) and the current national and local financial situation.

PART II
Julian Bowcher

8. TREASURY MANAGEMENT OUTTURN 15/16 AND REVIEW 16/17

The annual treasury report is a requirement of the Council's

PART II
Julian Bowcher

Policy and Organisation Board
21 September 2016

reporting procedures and covers the treasury activity for 2015/16 together with a review of 2016/17 to date. The report also includes the Prudential Indicators for 2015/16 in accordance with the requirements of the Prudential Code

9. FINAL ACCOUNTS

This report summarises the outturn position for the 2015/16 financial year and recommends the approval of the Statement of Accounts for 2015/16.

PART II
Julian Bowcher

10. GOSPORT BOROUGH FOOTBALL CLUB – LEASE EXTENSION

To advise the Board of a request from Gosport Borough Football Club for an extension to their current lease for the Privett Park Enclosure.

PART II
Julian Bowcher

11. ANY OTHER ITEMS

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

12. EXCLUSION OF THE PUBLIC

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

PART B ITEM

FOLLOWING THE EXCLUSION OF PRESS AND PUBLIC

Item No.	Item	Paragraph no. 3 of Part I of Schedule 12A of the Act	Contact Officer
13.	GOSPORT LEISURE CENTRE	The report contains details of the financial affairs of the Council and a third party at a time when contract documents are not finally concluded. Completion of the contract could be prejudiced if this information was made public which may have an adverse impact on the contract arrangements	Ian Lycett 5200

Policy and Organisation Board
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		to the detriment of the Council tax payers. Therefore the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
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AGENDA ITEM NO.6

Board/Committee:	P & O BOARD
Date of Meeting:	21 SEPTEMBER 2016
Title:	LOCAL TAXATION WRITE-OFF
Author:	BOROUGH TREASURER
Status:	FOR DECISION

Purpose

To seek approval for the write-off of business rates in respect of D J P Developments Hampshire Ltd which exceed the Borough Treasurer's delegated limit under the Council's Financial Regulations

Recommendations

Members are requested to approve the write-off of £37,672.74 in respect of unpaid business rates for DJP Developments Hampshire Ltd.

1 Background

- 1.1 Members' approval is required for write-offs in excess of £20,000 under The Council's Financial Regulations.

2 Report

- 2.1 DJP Developments Hampshire Ltd have outstanding business rates in respect of 74 and 74a High Street Gosport for the period 2012 to 2014. Despite the usual recovery procedures being undertaken including referral to the enforcement agents it was not possible to recover the arrears.
- 2.2 The company ceased trading and was dissolved on 17 February 2015. No further recovery options for pursuing the outstanding sums are available to the Council.

Financial Implications

- 2.3 Gosport Borough Council bears 40% of the cost of write-offs under business rates retention. If the Committee were minded to approve the write-off the cost to Gosport Borough Council would be £15,069.10.
- 2.4 The Council makes provision for bad debts of this nature within its accounts so that this write off will not adversely impact on this year's budget.

3 Risk Assessment

- 3.1 It is important that the Council review outstanding debt and make any write offs necessary in order that a realistic debtors total is reported in the accounts.

4 Conclusion

- 4.1 The Council makes every effort to recover debt in accordance with its recovery procedures. No further options are open for the recovery of the business rate debt of DJP Developments Hampshire Ltd.

Financial Services comments:	As contained in the report
Legal Services comments:	N/A
Crime and Disorder:	N/A
Equality and Diversity:	N/A
EIA:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	
Background papers:	None
Appendices/Enclosures:	Nil
Report author/ Lead Officer:	Julian Bowcher

AGENDA ITEM NO.7

Board/Committee:	POLICY & ORGANISATION BOARD
Date of Meeting:	21 SEPTEMBER 2016
Title:	BUDGET STRATEGY 2017/18
Author:	BOROUGH TREASURER
Status:	FOR DECISION

Purpose

To consider the strategy for preparation of the General Fund budget and Capital Programme for the next financial year in the light of the Medium Term Financial Strategy 2016-2021 (submitted to today's meeting of the Board for consideration and approval) and the current national and local financial situation.

Recommendation

That the Board note the Council's current financial position and agrees the Budget Strategy set out in Section 2 and Appendix A that will be used in the preparation of the budget for the 2017/18 financial year.

1 Background

- 1.1 The Council has to prepare a budget for General Fund services in order to ascertain the amount required to be raised from Council Tax.
- 1.2 The Council's Medium Term Financial Strategy (MTFS) indicates that the reductions necessary to the Council's projected General Fund budget are estimated to be approximately £666,000 in 2017/18 with a further £866,000 required by 2019/20. The MTFS does highlight that whilst this represents the best projection that can currently be made there is a very high level of uncertainty regarding areas such as the income that the Council will receive under the Business Rate Retention Scheme and the doubt regarding the impact on the economy of the 'Brexit' vote. The Rate Retention Scheme is complex with many of the factors outside this Council's control such as the level and success rate of Business Rate appeals and the impact of any changes following the Government's current review of the scheme.
- 1.3 A further area of uncertainty relates to the future of the New Homes Bonus which totalled £985,453 in 2016/17. The scheme is currently being reviewed by Central Government and although some reductions in the projected income have been allowed for it is possible the actual reductions will be greater than estimated.
- 1.4 In addition to the considerable uncertainties highlighted above the international financial climate remains volatile and could impact on future

funding, inflation and interests rates adding further difficulty to achieving accurate forecasting over the medium term.

- 1.5 As a result of the Government's offer (if accepted by the Board)) of a four year Grant Settlement the level of Central Government grant support is more certain than in past years, however the settlement does represent a major reduction in annual government grant as detailed below:

	2016/17	2017/18	2018/19	2019/20
	£,000	£,000	£,000	£,000
Revenue Support Grant	1,176	612	264	-
Baseline Funding Level*	2,292	2,338	2,407	2,483
Start Up Funding Assessment	3,468	2,950	2,671	2,483

* Funded from Business Rate Receipts

2 Report

Budget Strategy 2017/18

- 2.1 Budget preparation will initially be in accordance with previous policy i.e. "zero-based" wherever possible and new bids will be heavily scrutinised. Maintenance proposals will be in accordance with Asset Management Plan requirements. Guidance given to budget holders are that budget bids are to be realistic and essential and efficiency savings including absorbing inflation should continue to be made wherever possible.
- 2.2 General inflation is expected to be approximately 1% during 2017/18,
- 2.3 Capital projects within the Capital Programme have been considered in terms of priority and affordability. The proposed levels of capital expenditure relating to the improvements to Housing Stock have been advised by the HRA Business Plan. The proposed Capital Programme 2016/17 to 2019/20 is attached (Appendix A).
- 2.4 Whilst the Council's policy is that annual Council Tax rises should not exceed 2.5%, the final decision on the Council Tax will be taken by the Council next February after budget requirements and final Grant figures are confirmed. It is assumed that the requirement regarding the need to hold a referendum where the proposed Council Tax increase exceeds a specified level (2% or £5 increase for 2016/17) will continue.

Savings & Efficiencies

- 2.5 A significant part of the Council's response to the severe budget pressures faced in recent years has been a drive for increased efficiencies and savings. The Council has undertaken a series of service reviews achieving efficiency savings whilst still minimising the effect on services overall. These measures have helped achieve a balanced budget in the current financial year and gone some way to meeting the challenges faced for 2017/18.
- 2.6 Gosport has a track record of innovation and partnership working; and many examples of joint working already exist including the Building Control Partnership and Environmental Health Partnership. As a result of the financial challenges ahead the Council agreed at its meeting held on 8 June 2016 to enter into a shared senior management agreement with Portsmouth City Council (PCC) involving the sharing of six senior posts including the Chief Executive, Borough Solicitor and Deputy Chief Executive and the Borough Treasurer from 1 October 2016. The initial arrangement will achieve significant savings for both Councils (Approximately £344,000 for this Council) and it is intended to review all services in the next 12 months to ascertain if any further sharing of senior posts can be achieved as well as identifying other efficiencies including savings on procurement.
- 2.7 With the new PCC arrangements only commencing on 1 October 2016 the level of efficiency savings and increases in income (including those arising from identifying new income streams and 'invest to save opportunities) that can be achieved particularly in the medium to longer term are still unclear. It is possible however that any further significant reductions in Central Government support or worsening of the economy leading to increased expenditure on core services may require additional measures such as:-
- (a) Raising Capital receipts to reduce the impact of capital investment;
 - (b) Increasing fees and charges;
 - (c) Reducing expenditure on lower priority services functions and,
 - (d) Considering local tax rises in excess of the current policy, possibly requiring a local referendum.

3 Risk Assessment

- 3.1 Risk areas associated with the budget are outlined in the Council's Budget Book. The changes to the financing of Local Government from April 2013 have resulted in an increase in risk borne by councils in such areas as Business Rate Retention, changes to Housing Benefit Reform and the new Council Tax Support Scheme (previously Council Tax Rebates). These risks in addition to the uncertainty relating to the level New homes Bonus are considered the most significant areas of risk the Council faces at the

current time. As a result of these and the continuing uncertainty relating to 'Brexit and the international economy it is considered essential that a prudent Budget Strategy is adopted.

4 Conclusion

- 4.1 Preparation of the General Fund budget for 2017/18 has begun against a backdrop of further pressure on resources, both nationally and locally. There remains considerable uncertainty regarding the level business rate income and external grants likely to be received by the Council. This report indicates the key underlying principles that will be adopted in order to prepare a draft budget that results an increase of no more than 2.5% or £5 to the Council Tax rates levied for the Borough Council's requirements.

Financial Services comments:	See report
Legal Services comments:	Set out in the report
Crime and Disorder:	Nil
Equality and Diversity:	Nil
Service Improvement Plan implications:	No direct implications
Corporate Plan:	Nil
Risk Assessment:	See paragraph 3.1
Background papers:	Medium Term Financial Strategy 2016-21
Appendices/Enclosures:	
Appendix 'A'	The Capital Programme 2016/17-2019/20
Report author/ Lead Officer:	Julian Bowcher

PART II Julian Bowcher Board	POLICY AND ORGANISATION BOARD
Date of meeting:	21 SEPTEMBER 2016
Title:	TREASURY MANAGEMENT ANNUAL REVIEW 2015/16, PROGRESS REPORT 2016/17, & PRUDENTIAL INDICATORS
Author:	BOROUGH TREASURER
Status:	FOR NOTING

Purpose

The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2015/16 together with a review of 2016/17 to date. The report also includes the Prudential Indicators for 2015/16 in accordance with the requirements of the Prudential Code.

Recommendations

The Board note this report and the 2015/16 prudential indicators

1 Background

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential indicators are contained in the tables throughout this report.
- 1.2 During 2015/16 the minimum reporting requirements were that the Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 11 February 2015)
 - a treasury transaction review report (P&O 23 September 2015)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
 - this report also includes a treasury review to August 2016

- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2 Report

THE ECONOMY AND INTEREST RATES

(The following narrative was provided by Arlingclose Ltd as a general background description to the public sector treasury management environment in 2015/16).

- 2.1 Growth, Inflation, Employment:** *The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.*
- 2.2 Global influences:** *The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.*
- 2.3 UK Monetary Policy:** *The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and*

reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

- 2.4 Market reaction:** *From June 2015 gilt yields were driven lower by a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.*

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

THE STRATEGY FOR 2015/16

- 2.5 The Council continued to take a cautious approach to its treasury strategy in light of the continuing uncertainty over future interest rates and the risks associated with treasury activity. The Borough Treasurer, under delegated powers, took the most appropriate form of borrowing or investing depending on the prevailing interest rates at the time and taking into account the criteria in the Council's Treasury Management strategy.
- 2.6 Long term borrowing through the Public Works Loans Board was not taken if it was more cost effective to use short term borrowing along with surplus cash flows to temporarily fund the Council's capital programme and to reduce counterparty risk. Investments were dominated by low counterparty

risk considerations, resulting in relatively low returns compared to borrowing rates.

- 2.7 The strategy confirmed that routine treasury management matters were delegated to the Borough Treasurer whilst adhering to approved performance indicators and limits.

THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2015/16

- 2.8 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed

Capital Expenditure	2014/15 Actual £'000	2015/16 Revised £'000	2015/16 Actual £'000
<u>General Fund (GF)</u>			
Capital expenditure	1,860	3,980	1,409
Financed in year	(702)	(2,812)	(1,114)
Unfinanced capital expenditure	1,158	1,168	295
<u>Housing Revenue Account (HRA)</u>			
Capital expenditure	3,331	4,960	4,478
Financed in year	(3,331)	(4,960)	(4,478)
Unfinanced capital expenditure	0	0	0

THE COUNCIL'S OVERALL BORROWING NEED

- 2.9 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2015/16 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

- 2.10 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
- 2.11 The General Fund CFR – the Council's (non HRA) underlying borrowing need - is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 2.12 The Council's 2015/16 MRP Policy (as required by CLG Guidance) was approved by Council as part of the Treasury Management Strategy Report for 2015/16 on 11 February 2015.
- 2.13 The Council's CFR for the year is shown below, and represents a key prudential indicator.

Capital Financing Requirement	2014/15 Actual £'000	2015/16 Revised £'000	2015/16 Actual £'000
CFR - General Fund	19,015	19,674	18,574
CFR - HRA	62,253	62,118	62,130
CFR - Total	81,268	81,792	80,704
Gross Borrowing Position	76,053	74,825	74,825

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

- 2.14 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the

Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16. The table above highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

- 2.15 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.
- 2.16 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Authorised Limit and Operational Boundary	2015/16 £'000
Authorised limit	93,200
Maximum gross borrowing position	77,940
Operational boundary	86,800
Average gross borrowing position	75,922

- 2.17 **Actual financing costs as a proportion of net revenue stream** - this prudential indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Revised %	2015/16 Actual %
General Fund	6.9%	7.0%	8.7%
HRA	34.9%	29.6%	29.7%

THE TREASURY POSITION AS AT 31 MARCH 2016

2.18 The Council's treasury position was as follows (2014/15 is included for comparison)

2014/15	General Fund			HRA			Total		
	31-Mar £'000	Rate	Avg	31-Mar £'000	Rate	Avg	31-Mar £'000	Rate	Avg
Fixed rate funding:									
PWLB	13,635	3.12%	11.93	60,318	3.02%	26.05	73,953	2.98%	22.93
Market	1,500	1.40%	1.61	600	1.30%	1.59	2,100	1.37%	1.60
Variable rate funding:	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a
Gross borrowing	15,135			60,918			76,053		
CFR	19,015			62,253			81,268		
Over/ (under) borrowing	(3,880)			(1,335)			(5,215)		
Total investments							(15,050)		
Net borrowing							61,003		

2015/16	General Fund			HRA			Total		
	31-Mar £'000	Rate	Avg	31-Mar £'000	Rate	Avg	31-Mar £'000	Rate	Avg
Fixed rate funding:									
PWLB	12,785	2.94%	12.61	59,940	3.00%	25.41	72,725	2.98%	23.16
Market	1,500	1.40%	0.61	600	1.30%	0.59	2,100	1.37%	0.60
Variable rate funding:		n/a	n/a		n/a	n/a	0	n/a	n/a
Gross borrowing	14,285			60,540			74,825		
CFR	18,574			62,130			80,704		
Over/ (under) borrowing	(4,289)			(1,590)			(5,879)		
Total investments							(11,611)		
Net borrowing							63,214		

2.19 Following Housing Finance reform, two separate pools are being operated for Council debt and these are set out above. Comparisons are also shown against the HRA and General Fund Capital Financing Requirements (CFRs) which show that both funds were under borrowed – this means that external borrowing was less than the underlying need to borrow externally, primarily because surplus cash flows were utilised instead of actually taking on more loans. The Council is also limited to a maximum HRA CFR of £63.067 million (the 'debt cap') through the HRA self-financing regime.

2.20 The maturity structure of the debt portfolio was

The Maturity Structure of the Debt Portfolio	31-Mar-15 Actual %	2015/16 Limits (Maximum) %	31-Mar-16 Actual %
Under 12 months (see note #)	4%	4%	4%
12 months and within 24 months	4%	13%	7%
24 months and within 5 years	17%	25%	16%
5 years and within 10 years	22%	30%	23%
10 years and above	53%	55%	50%

2.21 The maturity structure of the investment portfolio was

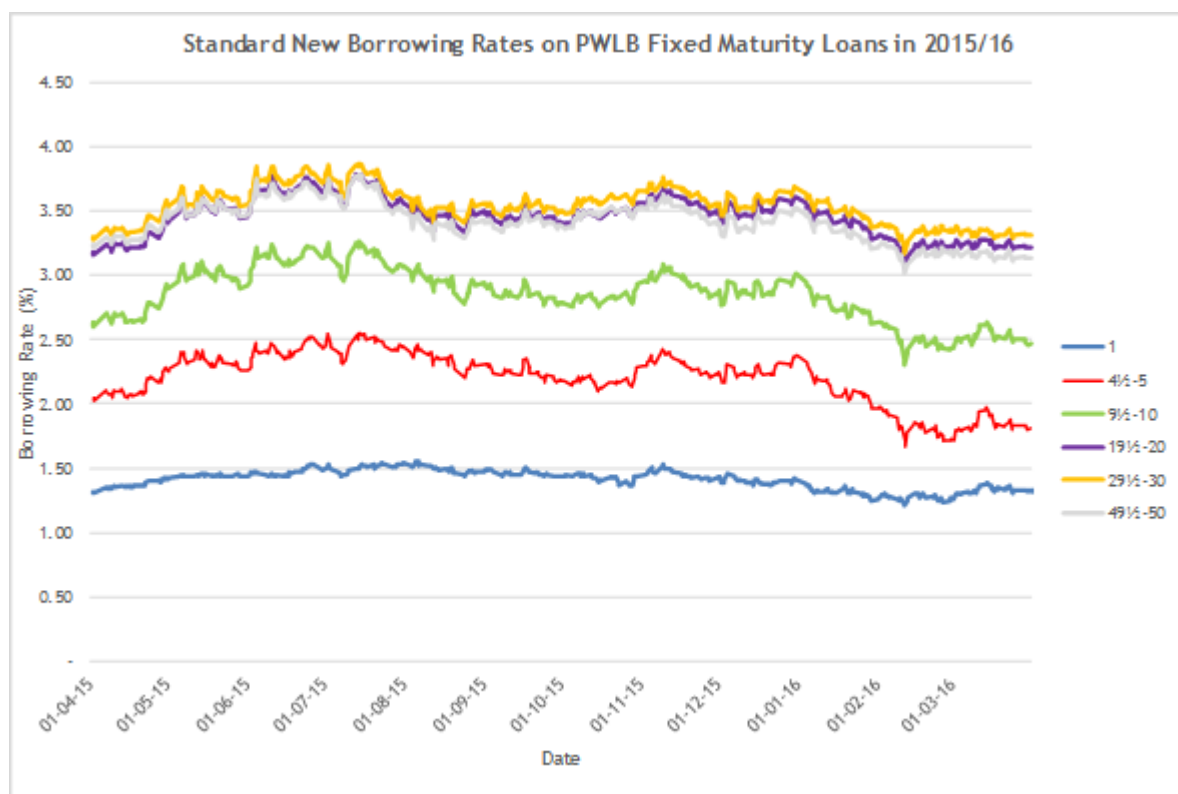
The Maturity Structure of the Investment Portfolio including cash and cash equivalents	31-Mar-15 Actual £'000	2015/16 Limits £'000	31-Mar-16 Actual £'000
Longer than 1 year	0	n/a	-
Under 1 year	(15,050)	n/a	(11,611)
Total	(15,050)	0	(11,611)

2.23 The exposure to fixed and variable rates was

The exposure to fixed and variable rates was as follows	2014/15 Actual £'000	2015/16 Limits %	2015/16 Actual £'000
Borrowing			
Fixed rate	76,053	100%	74,825
Variable rate	0	15%	0
Investments			
Fixed rate	(8,900)	100%	(10,000)
Variable rate	(6,150)	100%	(1,611)

BORROWING RATES IN 2015/16

2.24 PWLB borrowing rates - the graph below shows PWLB borrowing rates during the year.



BORROWING OUTTURN FOR 2015/16

2.24 The following loans were taken and repaid during the year.

Lender	Principal £'000	Type - Fixed/	Interest %	Maturity	Date
Loans taken					
Public Works Loans Board	1,400	Fixed	2.66%	10 years	24-Aug-15
Public Works Loans Board	600	Fixed	2.66%	10 years	24-Aug-15
Loans repaid					
Public Works Loans Board	(2,000)	Fixed	4.33%	5 years	13-Oct-15
Public Works Loans Board	(1,000)	Fixed	3.15%	9 years	09-Dec-15
Public Works Loans Board	(113)	Fixed	2.90%	9 years	01-Sep-15
Public Works Loans Board	(115)	Fixed	2.90%	9 years	01-Mar-16

INVESTMENT RATES IN 2015/16

- 2.25 Bank Rate remained at its historic low of 0.5% throughout the year until, after approximately seven years, it was reduced to 0.25% by the Bank of England Monetary Policy Committee on 4th August 2016.

INVESTMENT OUTTURN 2015/16

- 2.26 In 2015/16 and in accordance with the Council's investment strategy and cash flow requirements, short term surplus funds were placed in a combination of money market funds, deposit accounts and external investments. This approach maintained an underborrowing position which reduced net interest payments and reduced the Council's exposure to counterparty risk
- 2.27 During 2015/16 the Council's average investment balance was £19.549 million and average return was 0.59%. Details of all investments undertaken during 2015/16 are shown at 2.29 below.
- 2.28 At 31 March 2016 short term surplus funds of £1.611 million were held in money market funds and deposit accounts and £10.0 million was held in fixed rate investments - both in line with the Council's investment strategy. These are shown in the tables below.

Investments Undertaken	Average Investment	Type - Variable Interest	Average Rate		
	£'000		%		
National Westminster Bank (Main / Liquidity Select Account)	(2,368)	Variable	0.25%		
Bank of Scotland (Corporate Deposit Account)	(4)	Variable	0.40%		
Public Sector Deposit Fund	(4,926)	Variable	0.43%		
Investments Undertaken	Actual Investment	Type - Fixed Interest	Interest Rate	Investment Date	Maturity Date
	£'000		%		
Lancashire County Council	(2,000)	Fixed	0.70%	26-Sep-14	26-Jun-15
Nationwide	(1,000)	Fixed	0.50%	05-Jan-15	07-Apr-15
Barclays	(1,000)	Fixed	0.60%	20-Oct-14	20-Apr-15
Lloyds Treasury Solutions	(2,900)	Fixed	1.00%	12-Jan-15	12-Jan-16
Barclays	(2,000)	Fixed	0.64%	16-Mar-15	16-Sep-15
Nationwide	(2,000)	Fixed	0.66%	01-Apr-15	01-Oct-15
Nationwide	(1,000)	Fixed	0.50%	07-Apr-15	07-Jul-15
Barclays	(1,000)	Fixed	0.64%	20-Apr-15	20-Oct-15
Santander UK PLC	(3,000)	Fixed	0.69%	26-Jun-15	29-Dec-15
Nationwide	(1,000)	Fixed	0.50%	07-Jul-15	07-Oct-15
Barclays	(2,000)	Fixed	0.70%	16-Sep-15	16-Mar-16
Nationwide	(2,000)	Fixed	0.66%	01-Oct-15	01-Apr-16
Nationwide	(1,000)	Fixed	0.66%	07-Oct-15	07-Apr-16
Coventry	(2,000)	Fixed	0.60%	12-Oct-15	12-Apr-16
Barclays	(1,000)	Fixed	0.69%	20-Oct-15	20-Apr-16
Santander UK PLC	(2,000)	Fixed	0.69%	29-Dec-15	29-Jun-16
Lloyds 180 day notice	(2,000)	Fixed	0.80%	12-Jan-16	05-Jul-16
Santander 31 Day Notice	(1,000)	Fixed	0.65%	20-Jan-16	19-Feb-16
Santander 31 Day Notice	(1,000)	Fixed	0.65%	19-Feb-16	20-Mar-16

THE TREASURY POSITION IN 2016/17

2.29 At 12th August 2016 the Council's treasury position was as follows

2016/17	General Fund			HRA			Total		
	31-Mar	Rate	Avg Life yrs	31-Mar	Rate	Avg Life yrs	31-Mar	Rate	Avg Life yrs
	£'000			£'000			£'000		
Fixed rate funding:									
PWLB	12,785	2.94%	12.24	59,940	3.00%	25.05	72,725	2.98%	23.03
Market	1,500	1.40%	0.24	600	1.30%	0.22	2,100	1.37%	0.23
Variable rate funding:		n/a	n/a		n/a	n/a	0	n/a	n/a
Gross borrowing	14,285			60,540			74,825		
CFR	18,574			62,130			80,704		
Over/ (under) borrowing	(4,289)			(1,590)			(5,879)		
Total investments							(18,747)		
Net borrowing							56,078		

2.30 **Borrowing** - there has been no change in the Council's borrowing since 31 March 2016.

2.31 **Investments** - the following table summarises the investments of short term surplus funds at 12 August 2016. All investments are in line with the Council's investment strategy.

Investments	Average Investment £'000	Type - Variable Interest	Average Rate %		
National Westminster Bank (Liquidity Select Account)	(1,810)	Variable	0.25%		
Public Sector Deposit Fund	(2,690)	Variable	0.46%		
Standard Life Sterling Liquidity Fund	(2,050)	Variable	0.47%		
Investments Undertaken	Actual Investment £000's	Type - Fixed Interest	Interest Rate %	Investment Date	Maturity Date
Nationwide	(2,000)	Fixed	0.73%	01-Apr-16	14-Oct-16
Eastleigh BC	(1,000)	Fixed	0.50%	15-Apr-16	17-Oct-16
Coventry BS	(2,000)	Fixed	0.60%	12-Apr-16	12-Oct-16
Santander UK PLC	(2,000)	Fixed	1.15%	29-Jun-16	26-Dec-16
Lloyds	(1,000)	Fixed	0.65%	05-Jul-16	05-Oct-16
Barclays	(1,000)	Fixed	0.12%	05-Aug-16	05-Oct-16

2.32 Capital Programme

The capital programme is currently being reviewed as part of the budget process. This will include updating the revenue implications (minimum revenue provision and interest) and the capital financing requirement projections. The annual Treasury Strategy report to Policy and Organisation Board and the Council will follow in February 2017.

OTHER ISSUES

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

2.34 **External Service Provider** - Capita Asset Services, Treasury Solutions were engaged as external treasury management advisors to July 2016. Following a joint tendering exercise with three neighbouring authorities,

the Council has contracted with Arlingclose Ltd from July 2016 initially for 3 years.

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

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

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

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

3 Risk Assessment

- 3.1 The Council has complied with the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 3.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Capita Asset Services, the Council's advisers, has proactively managed the debt and investments over the year.

4 Conclusion

- 4.1 This report summaries the treasury activities and prudential indicators for 2015/16 and reviews the treasury activities for 2016/17 to date. It is a key governance report for the Treasury Management function.

Financial Services comments:	As contained in the report.
Legal Services comments:	It is a legal requirement that an annual Treasury Management report is considered by the Council
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
Corporate Plan	
Risk Assessment	As contained in the report
Background papers:	Budget and Final Accounts working papers
Appendices/Enclosures:	None
Report Author / Lead Officer::	John Norman

GOSPORT BOROUGH COUNCIL

BOARD:	POLICY & ORGANISATION BOARD
DATE OF MEETING:	21 SEPTEMBER 2016
TITLE:	FINAL ACCOUNTS 2015/16
AUTHOR:	BOROUGH TREASURER
STATUS:	FOR APPROVAL

Purpose

This report summarises the outturn position for the 2015/16 financial year and recommends the approval of the Statement of Accounts for 2015/16.

Recommendations

- The Board approve the accounting policies contained within the Statement of Accounts (Appendix G, page 18)
- The Board approves the Statement of Accounts for 2015/16 at Appendix G
- The Board note the outturn position contained in the report and Appendices including
 - The capital programme slippage detailed in Appendix D
 - The write offs approved under delegated authority at Appendix E
- The Board approve the Letter of Representation at Appendix F

1.0 Background

1.1 The Accounts and Audit Regulations 2015 require the annual Statement of Accounts to be formally approved by members after the external audit has taken place with the subsequent publication of the statement taking place by the end of September. Members therefore receive and approve a final Statement that has been amended for any items arising out of the audit.

2.0 Report

2.1 The audit of the accounts was undertaken by Ernst and Young (the Council's external auditors) during the period July to September and formally concludes when the audit opinion is issued prior to publication of the statement.

2.2 The accounts were available for formal public inspection during July and August and the Council's auditor was available to receive

questions from any Gosport local elector. The relevant dates were published in the Hampshire Independent and on the Council website.

- 2.3 Standards and Governance Committee considered Ernst and Young's Audit Results Report on 08 September (this is the formal report from the auditors to 'those charged with governance'). The report noted that, subject to satisfactory completion of the outstanding audit work, Ernst and Young planned to issue an unqualified audit opinion by 30 September after Policy and Organisation Board has formally approved the final financial statements.
- 2.4 The formal statutory Statement of Accounts for 2015/16 which includes any amendments arising from the external audit is included at Appendix G. The key points affecting the Council's finances are summarised below.

OUTTURN 2015/16

- 2.5 A summary of the key outturn figures for the General Fund, Housing Revenue Account and major Reserves is shown at Appendix A.

GENERAL FUND REVENUE BUDGET

- 2.6 The Council's revenue budget for 2015/16 before transfers to or from reserves was £9,582,980, the actual net expenditure for the year was £8,962,251 giving an under spending of £620,729 which has been transferred to the Revenue Financing Reserve (RFR) in line with Council policy.

Revenue budget carry forwards total £421,729 so the net underspending excluding carry forwards was £199,000.

- 2.7 Appendix B summarises the net expenditure or income by Board and Appendix C lists some of the main variances.

GENERAL FUND RESERVES

- 2.8 The Council has three main General Fund revenue reserves
- The General Fund working balance at 31 March 2016 is £890,000 as projected in the Budget Report for 2016/17 and in line with Council policy.
 - The Revenue Financing Reserve (RFR) - which is used to fund annual variations in expenditure and income, uninsurable risks and spend to save initiatives – is £3,067,422 at 31 March 2016. This includes the budgeted contribution from the reserve of £164,120 and the net underspending on the General Fund budget of

£566,087 (this is £54,642 less than the figure at 2.6 owing to Business Rate accounting timing differences). The balance at year end of £3,067,422 includes the revenue carry forwards of £421,729.

- The Stability and Resilience Reserve – which is used to cover the risk and volatility arising from the Business Rate Retention and Council Tax Support schemes together with the uncertainties in future levels of Revenue Support Grant – is £1,338,830 at 31 March 2016, this includes the budgeted transfer into the reserve for 2015/16.

HOUSING REVENUE ACCOUNT

2.9 The Housing Revenue Account (HRA) was forecast to have a revenue surplus of £1,067,000 for 2015/16 with this sum being transferred into the Major Repairs, New Build and Loan Repayment Reserve.

2.10 The actual surplus was £1,370,165 - an increase of £303,165. The main underspending being due to the level of revenue funding for the HRA capital programme.

2.11 The HRA has two revenue reserves

- The HRA balance – effectively the working balance carried forward – this is £991,738 at 31 March 2016 as budgeted.
- The Major Repairs, New Build and Loan Repayment Reserve – to be used as per its title – this is £2,992,353 at 31 March 2016 and includes the HRA surplus for the year.

CAPITAL PROGRAMME

2.12 The revised Capital Programme for 2015/16 was budgeted at £8,940,000. The actual capital spend detailed in Appendix D is £5,887,426 and scheme slippage, carried forward into 2016/17 is £3,079,067.

2.13 The update capital programme for 2016/17 and beyond is included in the Budget Strategy 2017/18 report to this Board.

TREASURY MANAGEMENT

2.14 The table below summarises the Council's net borrowing position as included in the balance sheet within the financial statements.

31-Mar-15 £'000	31-Mar-16 £'000
8,918 Short Term Investments	8,027
6,032 Cash and Cash Equivalents	3,902
(3,433) Short Term Borrowing	(3,456)
(72,825) Long Term Borrowing	(71,490)
(61,308) Net Borrowing position	(63,017)

- 2.15 The Long Term Borrowing figure represents mainly Public Works Loan Board borrowing payable after 2016/17. The borrowing figures include approximately £57 million taken in 2011/12 to finance the settlement payment to the government for HRA Self Financing.
- 2.16 The Board is receiving the Treasury Management Annual Review and progress report separately on the agenda.

COLLECTION FUND

- 2.17 Following the introduction of Business Rate Retention financing from 1 April 2013, the balance on the Collection Fund, now represents the difference between estimated and actual income for
- Council Tax (shared between Gosport Borough, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority) and
 - Business Rates (shared between Gosport Borough, Hampshire County Council, Hampshire Fire and Rescue Authority and the Government)
- 2.18 The year end balances included in the Statement of Accounts are
- Business Rates £0.359 million deficit
 - Council Tax £0.732 million surplus
- 2.19 The rates of Council Tax and Business Rates collection for 2015/16 were 96.1% (2014/15 95.3%) and 97.3% (2014/15 96.9%) respectively.

WRITE OFFS

- 2.20 Under Financial Regulations, the Borough Treasurer has delegated authority to approve write offs up to £20,000. These are summarised on Appendix E for 2015/16 along with figures for the previous year for comparison. The Council bears approximately 40% and 14% respectively of Business Rates and Council Tax write offs. In terms of the sums due to be collected the amounts written off represent a fraction of 1% and are in line with budgeted provisions.

LETTER OF REPRESENTATION

- 2.21 The Letter of Representation is a formal letter from the Council to the Council's external auditors (Ernst and Young) that provides assurances on key matters that are contained in the audited Statement of Accounts for 2015/16.
- 2.22 It is a requirement of the external audit to assist in determining whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2016 and once approved it is signed by the Borough Treasurer and the Chairman of Policy and Organisation Board.

3.0 RISK ASSESSMENT

- 3.1 The Council's budget for 2016/17 includes a risk assessment that considers the potential impact on the Council's financial position that certain budget areas may have. Generally, most budget variances correspond with this assessment which is kept under review.

4.0 CONCLUSION

- 4.1 This report summarises the outturn position for 2015/16 and requests members to approve the formal Statement of Accounts for 2015/16.

Financial Implications	As set out in the report
Legal Implications:	The Council is required to approve and publish the Statement of Accounts for 2015/16 by 30 September 2016
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan	This report and the Statement of Accounts reflect both service improvement plans and the corporate plan.
Corporate Plan:	
Risk Assessment:	Section 3 of the report
Background papers:	Final Accounts working papers
Appendices	A Outturn 2015/16 – Summary B Outturn 2015/16 – By Board and Service C General Fund Variances

	D Capital Programme 2015/16 E Write Offs F Letter of Representation G Statement of Accounts 2015/16
Report Author/Lead Officer	John Norman

AGENDA ITEM NO.10

Board/Committee:	Policy & Organisation Board
Date of Meeting:	21st September 2016
Title:	Gosport Borough Football Club – Lease Extension
Author:	Chief Executive
Status:	FOR DECISION

Purpose

To advise the Board of a request from Gosport Borough Football Club for an extension to their current lease for the Privett Park Enclosure.

Recommendations

That the Board approve:

- (i) An extension to the Privett Park Enclosure lease between Gosport Borough Football Limited and this Council on the terms outlined in Section 2.0 of this report until 31st January 2046
- (ii) The assignment of the lease from the Trustees of Gosport Borough Football Club to Gosport Borough Football Club Limited subject to the Trustees entering into an authorised guarantee agreement with the Council for the payment of the rent and performance of the other obligations of the lease
- (iii) The granting of a further underlease for the mobile mast within the enclosure until 27th January 2046
- (iv) The Head of Legal Services to enter into such legal documentation as is necessary to effect the decision. The Football Club to pay the Council's associated reasonable legal costs.

1 Report

- 1.1 The Council have been approached by Solicitors acting for Gosport Borough Football Club requesting an extension to the Club's lease of the Privett Park Enclosure and Clubhouse.
- 1.2 The current lease between Trustees of the Football Club and this Council is for a term of 25 years commencing 1st February 2005. There remains a term of 13 years and 5 months.
- 1.3 The Football Club are anxious to raise funds from Sport England and other bodies for essential improvements to the Enclosure, particularly should they be successful in achieving promotion to a higher league. To do this the club will require a lease of at least 25 years.
- 1.4 An extension of the lease has been requested until 31st January 2046 so that Grant applications can be made.

- 1.5 The Council currently grants an underlease for the mobile phone mast which is within the enclosure. The Council are asked to grant a further underlease to the same under-tenant to also expire co-terminously with the main lease on the 27th January 2046. This is a sensible proposal and will ensure a cleaner management of the relationship between this Council and the Football Club.
- 1.6 The operation of the Football Club has recently been transferred from the Trustees of Gosport Borough Football Club to Gosport Borough Football Club Limited (the “Company”). An assignment of the lease to the Company has been requested.

2 Legal Implications

- 2.1 The extension of the lease and the underlease presents no issues directly for the Council. However, the current lease of the Privett Enclosure requires that the rent is reviewed every 5 years by the higher of the change in Retail Price Index (RPI) or Open Market Value. The last review was in 2015 and the current rent is £8,130 pa.
- 2.2 It is proposed that the lease extension is extended on the same basis as the current lease.

3 Risk Assessment/Financial Implications

- 3.1 The Football Club is a community asset that is popular with residents and has, in recent years, achieved success which has raised the profile of the Borough.
- 3.2 There are no direct risks to the Council and the terms of the lease will ensure the Council receive at least the current level of rent and probably an increase every five years.

4 Conclusion

- 4.1 The Football Club has been very successful in recent years and wish to progress. To do so they will need to make improvements to the Enclosure. The Club wish to be in a position to apply for Grant from Sports England etc to do this and require a lease of at least 25 years so to do.

Financial Services comments:	Contained in the report
Legal Services comments:	Contained in the report
Crime and Disorder:	No implications
Equality and Diversity:	The Club is fully accesible
Service Improvement Plan implications:	No implications

Corporate Plan:	No implications
Risk Assessment:	See Section 3.0
Background papers:	Nil
Appendices/Enclosures:	N/a
Report author/ Lead Officer:	Ian Lycett, Chief Executive.