

Supplementary Information

**HAVANT BOROUGH COUNCIL
OVERVIEW AND SCRUTINY COMMITTEE
MONDAY, 12TH FEBRUARY, 2024**

Please note that the attached supplementary information was unavailable when the agenda was printed.

Agenda No Item

3 Havant Borough Council Budget 2024/25

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| Name of Committees: | Cabinet Full Council | | |
| Committee Date: | 14 th February 2024 28 th February 2024 | | |
| Report Title: | Havant Borough Council Budget 2024/25 | | |
| Responsible Officer: | Steven Pink – Chief Finance Officer & S151 Officer | | |
| Cabinet Lead: | Councillor Bowdell – Cabinet Lead for Finance | | |
| Status: | Non-Exempt | | |
| Urgent Decision: | Yes / No | Key Decision: | Yes/ No |
| Appendices: | Appendix A – Revenue Budget 2024/25 Appendix B – Medium-Term Financial Strategy 2024/25 to 2028/29 Appendix C – Capital Strategy Appendix D – Capital Programme 2024/25 to 2028/29 Appendix E – Council Reserves Appendix F – Treasury Management Strategy Appendix G – Investment Strategy Appendix H – Fees and Charges 2024/25 Appendix I – Council Tax Resolution 2024/25 Appendix J – Business Rates 2024/25 Appendix K – Statement of Robustness | | |
| Background Papers: | None | | |
| Officer Contact: | Name: Steve Pink Email: steven.pink@havant.gov.uk | | |
| Report Number: | HBC/76/2024 | | |

Corporate Priorities:

The financial performance of the authority's budget has an overarching impact on all corporate priorities and the Council's ability to deliver against them. Ensuring the Council has a balanced budget is not only a legal requirement, but also vital to allow the Council to deliver against its corporate priorities without putting the financial viability of the Council at risk.

The approval of the capital programme by Full Council is required to ensure it is also able to deliver against the corporate priorities whilst remaining affordable, transparent and in understanding of any financial exposure risks.

The Medium-Term Financial Strategy assesses the financial health of the Council over the next five years, identifying any areas for concern and allowing appropriate plans to be put in place in good time. This needs to be calculated with strong consideration to all current corporate priorities and may shape any changes to those priorities in the coming years.

Executive Summary:

Given the current economic and financial climate, it is a positive position that the Council is able to set a balanced budget for the forthcoming financial year 2024/25. Salary increases and general inflation are both exceeding the available additional funding at a time when demand led pressures, such as temporary accommodation and homelessness, are also on the rise. Furthermore, with the recommended approach, the Council is able to balance the budget without the use of reserves, protecting these resources for specific, planned projects over the coming years.

The net cash limited revenue budget for 2024/25 is £18,160,000, an increase of 7% on the current year.

To achieve this, the following recommendations and assumptions have been made:

- To increase council tax in line with the maximum allowable rise without triggering a referendum (2.99%)
- Retained business rate are increased equivalent to a 6.7% rise in tariff (in line with September 2023 CPI)
- Fees and charges are to be increased by 6.7% (in line with September 2023 CPI) unless a zero-based review has been carried out for a specific charge.
- Treasury investment income is assumed in line with forecast market data from independent industry specialists.

- All non-essential historic vacancies to be removed from the budget.

The Medium-Term Financial Strategy forecasts a base budget deficit of £2m by the end of the 2028/29 financial year. This is based on known data and best estimates. The Council will be launching a savings and efficiency programme in the new financial year to close the forecast budget gap within the lifespan of the plan.

The Capital Programme aims to deliver up to £69m worth of projects over the next five years. These include renovating existing assets, providing new community facilities thorough to major infrastructure projects. Funding for each project varies based on its specific circumstances but could include external grants, Community Infrastructure Levy funding, capital receipts, borrowing or general reserves.

Recommendations:

Cabinet recommends to Council that Council:

- 1) Approves the proposed Revenue Budget and Capital Programme for 2024-25 and sets a Council Tax rate of £232.82 at Band D, representing a £6.76 increase on the current charge.
- 2) Approves the Medium-Term Financial Strategy for the period 2024/25 to 2028/29, Capital Strategy, Investment Strategy, Treasury Management Strategy Business Rates 2024/25 and Prudential Indicators.
- 3) Approves the Fees & Charges schedule for 2024-25.
- 4) Approves the Council Tax Resolution, as per Appendix I.
- 5) Approves the application of a Council Tax premium of 100% for all dwellings which are unoccupied but substantially furnished (second homes) with effect from 1st April 2025.
- 6) Approve the drawdown of up to £500,000 from the ringfenced Leisure Contingency Reserve to be used to secure the main leisure facilities in Havant Town and Waterlooville.
- 7) Delegate authority to the Chief Executive Officer, in conjunction with the Section 151 Officer to agree terms with Horizon Leisure Trust in line with the approved drawdown.
- 8) Notes and endorses the Statement of the S151 Officer on the robustness of the budget and the adequacy of the Council's reserves.

1.0 Introduction

- 1.1 Following a thorough process of challenge and review, and considering all known financial pressures and opportunities, the Council is presented with the following proposals for its revenue budget, medium-term financial strategy, capital strategy and capital programme, treasury management strategy, fees and charges and Council Tax resolution.

2.0 Background

- 2.1 It is a legal requirement for the Council to set a “Balanced Budget”. Each year, the Council faces a number of changes to our available funding, demand on services and costs of inflation. Given the general rate of inflation, this has put significant pressure on the Council’s budget in the past few years.

3.0 National Developments and Economic Environment

- 3.1 As well as the Council’s direct funding and cost pressures, there are a number of wider economic pressures that impact the Council’s budget, even if not directly.
- 3.2 The ongoing conflicts in Ukraine and the Middle East have had many impacts including reducing the available funding the Treasury has to support Local Government, driving up inflation and the cost of goods and increasing the numbers of asylum seekers (nationally).
- 3.3 The increasing Bank of England base rate can be seen as a positive and a negative. It improves the performance of our treasury investments (of which the Council has relatively high levels), increases the cost of borrowing (of which the Council has very little) but also makes the costs of borrowing harder for both residents and the Council.
- 3.4 The general “Cost of Living Crisis” has also seen significant increase in the number of residents presenting as homeless and has become one of the Council’s biggest cost pressures in 2023/24.

4.0 Relationship to the Corporate Strategy

- 4.1 Without a balanced budget and agreed capital programme, the Council would not be able to deliver very much of its corporate strategy and would be restricted to statutory functions.
- 4.2 Ensuring that key projects that support the corporate strategy have approved funding (whether revenue or capital) is essential to ensuring the achievement of their objectives.
- 4.3 Our Corporate Strategy, adopted in February 2023, outlines three themes of wellbeing, pride in place and growth, these themes seek to improve the health of our communities, protect our natural environment and build for the future. Underpinning our Corporate Strategy we have identified 16 corporate priorities that we are taking forward for delivery which our budget supports.

Wellbeing

- Purchase of temporary accommodation to provide support to those who are at risk of homelessness as well as providing additional funding to Citizens Advice to support those with housing pressures.
- Delivery of the Local Authority Housing Fund which will help secure longer-term accommodation for refugees living in the borough.
- Continued investment in our play park refurbishment programme with three play parks due for refurbishment over the coming 18 months (Avenue Road, Hayling, Scratchface Lane and Cowplain Recreation Ground).
- Providing funds to support the Waterlooville Leisure Centre development.

Pride in Place

- Continued delivery of our coastal protection and management projects across the borough.
- Development and delivery of our Local Plan to ensure sustainable development in the borough.
- Funds to support delivery of deployable and static CCTV cameras around the borough.
- Additional funding to help with our climate initiatives.

- Implementing our new prevention and enforcement service focusing on triage and early intervention to improve the quality of place across the borough.

Growth

- Delivery of the Waterloooville Masterplan to identify key areas of growth, future development and identify improvements to the local economy and town centre.
- Progression of the Bulbeck Road car park demolition to help regenerate Havant town centre.
- Implementation of a programme of Civil Engineering projects to improve active travel routes, such as new or improved cycle routes around the borough.
- Continuation of the grant scheme for vacant shops in Waterloooville and Leigh Park to reduce the high shop vacancy rate in those areas Commitment to continue our regeneration plans across the borough.

5.0 The Annual Budget Process

- 5.1 The annual budget setting process began on 1st September 2023. This gave the Council four clear months to run the financial and service impact assessments to be able to understand the challenges and find solutions.
- 5.2 The first part is to understand the available funding to the Council. This is primarily made up of Council Tax receipts, Retained Business Rates, Non-ringfenced Government grants and Investment income.
- 5.3 The final funding figures could not be agreed until the Government announced the financial “settlement”, which was publicised just before Christmas.
- 5.4 The Business Partnering Team have worked with Cabinet Leads (portfolio holders), Executive Heads and senior Service Managers to identify each service’s known and emerging costs pressures, what income or savings opportunities they have, what new opportunities or service gaps they might need/wish to fund and what their capital bids are.
- 5.5 The process focuses the Council’s spend in different ways, such as:
 - Which of our services are statutory or discretionary,
 - What are the interdependencies between services,

- Is a bid for additional funding (or capital expenditure) an investment to save costs elsewhere in the budget,
 - How much influence do we have over the budget's performance (such as can we change the cost drivers or is it reactive to external pressures)'
 - Is the cost/service "demand led" such as temporary housing.
- 5.6 Known and expected cost pressures are identified, service changes are financially evaluated and revenue and capital bids are submitted to the finance department for assessment. They are then scrutinised and challenged for accuracy and appropriateness before the first draft submission is shared with the Executive Leadership Team and the Cabinet.
- 5.7 Specific budget workshops are then held to work out priorities and to understand the collective financial position and pressure. If any budget gap is identified then a range of solutions will be drawn up and corrective plans worked through with key stakeholders.
- 5.8 The budget then goes through a series of committees before being presented to Full Council with a range of recommendations for approval.

6.0 Revenue Budget

- 6.1 After the Local Government financial settlement, it can be assumed that the available cash funding for the proposed 2024/25 revenue budget is £18.16m.
- 6.2 This figure is made up of £5.36m in retained business rates, £9.9m in Council tax receipts, £1.1m in un-ringfenced government grants and £1.66m in investment income. There are further specific grants budgeted, and there is income from fees and charges, but these form part of the "net cash" limit and not the funding available.
- 6.3 The funding figures include an assumption that Council tax will be increased by 2.99%, that Business Rates retained will be equivalent to an increase of 6.7% in line with September 2023 CPI.
- 6.4 The initial "draft submission" returned a budget gap of £1.2m. However, there was significant scope to close this gap before the final budget was presented for approval. At this stage, no increase in fees and charges had been included.
- 6.5 A review of the Councils establishment list identified that of £1.25m of vacancies, ~£750k were not currently being covered by other means.
- 6.6 The proposal put forward was to increase the fees and charges in line with September 2023 CPI inflation (6.7%). Once any appropriate

pressures had been moved to in-year pressures, that left a budget gap of ~£350k. Options to close this gap have been identified as:

- Remove non-essential, unused vacancies (up to £750k available)
- Raise fees and charges above 6.7% inflation.
- Delay the capital programme to generate more investment income from treasury management.
- Amend our Treasury Management Strategy to explore higher risk/higher reward investments.
- Make cuts to discretionary services.
- Explore additional commercial income opportunities.
- Use the Council's revenue reserves.

6.7 The proposed budget includes the removal of non-essential historic vacancies. This option enable the budget to be balanced with minimum risk. All other options either directly impact current or planned services or place the Council's risk level above its current appetite. It is worth noting that the removal of these vacancies will have no impact on maintaining current levels of services delivery.

6.8 Further detail can be found in Appendix A

7.0 Medium-Term Financial Strategy 2024/25 to 2028/29

7.1 The Medium-Term Financial Strategy (MTFS) sets out the anticipated financial performance, pressures and opportunities of the Council over the next five years.

7.2 The MTFS is informed by analysis of the Local Government Financial Settlement, known funding guarantees and/or pressures, known and anticipated cost pressures, known and/or planned service changes and market and economic data.

7.3 The MTFS for the five-year period 2024/25 to 2028/29 is forecasting a base budget deficit growing to £2m by the 2028/29 financial year. The accumulative cash deficit over the five-year period is £5.2m. This would use up half of the Councils current revenue reserves.

7.4 It should be noted that the funding figures assume the cessation of some grant funding such as the New Homes Bonus (£0.5m per annum) from 2025/26. If the Council still received this (or the financial equivalent) from central government, then the base budget deficit would be £1.5m and the accumulated five-year deficit £3.2m.

7.5 Growth in Council Tax is based on the application of the maximum increase allowed without triggering a referendum (2.99% or £5 per week on the Band D equivalent, whichever the higher) and includes

allowances for both housing growth, council tax reliefs and reasonable rates of recovery.

- 7.6 Business rate growth has been set based on the announcement of a levy increase equivalent to September 2023 CPI (6.7%) and any known exceptional change to the current cohort of businesses charged.
- 7.7 Investment income allows for an anticipated reduction in interest rates and for a reduction in available cash to invest as the Council uses some of its cash balances to deliver the capital programme.
- 7.8 Given the risk over the future funding deficit, and the projected drop in revenue reserves, the Council proposes to launch a programme to identify options to close the medium-term funding gap so that it continues to live within its financial means.
- 7.9 Further detail can be found in Appendix B.

8.0 Capital Strategy

- 8.1 The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans, in particular the Regeneration Strategy as well as the Medium-Term Financial Strategy (MTFS). The Capital Strategy is written following guidance included in the Prudential Code (2018) and is required to be approved by Full Council.
- 8.2 The objectives of the Capital Strategy are to:
 - Provide a longer-term view of capital expenditure plans.
 - Provide an overview of the governance process for approval and monitoring of capital expenditure.
 - Provide an overview of asset management planning.
 - Provide expectations around debt and use of internal borrowing to support capital expenditure.
 - Define the authority's approach to commercial activities including due diligence and risk appetite.
 - Defines the available knowledge and skills to the authority in relation to capital investment activities.

- 8.3 For the year ended 31 March 2023 the Council Asset Portfolio consisted of £36.6m of Investment Property, £63.3m of Property, Plant & Equipment and £8k of Assets under construction.
- 8.4 Further detail can be found in Appendix C.

9.0 Capital Programme 2024/25 to 2028/29

- 9.1 The Capital Programme aims to set out the planned capital expenditure and projects to be delivered over the next 5-year period. It includes any existing “live” projects that are carried over from the prior year’s capital programme (along with any agreed funding) and any new approved projects submitted through the capital bidding processes.
- 9.2 The Council is proposing to invest up to £69m in its capital programme by 2028/29.
- 9.3 The capital programme is funded from existing and assumed future capital resources. These include:
- Capital receipts.
 - Section 106 Fund.
 - Community Infrastructure Levy (CIL) funds (both Strategic and Neighbourhood CIL).
 - Capital Grants.
 - Borrowing.
- 9.4 Each of these funding source has either specific conditions (such as grant conditions) or restrictions on how they can be spent. Some capital projects will be able to access certain funding that others won’t. The proposal considers all these funding complexities to piece together the final programme and ensure it is affordable.
- 9.5 It is also worth noting that some projects require funding cover rather than final commitment. In these instances, further grant funding or contributions are being sought, and the figure in the budget is the safe level required to underwrite the project only if other funds are not secured.
- 9.6 Further detail can be found in Appendix D.

10.0 Council Reserves

- 10.1 The Council holds a number of financial reserves, both revenue and capital. Some of these are earmarked reserves and some have conditions attached. There is also a general fund balance which is not earmarked is where any general underspend of the revenue budget would be transferred to or any general overspend would be funded from.
- 10.2 As at the year ended 31 March 2023, the revenue reserves total £9.8m, of which £2.2m was the general fund balance and £7.6m was earmark reserves.
- 10.3 During the year, the Council approved the recommendation to realign £1.3m of earmarked reserves to fund the procurement of many of the Council's currently outsourced core services that are due to be out of contract in 2025.
- 10.4 Whilst reserves should not be seen as a "safety net" and are an integral part of the Council's financial planning, should the forecast over the medium-term be that the Council's reserves might fall into a negative balance, then the issuing of a Section 114 notice must be seriously considered. The Council's safe minimum level of reserves is £2.98m.
- 10.5 The current medium-term financial strategy does not forecast such a position. However, reserves are expected to fall significantly should the Government not increase either the Council's direct funding or it's funding flexibility and service, process and financial efficiencies will need to be explored in detail.
- 10.6 There is a requirement in 2024/25 to review the structure of the Council's future leisure provision. To achieve this, it is recommended to commit up to £500k from the specific Leisure Contingency reserve in order to invest in key services across the Borough over the medium-term, whilst de-risking the Council's future financial exposure.
- 10.7 The Council also has £33.3m in Capital reserves. Of which, £10.3m are Capital Receipts and £23m are Capital Grants. Capital reserves cannot be spent on revenue costs unless the Council requests the use of Capital flexibilities from the Minister for Local Government, and even then, they can only be used in specific circumstances where the costs are incurred in delivering an ongoing saving from the implementation of a new system or asset.
- 10.8 Further detail can be found in Appendix E.

11.0 Treasury Management Strategy

- 11.1 The Treasury Management Strategy outlines the Council's prudential indicators and sets the expected treasury operations for the period.
- 11.2 The Treasury Management Strategy outlines how the Council manages its borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 11.3 The content of the Treasury Management Strategy is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code and the CIPFA Treasury Management Code.
- 11.4 Further detail can be found in Appendix F.

12.0 Investment Strategy

- 12.1 The Investment Strategy sets out how the Council manages its cash resources for the year. For the past 12 months, the Council has invested between £36.5m and £46.5m depending on working capital requirements/availability.
- 12.2 The Investment Strategy sets out the principles, guidelines, regulations and risk appetite that investment activities will adhere to. The purpose is to strike a reasonable balance between risk and yield. The risk appetite would typically be lower than as many private businesses as profits (or shareholder wealth) is not a driver of the organisation and it is extremely important to protect the public purse.
- 12.3 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.
- 12.4 The Investment Strategy is also informed by specialist third party local government treasury advisors, Arlingclose, who provide market data on both yield, risk and trends.
- 12.5 The Investment Strategy defines a list of approved counterparties, with which investments can be placed. These detail both time and cash limits for each class or type of investment.
- 12.6 Further detail can be found in Appendix G.

13.0 Fees and Charge 2024/25

- 13.1 Fees and charges are set on a cost recovery basis where required.
- 13.2 Where possible, detailed work is carried out to assess the true cost of delivering a chargeable service and that information will inform any proposed change to the current rate/s charged.
- 13.3 Elsewhere, fees and charges are often increased in line with inflation. This is usually based on September CPI, which keeps the increase in line with most inflationary increases in local and national government, and in line with any increase to benefits rates.
- 13.4 After the Autumn statement, where the Chancellor of the Exchequer confirmed that benefits and allowances would increase at September's 6.7% CPI figure (rather than October's 4.4%), the general rate of increase for the Council's fees and charges is proposed at 6.7% as well.
- 13.5 Some specific services will have a different rate of increase, either where a full cost recovery exercise has taken place, or where a discounted rate is to be offered for either commercial reasons or to support the delivery of one or more of the Council's corporate priorities or strategic aims.
- 13.6 The proposed increase to fees and charges is estimated to bring in an additional £430k to support the Council's revenue budget.
- 13.7 Further detail can be found in Appendix H.

14.0 Council Tax Resolution 2024/25

- 14.1 The Council Tax resolution is required to set the level of Council Tax charge for the new financial year.
- 14.2 The following is extracted from Appendix I to highlight the key decision for the Council to approve.
 - a. That it be noted that (on 31st January 2024) the Chief Finance Officer calculated the Council Tax Base 2024/25 for the whole Council area as **42,528.17** [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended, (the "Act")] and that this Council Tax base be split between the regions of the Environment Agency as follows:

Southern – **42,528.17**
 - b. That the following amounts be calculated by the Council for the year 2024/25 in accordance with Sections 31 and 34 to 36 of the Act.

- i. **£62,265,336** (expenditure) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act;
- ii. **£52,363,927** (income) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act;
- iii. **£9,901,409** being the amount by which the aggregate at b(i) above exceeds the aggregate at b(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in section 31A(4) of the Act);
- iv. **£232.82** being the amount at b(iii) above (Item R), divided by Item T(a above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

14.3 Further detail can be found in Appendix I.

15.0 Council Tax on Second Homes

- 15.1 The Levelling Up and Regeneration Bill allows councils to; levy a council tax premium on second homes of up to 100% and permits a council tax premium on empty properties at an earlier point than legislation currently permits.
- 15.2 This report has been written in accordance with the provisions of The Levelling-Up and Regeneration Act 2023, which inserts Section 11C to The Local Government Finance Act 1992.
- 15.3 On 26 October 2023, The Levelling-Up and Regeneration Act 2023 (The Act) received Royal Assent and Section 73 of The Act provides councils the discretion to charge additional council tax of up to 100% on all residential dwellings which are occupied periodically, substantially furnished and no one is resident for council tax purposes i.e. second homes.
- 15.4 There are estimated to be 250 homes that would fall under this classification in the Borough at this current time and this would result in approximately £60k in additional Tax revenue for the Council and £485k to the relevant precepting authorities.
- 15.5 Under Section 73(2)(3), any decision to increase the council tax on second homes must be made at least one year prior to the beginning of the financial year from which it relates, hence can only take effect from 1st April 2025 at the earliest.
- 15.6 The Council proposes to charge the maximum allowable 100% additional rate for second homes within the borough. The Council is required to give notice of this, in the budget the year prior to raising

this levy. Therefore, the levy is intended to be applied in the 2025/26 financial year.

- 15.7 Should Council agree the recommendation, a notice will be published in a local newspaper within 21 days of the decision date.

16.0 Business Rates 2024/25

- 16.1 The Council collects non-domestic rates (NDR) from businesses within the Borough.
- 16.2 The Council is entitled to a maximum of 40% of the business rates collected. Central Government are entitled to 50%, Hampshire County Council 9% and the Hampshire Fire Authority 1%.
- 16.3 The Council then must pay a tariff on the maximum amount and a levy on growth, but also receives a business rates grant. This results in a retained business rates figure of approximately 15% of the total business rates yield for the Borough.
- 16.4 Discounting growth or collection rates, the retained business rates figure for the council is set to increase by the September 2023 consumer price index (CPI) inflation figure of 6.7%
- 16.5 For the 2024/25 budget, retained business rates are estimated at £5.3m.
- 16.6 Further detail can be found in Appendix J

17.0 Options

- 17.1 The proposed 2024/25 budget has been drawn up in consideration to all statutory and constitutional requirements.
- 17.2 Whilst there are alternatives to the recommended options, each will have a financial consequence which would require further investigation and consultation to be able to produce a balanced budget. For example, deciding not to increase Council Tax would mean having to make revenue budget savings of approximately £300k.
- 17.3 The 2024-25 budget has been prepared on the following basis which has guided the recommendations.

- 17.4 **Council Tax:** The budget proposals assume that Council Tax will increase by 2.99% for 2024-25 representing £232.84 at Band D. This overall forecast also includes a small increase to reflect growth in housing numbers year on year.
- 17.5 The Council Tax paid by an individual is a combination of:
- Hampshire County Council Precept
 - Police and Crime Commissioner for Hampshire Precept
 - The Fire and Rescue Authority Precept
 - Havant Borough Council
- 17.6 Every 1% change to Council Tax equates to a change of approximately £99k to the Council's revenue budget.
- 17.7 **Fees and Charge:** The baseline increase for fees and charges has been set at 6.7%. This is based on September 2023 CPI and is in line with the % increase by Government for benefits. Every 1% change in the % applied to fees and charges is equivalent to approximately £65k for the Council's net revenue budget.
- 17.8 Some areas of fees and charges have had a full zero-base review. Others will not have any increase applied to promote and support key community activities.
- 17.9 **Review of Establishment:** The Council's establishment has been thoroughly reviewed in consideration of both current and planned services requirements and it is proposed to remove any non-essential, historic vacancies.
- 17.10 All current and new vacancies will be reviewed as part of the saving and efficiencies programme in 2024/25 to ensure value for money and that the required service standards can be met.
- 17.11 **Treasury Management Strategy and Investment Strategy:** The Council's risk appetite for its treasury management and investment strategy is in line with standard recommendations for Local Government. The risk profile is low, capital is not put at risk and high returns are not chased if they are susceptible to too much volatility. This means that returns are typically not much above the Bank of England base rate, yet they are secure. They are also made with the support of specialist Local Government Treasury advisors.
- 17.12 The Council could choose to alter its risk appetite and explore higher return investments. However, this is not considered to be prudent or appropriate given the financial difficulties face several other Local Authorities who have sought alternative, higher risk, investments.
- 17.13 **Capital Programme:** The Council's capital programme will see it invest in new projects and infrastructure over the next five years. To

fund this programme, some of the Council's cash reserves will be spent.

- 17.14 One option to support balancing the revenue budget would be to delay the delivery of the capital programme, thus providing more funds to invest and increase the Council's investment income. This has not been recommended as a viable option as it would delay the delivery of key projects for the Borough.
- 17.15 **Commercial Income:** The Council has a prudent approach to commercial income. All investment opportunities are appraised based on the prudential code and will only be considered if they meet the key criteria. Particularly that the investment is held to either protect the local economy or as part of future regeneration plans. The Council could adopt a less prudent approach but this would be both riskier (financially) and could also put at risk the potential to borrow through the Public Works Loan Board (PWLB).
- 17.16 **Service Cuts:** Not all services provided by the Council are statutory. Many services are discretionary and could be considered for funding cuts or ceasing altogether. However, all the discretionary services provided have a strong purpose and support the local communities. It has not been considered appropriate to consider cuts to services when other options are available to balance the budget.
- 17.17 **Use of reserves:** Whilst many UK Local Authorities have had to use their reserves to balance their budgets, this can only ever be a temporary measure, and should be considered a last resort to retain frontline services. The Council has within its gift the ability to balance the revenue budget without using general reserves. It is also important for the medium-term financial strategy to balance the budget in year, without use of reserves so as to reduce the base budget and protect the finite reserves for their intended purposes only, and to retain sufficient reserves to deal with the unexpected should it arise.
- 17.18 In accordance with Council Standing Order 20.3, when the Cabinet makes recommendations to the Full Council in relation to calculating the budget requirement and setting the Council tax, any amendments to those recommendations which affect those calculations, or the level of Council tax must be submitted in writing and received by the Monitoring Officer by 4pm on the seventh day after the meeting of the Cabinet. Any such amendment, together with the recommendations of the Cabinet, will be referred to the Overview & Scrutiny Committee which will report to the Full Council meeting at which the Full Council calculates the budget and sets the Council Tax (the Budget Council meeting).

18.0 Conclusion

- 18.1 The 2024/25 budget is the culmination of many months of work between the Council's leadership team, officers, and elected members. The revenue budget has been balanced within existing funding and includes some new elements of investment and growth, whilst protecting the Council's finite reserves.
- 18.2 The Capital programme will see the Council deliver significant investment to the Boroughs infrastructure and community assets, whilst further investing in vital services.
- 18.3 The Medium-Term Financial Strategy indicates some tougher challenges ahead with a predicted deficit balance to contend with. However, there is time to address these challenges and scope to find solutions to ensure the budget can be balanced in future years without impacting core services to residents and businesses. This places the Council in a more secure position than many other local authorities and better equipped to deal with the pressures as and when they arise.

19.0 Statement of Robustness

- 19.1 The Section 151 Officer (S151 of the Local Government Act 1972) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act.
- 19.2 This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.
- 19.3 In relation to the 2024/25 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging, the budget presented is more than achievable, having been constructed in a consultative and collaborative manner and with evidence-based calculations and assumptions and with regard to both internal and external specialist advice. I am also satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.
- 19.4 In relation to the adequacy of reserves, the overall position is that the authority has healthy balances across the General Fund and Capital but recognises that over the medium term these are potentially reducing to position that may be considered uncomfortable should further funding or efficiency savings not be found.

- 19.5 As Section 151 and Chief Financial Officer I am content that the budget being presented is adequate, and that the level of reserves held throughout the MTFS period are adequate to meet the Council's financial obligations having due regard for foreseeable risk.
- 19.6 Further detail can be found in Appendix K.

20.0 Implications and Comments

20.1 S151 Comments

Members should be reminded of the financial challenges facing all local authorities across the country. The Council finds itself in a fortunate position that it is not burdened by significant amounts of debt (unlike many other authorities) and that it has a reasonable level of reserves.

However, the Council does have some significant cost pressures and future challenges to overcome.

Members should ensure themselves they are comfortable that the proposed budget meets the statutory legal requirements whilst delivering value for money for the residents of the Borough.

20.2 Financial Implications

The main financial implications are detailed throughout the report and its appendices.

20.3 Monitoring Officer Comments

In accordance with the Local Government Finance Act 1992, local authorities in England and Wales are required to set a balanced budget for each financial year, following a specific process.

Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided against the costs of providing such services.

The Medium-Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and must be approved by Full Council.

The Council's Budget and Policy Framework Procedure Rules set out in the Council's Constitution provide a legal framework for the

decision-making process whereby the budget of the Council is determined, and the council tax is set.

20.4 Legal Implications

Members have fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers.

In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

The Council has a duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to set a lawful Council Tax could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.

Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

Section 25 of the Local Government Act 2003 imposes a specific duty on the S151 Officer to formally report to council at the time the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of financial reserves. This statement by the S151 Officer is included alongside the budget and council tax setting report to both Cabinet and Full Council in February.

20.5 Equality and Diversity

- These recommendations comply with our internal Equality and Diversity policy and practises where applicable.

20.6 Human Resources

- These recommendations have been considered in line with current HR policies and best practise.

20.7 Information Governance

- These recommendations have been considered in line with current information and governance guidelines.

20.8 Climate and Environment

- There are no direct climate and environmental impacts from the report itself. However, the detailed service delivery plans that underpin the budget requirements will each have their own potential climate and environmental impacts. These have been formulated with consideration to the Council's current climate strategy.

21.0 Risks

21.1 Failure to set a balanced budget would likely trigger a Section 114 notice and result in both a very strict series of cost control measures and an intervention from central government.

21.2 The 2024-25 budget preparation has identified the following key corporate risks:

- Future funding and cost risks from the changes to the Environment Act around waste collection and recycling.
- Future reduction in funding for grants such as the New Homes Bonus and the Core Spending Power grants.
- Levels of homelessness continue to rise putting significant pressure on the costs of temporary accommodation.
- The cost-of-living crisis escalates further placing local residents under increased pressure and increasing demand on services from the Council.
- The financial challenges faced by Hampshire County Council result in decision which impact the residents of the Borough thus that they place increased demand on services delivered by the Council.

22.0 Consultation

22.1 The Council has undertaken extensive internal consultation as part of the budget setting process. The budget has been built in consultation with the Chief Executive, Executive Heads of Service, budget holders and Cabinet Leads.

22.2 The draft budget has also been reviewed by the Audit and Finance Committee and the Overview and Scrutiny Committee.

22.3 Finally, the budget was taken to the publicly attended Cabinet meeting on 14 February 2023 before being considered at Full Council.

23.0 Communications

23.1 Subject to approval by Full Council the finalised budgets will be published on the Council website.

| Agreed and signed off by: | | Date: |
|----------------------------------|----------------|--------------|
| Cabinet Lead: | Cllr N Bowdell | 06/02/2024 |
| Executive Head: | Matt Goodwin | 05/02/2024 |
| Monitoring Officer: | Jo McIntosh | 06/02/2024 |
| Section151 Officer: | Steven Pink | 02/02/2024 |

| Revenue Budget Summary 2024/25 | | | | | | | | |
|---------------------------------------|---------------|--------------|---------------|--------------|---------------|---------------|-----------------|-----------------|
| | Employee's | Premises | Contract | Supplies and | Other Costs | Gross | Gross | Net Cost of |
| | Costs | Costs | Payments | Services | | Expenditure | Income | Service |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Coastal Partnership | 5,008 | 130 | 13 | 669 | 35 | 5,855 | (5,530) | 325 |
| Commercial | 1,496 | 1,727 | 15,060 | 648 | 19,963 | 38,893 | (30,818) | 8,075 |
| Housing & Communities | 1,378 | 19 | 0 | 2,194 | 8 | 3,600 | (1,985) | 1,615 |
| Internal Services | 4,712 | 52 | 430 | 2,317 | (395) | 7,116 | (148) | 6,969 |
| Place | 3,766 | 2 | 0 | 1,670 | (1,169) | 4,269 | (2,111) | 2,158 |
| Regeneration | 1,494 | 237 | 79 | 701 | 20 | 2,532 | (3,514) | (982) |
| Total Cost of Services | 17,854 | 2,167 | 15,582 | 8,200 | 18,462 | 62,265 | (44,105) | 18,160 |
| Funded by | | | | | | | | |
| | | | | | | | | £000's |
| Business Rates Retention | | | | | | | | (5,356) |
| Council Tax | | | | | | | | (9,902) |
| New Homes Bonus | | | | | | | | (506) |
| Service Grant | | | | | | | | (22) |
| Core Spending Power | | | | | | | | (549) |
| Revenue Support Grant | | | | | | | | (166) |
| Investment Income | | | | | | | | (1,659) |
| Total Income | | | | | | | | (18,160) |

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General Fund Summary

2024/25 to 2028/29 Medium-Term Financial Strategy

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Expenditure | | | | | |
| Head of Coastal Partnership | 325 | 325 | 325 | 325 | 325 |
| Head of Commercial | 8,075 | 7,881 | 8,111 | 8,340 | 8,570 |
| Head of Internal Services | 6,969 | 6,969 | 6,969 | 6,969 | 6,969 |
| Head of Place | 2,158 | 2,158 | 2,158 | 2,158 | 2,158 |
| Head of Communities and Housing | 1,615 | 1,315 | 1,265 | 1,265 | 1,265 |
| Head of Regeneration | (982) | (1,232) | (1,232) | (1,232) | (1,232) |
| Total Cost of Services | 18,160 | 17,416 | 17,596 | 17,825 | 18,055 |
| Salary Inflation | 0 | 488 | 991 | 1,508 | 2,041 |
| Total Cost of Services | 18,160 | 17,904 | 18,586 | 19,333 | 20,096 |

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Funding | | | | | |
| Business Rates Retention | (5,356) | (5,249) | (5,354) | (5,461) | (5,570) |
| Council Tax | (9,902) | (10,274) | (10,687) | (11,117) | (11,564) |
| New Homes Bonus | (506) | | | | |
| Service & LTS Grant | (21) | (21) | (21) | (21) | (21) |
| Core Spending Power | (549) | (724) | (557) | | |
| RSG | (166) | (171) | (174) | (177) | (181) |
| Investment Income | (1,659) | (1,258) | (864) | (714) | (714) |
| Total Income | (18,160) | (17,697) | (17,657) | (17,490) | (18,050) |
| Total deficit/(Surplus) | 0 | 207 | 929 | 1,843 | 2,046 |

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Revenue Reserves | | | | | |
| Opening Balance | 9,862 | 8,940 | 8,586 | 7,233 | 5,390 |
| less planned movement in reserves | 922 | 146 | 424 | | |
| (surplus)/deficit from revenue budget | 0 | 207 | 929 | 1,843 | 2,046 |
| Closing Balance | 8,940 | 8,586 | 7,233 | 5,390 | 3,344 |
| Minimum Level of Balances | 2,975 | 2,975 | 2,975 | 2,975 | 2,975 |
| Usable Reserves Balance | 5,965 | 5,611 | 4,258 | 2,415 | 369 |

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Capital Strategy

Havant Borough Council

2024/25 to 2028/29

1.0 Introduction

1.1 The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans, in particular the Regeneration Strategy as well as the Medium-Term Financial Strategy (MTFS). The Capital Strategy is written following guidance included in the Prudential Code (2018) and is required to be approved by Full Council.

1.2 The objectives of the Capital Strategy are to:

- Provide an overview of the governance process for approval and monitoring of capital expenditure;
- Provide a longer-term view of capital expenditure plans;
- Provide an overview of asset management planning;
- Provide expectations around debt and use of internal borrowing to support capital expenditure;
- Define the authority's approach to commercial activities including due diligence and risk appetite;
- Defines the available knowledge and skills to the authority in relation to capital investment activities.

1.3 Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes. The Council's policy on capitalisation is included in the Accounting Policies of the Statement of Accounts. The policy states that only assets with a value over £15,000 will be capitalised and therefore expenditure under these limits is deemed to be a revenue cost.

Current Asset Portfolio

1.4 The Council holds assets split across two categories as detailed below:

- **Investment Property (Non-Operational)**

These assets include Industrial Estates, land held for capital appreciation and rental income.

- **Property, Plant & Equipment**

These are operational properties, land, vehicles, infrastructure and community assets that are used to deliver council services and include Council.

- 1.5 The Council holds an investment portfolio that supports both its operational activities and non-operational activities from which it receives an element of rental income. For the year ended 31 March 2023 the value of investment property rental income £1.5m which represents a gross yield of 3.8% on the value of the investment property assets held.

| Asset Category | Valuation 31/03/23 £000 | Rental Income 31/03/23 £000 |
|------------------------------|--|--|
| Investment Property | 38,100 | £1,448 |
| Property Plant and Equipment | 68,531 | |
| Assets Under Construction | 346 | |
| TOTAL | 106,977 | |

2.0 Financial Principles supporting the Capital Strategy

- 2.1 Capital expenditure is to be incurred in line with Financial Procedure Rules as follows:

- The Chief Finance Officer is responsible for ensuring that a capital programme is prepared for consideration by the Cabinet before submission to Full Council. New Capital projects should be identified by Executive Heads of Service to the Chief Finance Officer, as part of the Budget Planning Process, for inclusion in the Capital Programme.
- Capital schemes may only be committed after:
 - An assessment in the agreed standard format including an estimate of the associated revenue expenditure and income has been approved by the Cabinet; and
 - Appropriate finance has been made available.
- Where it appears that any scheme in the capital programme will be overspent by 10% or £50,000, whichever is the greater, a report shall be made to the Cabinet. The Chief Finance Officer will advise the Cabinet whether or how requests for additional capital finance can be achieved within the overall capital programme. The Chief Finance Officer is authorised to approve virements within the capital programme as outlined in Standing Order 63.

2.2 The key principles to be applied to the Capital Strategy are set out below:

- Capital resources are held corporately and are allocated according to the priorities set out in the Corporate Strategy (i.e. there is no automatic ring-fencing of resources for specific purposes other than Disabled Facilities Grants);
- Capital receipts will be allocated in accordance with Council priorities;
- The Council will seek to maximise the use of grants and external funding;
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities;
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process;
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects;
- Review of capital financing decisions which will likely have a revenue budget impact due to lack of capital resources (e.g. through reprofiling of capital receipts and borrowing);
- Revisit the Asset Management Plan to see if any asset can be sold;
- In order to reduce the exposure of the council to a borrowing requirement the following steps should continue to be examined:
 - Fundamental review of existing capital programme to ensure that schemes are still required and are accurate;
 - Maximisation of the use of grants and contributions from external sources;
 - Providing a recurring revenue contribution to the capital programme;
 - Invest to save schemes that can repay the capital investment over a period of time.

Capital Investment Assumptions:

- The current capital programme uses a combination of financing including capital receipts, grants & contributions, reserves and borrowing.
- The proposed Capital programme includes some key projects as outlined below:

- Purchase of Temporary Accommodation
 - Waterlooville Leisure Centre Development
 - Local Authority Housing fund for Homelessness
 - Bulbeck Road Redevelopment
 - Disabled Facilities Grant
 - Langstone FCERM (Stage 2)
 - South Hayling Beach Management Plan
 - Broadmarsh Coastal Defense
 - Southwest Hayling Seafront - West Beach
 - Various drainage and improvements
- 2.3 The Corporate Strategy forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.
- 2.4 The Capital Strategy must both support and inform the Council's vision for the Havant area and the strategic direction set out in the Corporate Strategy. This is to enable resources to be matched against the agreed priorities and any other supporting needs.
- 2.5 The Capital Strategy takes account of other Council Plans and Strategies which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies:
- The Medium-Term Financial Strategy, which provides information on the proposed revenue budget and considerations that will impact on future budgets.
 - The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
 - The Local Plan and supporting Infrastructure Delivery Plan.
 - Regeneration Strategy
 - There are also a number of other strategies, which set out policy direction for other key Council priorities.

3.0 Capital Expenditure

Capital Investment Priorities

- 3.1 The Capital Strategy needs to ensure that any capital investment decisions are both affordable and achieve the priorities as set out in the Havant Corporate Strategy; any such investment in assets is likely to have implications on the revenue budget.

- 3.2 The Capital Strategy must therefore recognise the implications of capital investment decisions and ensure that they are in line with Council priorities and financing requirements are robustly evaluated and understood.
- 3.3 The capital programme does not currently include all provisions for investment to progress the regeneration in the Havant borough as it will be subject to individual business case approval. Other capital investment opportunities may present themselves over the lifetime of the MTFS, and each will be subject to further business cases on investment opportunities and the benefits that could be made from those investments.
- 3.4 All business cases will be subject to the usual due diligence to ensure that they afford the best value for money for the Council, align with its core priorities and do not expose the Council to unnecessary risk that could put future delivery of services in jeopardy.

Capital Expenditure Forecasts

- 3.5 The Council's forecasts for the period 2024/25 to 2028/29 are shown below, the more detailed Capital Programme can be found as an Appendix D with the Council's approved Capital Budget.

| Summary of Capital Programme | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------------|---------------|---------------|--------------|--------------|
| Service area/Amount | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive Head of Housing and Communities | 15,649 | 330 | 330 | 330 | 60 |
| Executive Head of Regeneration, Economic Development and Preventative Services | 3,608 | 490 | 100 | 100 | 100 |
| Executive Head of Commercial | 430 | 184 | 186 | 204 | 191 |
| Executive Head of Internal | 207 | 0 | 0 | 0 | 0 |
| Executive Head of Place | 1,993 | 1,993 | 1,993 | 1,993 | 1,993 |
| Coastal Schemes | 3,566 | 8,878 | 8,944 | 1,096 | 4,165 |
| Total Capital Programme | 25,454 | 11,875 | 11,553 | 3,723 | 6,509 |

Current Resource Forecasts

- 3.6 The Council's capital programme will be financed (or paid for) through a variety of sources and the Chief Finance Officer will make recommendations on the most effective way of financing the Capital programme to optimise the overall use of resources. The Capital Programme is detailed at Appendix D.

Capital Grants

- 3.7 The Council receives one primary capital grant from central Government to support its role in providing Disabled Facilities Grants; for 2024/25 the Council has

been allocated £1.993m. The grant is distributed through the County Council as part of the wider Better Care Fund and, as such, future year's allocations may therefore be subject to change.

Revenue Contributions and Reserves

- 3.8 The capital programme can also be financed through the use of reserves (both capital and revenue) although revenue contributions will have an overall effect on the General Fund revenue budget.

3.9 Capital Receipts

Capital receipts arise principally from the sale of Council capital assets. The sales of assets are utilised to support the Capital programme in the Capital Strategy. The usable capital receipts reserve contains a current balance of £10.321m as at 31/03/2023 of which £8.9m is earmarked for regeneration reserve.

Community Infrastructure Levy (CIL)

- 3.10 The Council has put in place a separate spending protocol to guide CIL spending decisions. As well as detailing the process and operation of CIL spending decisions it ensures that any proposals are considered as part of the Council's annual capital budget setting process.
- 3.11 CIL is mainly collected on new housing developments and some retail where there is not an exemption given under the CIL Regulations 2010 (as amended).
- 3.12 The Council has put in place a separate spending protocol to guide CIL spending decisions. As well as detailing the process and operation of CIL spending decisions it ensures that any proposals are considered as part of the Council's annual capital budget setting process.
- 3.13 We are faced with falling CIL receipts, consequent upon the wider economic climate impacting the housing market, causing fewer sites to be commenced. It is anticipated that gross CIL receipts for the financial year ending 31/3/24 will be over £1,000,000 less than the gross CIL receipts for the financial year ending 31/3/23 which were £2,727,048. We are currently unable to forecast when the housing market will recover so may be faced with this reality for a number of years to come. This is likely to have a short to medium term impact on the provision of infrastructure.

Strategic CIL Funding

- 3.14 We received 15 'Expressions of Interest' in respect of Infrastructure related Capital Projects that could be eligible for Strategic CIL Funding.

- 3.15 Funding requests totaled in excess of £7,500,000 and the 'pot' available to spend is £5,979,239.
- 3.16 Decisions on Strategic CIL Funding recommended in the Capital Spending Strategy are in accordance with the CIL Spending Protocol 2024. These are reiterated below for clarity:

| Description | Amount |
|-----------------------------|-------------------|
| Langstone FCERM | £2,500,000 |
| Changing Places | £150,000 |
| Northney Drainage | £184,000 |
| Hayling Seafront Signage | £50,000 |
| Hayling Seafront Boardwalks | £30,000 |
| TOTAL | £2,914,000 |

To respond to falling CIL receipts we have therefore taken a prudent approach to this year's allocation of Strategic CIL Funds so there remains a suitable pot for commitment to future infrastructure provision likely to arise from the Corporate Strategy and its supporting strategies.

Neighborhood Portion CIL Funding

- 3.17 The total spending 'pot' for Neighborhood Portion CIL is as follows:

| Item | % | Amount |
|--|--------------------|-----------------|
| Parks, play, open spaces, sport and leisure | 50% | £309,283 |
| Public spaces and facilities | 25% | £154,642 |
| Community Centres | 12.50% | £77,321 |
| Walking and cycling routes, paths and facilities | 12.50% | £77,321 |
| | Sub total | |
| Additional Neighbourhood Portion for Emsworth | | £11,926 |
| | Grand total | £630,493 |

Funding decisions on Neighborhood Portion CIL allocation are delegated to the Head of Place in consultation with the Cabinet Lead for Communities and Housing. A report on CIL expenditure, project progress and performance will be submitted to Cabinet on a quarterly basis alongside the exist wider quarterly finance and performance reports.

Borrowing Requirement

- 3.18 The borrowing requirements have been updated to reflect the potential financing needs to support the HBC Corporate and Regeneration Strategies. The current Capital Programme (Appendix D) shows an Unsupported Borrowing requirement of £7.6m. At present it is anticipated this will be funded by Internal Borrowing while there are available resources, any External Borrowing required will be done in line with our Treasury Management Strategy detailed in Appendix F.

4.0 Treasury Management Strategy

The Capital Strategy is an accompaniment to the Treasury Management Strategy. The latter sets out the required Prudential Indicators for Treasury Management and Capital Expenditure and includes a Policy Statement for the Minimum Revenue Provision (MRP) for borrowing.

5.0 Commercial activity

- 5.1 Whilst the Council does currently receive income from investment properties it does not actively seek to generate additional revenue income through the purchase of investment properties.

6.0 Knowledge and Skills

- 6.1 The Council utilises the knowledge and skills of its internal officers when considering capital investment decisions and where necessary it also relies on the expert knowledge of specialist external advisors.
- 6.2 The Council employs professionally qualified legal, finance and property officers who are able to offer advice and guidance when considering any capital investment decisions.

Finance

- 6.3 The Section 151 Officer and Head of Corporate Finance (Deputy S151) are professionally qualified to advise the Council on all financial aspects of capital decisions. They also have numerous years of experience of how Councils work, and also undertake Continuous Professional Development. In addition, they maintain knowledge and skills through regular technical updates from appropriate bodies.

Property

- 6.4 The Council's in-house property team is made up of a number of Chartered Surveyors who advise the Council on all property matters. They are all members of the Royal Institution of Chartered Surveyors (RICS) and comply with the RICS's rules in relation to Continuing Professional Development. The Property Services Manager is also an RICS Registered Valuer.

Legal

- 6.5 Legal Staff are professionally qualified as either solicitors or legal executives and are regulated by their respective professional bodies (Solicitors Regulation Body/Institute of Legal Executives). The staff undertake Continuing Professional Development and their rules of conduct require that they have an appropriate level of skill and expertise. All staff are aware of the operational structure of the Council. The Council will also use external specialist legal advice on more complex transactions as and when required.

External Advice

- 6.6 The Council uses external advisors where necessary in order to complement the knowledge its own officers hold. Some of these advisors are contracted on long term contracts or are appointed on an ad-hoc basis when necessary.

Appendix C - Havant Borough Council - Capital Programme 2023/24 to 2028/29

| Ref | Scheme | Funding Source | Prior Years Spend | Forecast Expenditure 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|--|--|----------------|-------------------|------------------------------|---------------------|------------------|------------------|------------------|-----------------|---------------------|
| Executive Head of Housing and Communities | | | | | | | | | | |
| 1 | Purchase of Temporary Accommodation | UB | £ - | £ - | £ 2,000,000 | £ - | £ - | £ - | £ - | £ 2,000,000 |
| | | S106 (AH) | £ - | £ - | £ 700,000 | £ - | £ - | £ - | £ - | £ 700,000 |
| | | | £ - | £ - | £ 2,700,000 | £ - | £ - | £ - | £ - | £ 2,700,000 |
| 2 | Waterlooville Leisure Centre Development | s106 | £ - | £ - | £ 2,125,000 | £ - | £ - | £ - | £ - | £ 2,125,000 |
| | | OG | £ - | £ - | £ 350,000 | £ - | £ - | £ - | £ - | £ 350,000 |
| | | OC | £ - | £ - | £ 225,000 | £ - | £ - | £ - | £ - | £ 225,000 |
| | | | £ - | £ - | £ 2,700,000 | £ - | £ - | £ - | £ - | £ 2,700,000 |
| 3 | Local Authority Housing Fund - Tranche 1 | LAHF (DLUHC) | £ - | £ - | £ 2,823,551 | £ - | £ - | £ - | £ - | £ 2,823,551 |
| | | UB | £ - | £ - | £ 3,743,551 | £ - | £ - | £ - | £ - | £ 3,743,551 |
| | | | £ - | £ - | £ 6,567,102 | £ - | £ - | £ - | £ - | £ 6,567,102 |
| 4 | Local Authority Housing Fund - Tranche 2 | LAHF (DLUHC) | £ - | £ - | £ 1,426,930 | £ - | £ - | £ - | £ - | £ 1,426,930 |
| | | UB | £ - | £ - | £ 1,886,930 | £ - | £ - | £ - | £ - | £ 1,886,930 |
| | | | £ - | £ - | £ 3,313,860 | £ - | £ - | £ - | £ - | £ 3,313,860 |
| 5 | Sporting Development Havant College (REFCUS) | CIL (HBC) | £ 563 | £ - | £ 29,437 | £ - | £ - | £ - | £ - | £ 30,000 |
| 6 | Hayling Jumps Cycle Track | UKSPF (DHLUC) | £ - | £ 80,000 | £ - | £ - | £ - | £ - | £ - | £ 80,000 |
| 7 | Play Area Improvement Programme | CIL (Neigh) | £ - | £ - | £ 309,000 | £ 300,000 | £ 300,000 | £ 300,000 | £ 30,000 | £ 1,239,000 |
| | | RES (HBC) | £ - | £ - | £ 30,000 | £ 30,000 | £ 30,000 | £ 30,000 | £ 30,000 | £ 150,000 |
| | | | £ - | £ - | £ 339,000 | £ 330,000 | £ 330,000 | £ 330,000 | £ 60,000 | £ 1,389,000 |
| Total Executive Head of Housing and Communities | | | £ 563 | £ 80,000 | £ 15,649,399 | £ 330,000 | £ 330,000 | £ 330,000 | £ 60,000 | £ 16,779,962 |

Executive Head of Regeneration, Economic Development and Preventative Services

| | | | | | | | | | | |
|----|---|---------------|-----|----------|-------------|-----------|-----|-----|-----|-------------|
| 8 | Bulbeck Road Redevelopment | BRFG (DHLUC) | £ - | £ - | £ 1,650,000 | £ - | £ - | £ - | £ - | £ 1,650,000 |
| | | REGRES | £ - | £ - | £ 230,000 | £ - | £ - | £ - | £ - | £ 230,000 |
| | | | £ - | £ - | £ 1,880,000 | £ - | £ - | £ - | £ - | £ 1,880,000 |
| 9 | Changing Places Accessible Toilet programme | CHGP | £ - | £ - | £ 150,000 | £ - | £ - | £ - | £ - | £ 150,000 |
| | | CIL (HBC) | £ - | £ - | £ 150,000 | £ - | £ - | £ - | £ - | £ 150,000 |
| | | | £ - | £ - | £ 300,000 | £ - | £ - | £ - | £ - | £ 300,000 |
| 10 | UKSPF Open Space and Play Area Improvements | UKSPF (DHLUC) | £ - | £ 25,000 | £ 80,000 | £ 390,000 | £ - | £ - | £ - | £ 495,000 |

| | | | | | | | | | | | | | | | | | | |
|----|--|---------------|---|---|---|--------|---|---------|---|---------|---|---------|---|---------|---|---------|---|---------|
| 11 | Waterlooville Masterplan | REGRES | £ | - | £ | 50,000 | £ | 109,000 | £ | - | £ | - | £ | - | £ | - | £ | 159,000 |
| 12 | Hayling Seafront Disability Access | UKSPF (DHLUC) | £ | - | £ | - | £ | 90,000 | £ | - | £ | - | £ | - | £ | - | £ | 90,000 |
| 13 | Economic Development Schemes | UKSPF (DHLUC) | £ | - | £ | - | £ | 60,000 | £ | - | £ | - | £ | - | £ | - | £ | 60,000 |
| 14 | Leigh Park Vacant Shop Schemes | REGRES | £ | - | £ | 50,000 | £ | 120,000 | £ | - | £ | - | £ | - | £ | - | £ | 170,000 |
| 15 | Waterlooville Vacant Shop Schemes | UKSPF (DHLUC) | £ | - | £ | - | £ | 140,000 | £ | - | £ | - | £ | - | £ | - | £ | 140,000 |
| 16 | Car Park Enhancements Rolling Programme | RES (HBC) | £ | - | £ | - | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 500,000 |
| 17 | Chichester Avenue, Hayling Island | REGRES | £ | - | £ | - | £ | 25,500 | £ | - | £ | - | £ | - | £ | - | £ | 25,500 |
| 18 | Hayling Island Regeneration | REGRES | £ | - | £ | - | £ | 180,500 | £ | - | £ | - | £ | - | £ | - | £ | 180,500 |
| 19 | Civic Plaza | REGRES | £ | - | £ | - | £ | 65,500 | £ | - | £ | - | £ | - | £ | - | £ | 65,500 |
| 20 | Leisure Centre | REGRES | £ | - | £ | - | £ | 80,500 | £ | - | £ | - | £ | - | £ | - | £ | 80,500 |
| 21 | Deployable CCTV Cameras | RES (HBC) | £ | - | £ | - | £ | 42,000 | £ | - | £ | - | £ | - | £ | - | £ | 42,000 |
| 22 | Static CCTV Cameras | REGRES | £ | - | £ | - | £ | 72,000 | £ | - | £ | - | £ | - | £ | - | £ | 72,000 |
| 23 | New Document System (Enforcement) | RES (HBC) | £ | - | £ | - | £ | 38,000 | £ | - | £ | - | £ | - | £ | - | £ | 38,000 |
| 24 | Parking & Enforcement Debt Management Software | RES (HBC) | £ | - | £ | - | £ | 75,000 | £ | - | £ | - | £ | - | £ | - | £ | 75,000 |
| 25 | Housing Development on Council owned Land | REGRES | £ | - | £ | - | £ | 150,000 | £ | - | £ | - | £ | - | £ | - | £ | 150,000 |

| | | | | | | | | | | | | | | | | | | |
|--|--|--|---|---|---|---------|---|-----------|---|---------|---|---------|---|---------|---|---------|---|-----------|
| Total Executive Head of Regeneration, Economic Dev. & Preventative Services | | | £ | - | £ | 125,000 | £ | 3,608,000 | £ | 490,000 | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 4,523,000 |
|--|--|--|---|---|---|---------|---|-----------|---|---------|---|---------|---|---------|---|---------|---|-----------|

Executive Head of Commercial

| | | | | | | | | | | | | | | | | | | |
|----|--|-----------|---|---|---|---------|---|---------|---|---------|---|---------|---|---------|---|---------|---|---------|
| 26 | Expansion of Garden Waste Programme | RES (HBC) | £ | - | £ | 50,000 | £ | 50,000 | £ | - | £ | - | £ | - | £ | - | £ | 100,000 |
| 27 | Lease Surrender of Havant Lorry Park | RES (HBC) | £ | - | £ | 400,000 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 400,000 |
| 28 | Property Asset Management System | RES (HBC) | £ | - | £ | - | £ | 140,000 | £ | - | £ | - | £ | - | £ | - | £ | 140,000 |
| 29 | Apex Centre Refurbishment | Res Sp | £ | - | £ | - | £ | 20,000 | £ | - | £ | - | £ | 15,000 | £ | - | £ | 35,000 |
| 30 | Public Convenance Enhancements Rolling Programme | RES (HBC) | £ | - | £ | - | £ | 40,000 | £ | 40,000 | £ | 40,000 | £ | 40,000 | £ | 40,000 | £ | 200,000 |
| 31 | Community Building Enhancements Rolling Programme | RES (HBC) | £ | - | £ | - | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 100,000 | £ | 500,000 |
| 32 | Litter Bin Infrastructure | RES (HBC) | £ | - | £ | - | £ | 42,000 | £ | 44,000 | £ | 46,000 | £ | 49,000 | £ | 51,000 | £ | 232,000 |
| 33 | SSSI Sinah Common Fire Safety Clearance and Management | RES (HBC) | £ | - | £ | - | £ | 38,000 | £ | - | £ | - | £ | - | £ | - | £ | 38,000 |

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|---|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Total Executive Head of Commercial | £ | - | £ 450,000 | £ 430,000 | £ 184,000 | £ 186,000 | £ 204,000 | £ 191,000 | £ 1,645,000 |
|---|---|---|-----------|-----------|-----------|-----------|-----------|-----------|-------------|

Executive Head of Internal

| | | | | | | | | | | | | | | |
|----|---------------------------------|-----------|---|---|----------|-----------|---|---|---|---|---|---|---|---------|
| 34 | Hayling Island Seafront Signage | CIL (HBC) | £ | - | £ | 50,000 | £ | - | £ | - | £ | - | £ | 50,000 |
| 35 | The Plaza A to B Block | RES (HBC) | £ | - | £ 50,000 | £ 157,000 | £ | - | £ | - | £ | - | £ | 207,000 |

| | | | | | | | | | | | | | | |
|---|---|---|----------|-----------|---|---|---|---|---|---|---|---|---|---------|
| Total Executive Head of Internal | £ | - | £ 50,000 | £ 207,000 | £ | - | £ | - | £ | - | £ | - | £ | 257,000 |
|---|---|---|----------|-----------|---|---|---|---|---|---|---|---|---|---------|

Executive Head of Place

| | | | | | | | | | | | | | |
|----|---------------------------|-----------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| 36 | Disabled Facilities Grant | DFG (DWP) | £ | - | £ 1,628,000 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 11,593,835 |
|----|---------------------------|-----------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|

| | | | | | | | | | | | | |
|--------------------------------------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Total Executive Head of Place | £ | - | £ 1,628,000 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 11,593,835 |
|--------------------------------------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|

Coastal Schemes

| | | | | | | | | | | | | | |
|----|--|------------|-------------|-----------|-----------|-------------|-------------|-------------|-------------|---|-----------|--------------|-------------|
| 37 | Hayling Island Beach Management Activities | FDGiA (EA) | £ 2,651,352 | £ 761,753 | £ 51,500 | £ | - | £ | - | £ | - | £ | 3,464,605 |
| 38 | Langstone FCERM (Stage 2) | FDGiA (EA) | £ 1,314,271 | £ 213,278 | £ 315,356 | £ 1,419,105 | £ 1,419,105 | £ | - | £ | - | £ | 4,681,115 |
| | | OC | £ | - | £ 80,000 | £ 242,000 | £ 1,089,000 | £ 1,089,000 | £ | - | £ | - | £ 2,500,000 |
| | | OC | £ | - | £ | 25,000 | £ 112,500 | £ 112,500 | £ | - | £ | 2,644,000 | £ 2,894,000 |
| | | CIL (HBC) | £ 376,640 | £ 76,204 | £ 171,714 | £ 772,721 | £ 772,721 | £ | - | £ | 455,000 | £ 2,625,000 | |
| | | CIL (HBC) | £ | - | £ | - | £ | - | £ 2,500,000 | £ | - | £ | - |
| | | | £ 1,690,911 | £ 369,482 | £ 754,070 | £ 3,393,326 | £ 5,893,326 | £ | - | £ | 3,099,000 | £ 15,200,115 | |

| | | | | | | | | | | | | | | |
|----|-------------------|-----------|---|---|---|--------|---|---|---|---|---|---|---|--------|
| 39 | Langstone Repairs | RES (HBC) | £ | - | £ | 30,000 | £ | - | £ | - | £ | - | £ | 30,000 |
|----|-------------------|-----------|---|---|---|--------|---|---|---|---|---|---|---|--------|

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|----|-------------------------|------------|-----------|-----------|-----------|---|---|---|---|---|---|---|---------|
| 40 | Hayling Island Strategy | FDGiA (EA) | £ 351,622 | £ 50,378 | £ 10,000 | £ | - | £ | - | £ | - | £ | 412,000 |
| | | CIL (HBC) | £ 259,344 | £ 173,656 | £ 100,000 | £ | - | £ | - | £ | - | £ | 533,000 |
| | | | £ 610,966 | £ 224,034 | £ 110,000 | £ | - | £ | - | £ | - | £ | 945,000 |

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|----|---|-----------|---|---|---|---------|-----------|-----------|---|---|---|---|-------------|
| 41 | Broadmarsh Coastal Defence, Stage 2 Detailed Design | RES (HBC) | £ | - | £ | 441,000 | £ 693,000 | £ 125,000 | £ | - | £ | - | £ 1,259,000 |
|----|---|-----------|---|---|---|---------|-----------|-----------|---|---|---|---|-------------|

| | | | | | | | | | | | | | |
|----|---|------------|---|---|---|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 42 | South Hayling Beach Management Plan 2024_2029 | FDGiA (EA) | £ | - | £ | 604,000 | £ 604,000 | £ 604,000 | £ 604,000 | £ 604,000 | £ 604,000 | £ 604,000 | £ 3,020,000 |
| | | RES (HBC) | £ | - | £ | 444,000 | £ 444,000 | £ 444,000 | £ 444,000 | £ 444,000 | £ 444,000 | £ 444,000 | £ 2,220,000 |
| | | | £ | - | £ | 1,048,000 | £ 1,048,000 | £ 1,048,000 | £ 1,048,000 | £ 1,048,000 | £ 1,048,000 | £ 1,048,000 | £ 5,240,000 |

| | | | | | | | | | | | | | |
|----|---|-----------|---|---|---|---------|-----------|-------------|---|---|---|---|-------------|
| 43 | Southwest Hayling Seafront - West Beach | RES (HBC) | £ | - | £ | 100,000 | £ 200,000 | £ 600,000 | £ | - | £ | - | £ 900,000 |
| | | OC | £ | - | £ | 200,000 | £ 400,000 | £ 1,200,000 | £ | - | £ | - | £ 1,800,000 |
| | | | £ | - | £ | 300,000 | £ 600,000 | £ 1,800,000 | £ | - | £ | - | £ 2,700,000 |

CELT Schemes

| | | | | | | | | | | | | | | |
|----|----------------------------|-------------|----------|-----------|----------|---|---|---|---|---|---|---|-----------|----------|
| 44 | Bedhampton MUGA Conversion | CIL (HBC) | £ 15,920 | £ 41,594 | £ | - | £ | - | £ | - | £ | - | £ 57,514 | |
| | | S106 (SP) | £ 23,616 | £ 91,218 | £ | - | £ | - | £ | - | £ | - | £ 114,834 | |
| | | CIL (Neigh) | £ | - | £ 20,425 | £ | - | £ | - | £ | - | £ | - | £ 20,425 |
| | | RCCO | £ | - | £ 26,500 | £ | - | £ | - | £ | - | £ | - | £ 26,500 |
| | | | £ 39,536 | £ 179,737 | £ | - | £ | - | £ | - | £ | - | £ | 219,273 |

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|----|--|---------------|---|---------|---|---------|---|---------|---|-----------|---|--------|---|--------|---|--------|---|-----------|
| 45 | Moreland's School Access | CIL (Neigh) | £ | - | £ | - | £ | 29,000 | £ | - | £ | - | £ | - | £ | - | £ | 29,000 |
| 46 | Warblington Footbridge | CIL (HBC) | £ | 267,987 | £ | 12,013 | £ | - | £ | 1,795,000 | £ | - | £ | - | £ | - | £ | 2,075,000 |
| | | OC | £ | - | £ | - | £ | - | £ | - | £ | - | £ | - | £ | - | £ | - |
| | | | £ | 267,987 | £ | 12,013 | £ | - | £ | 1,795,000 | £ | - | £ | - | £ | - | £ | 2,075,000 |
| 47 | Bushy Lease Strategic Sustainable Access Route | CIL (HBC) | £ | - | £ | 37,291 | £ | - | £ | 335,709 | £ | - | £ | - | £ | - | £ | 373,000 |
| | | s106 | £ | - | £ | - | £ | - | £ | 26,072 | £ | - | £ | - | £ | - | £ | 26,072 |
| | | | £ | - | £ | 37,291 | £ | - | £ | 361,781 | £ | - | £ | - | £ | - | £ | 399,072 |
| 48 | Rusty Cutter Link Road Active Travel Improvements | CIL (HBC) | £ | 17,443 | £ | 3,557 | £ | 19,000 | £ | 360,000 | £ | - | £ | - | £ | - | £ | 400,000 |
| | | OC | £ | - | £ | - | £ | - | £ | 400,000 | £ | - | £ | - | £ | - | £ | 400,000 |
| | | | £ | 17,443 | £ | 3,557 | £ | 19,000 | £ | 760,000 | £ | - | £ | - | £ | - | £ | 800,000 |
| 49 | Hooks Row - Shared Pedestrian and Cycle Improvement | CIL (HBC) | £ | 103,146 | £ | 11,854 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 115,000 |
| 50 | Elmleigh Road Pedestrian and Cycle Improvement | CIL (HBC) | £ | 19,652 | £ | 249,348 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 269,000 |
| 51 | Milton Road Roundabout Accessibility and Safety | CIL (HBC) | £ | 33,401 | £ | 6,599 | £ | 60,000 | £ | - | £ | - | £ | - | £ | - | £ | 100,000 |
| | | OC | £ | - | £ | - | £ | 60,000 | £ | - | £ | - | £ | - | £ | - | £ | 60,000 |
| | | | £ | 33,401 | £ | 6,599 | £ | 120,000 | £ | - | £ | - | £ | - | £ | - | £ | 160,000 |
| 52 | Waterlooville to Denmead Active Travel Corridor | CIL (HBC) | £ | 39,514 | £ | 6,486 | £ | 14,000 | £ | - | £ | - | £ | - | £ | - | £ | 60,000 |
| | | s106 | £ | - | £ | - | £ | 178,000 | £ | - | £ | - | £ | - | £ | - | £ | 178,000 |
| | | OC | £ | - | £ | - | £ | 55,000 | £ | - | £ | - | £ | - | £ | - | £ | 55,000 |
| | | OC | £ | - | £ | 25,000 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 25,000 |
| | | | £ | 39,514 | £ | 31,486 | £ | 247,000 | £ | - | £ | - | £ | - | £ | - | £ | 318,000 |
| 53 | Future of Hayling Bill Trail inc. Preliminary Design | CIL (HBC) | £ | 19,385 | £ | 40,615 | £ | 37,511 | £ | - | £ | - | £ | - | £ | - | £ | 97,511 |
| 54 | Transforming Cities TCF | CIL (HBC) | £ | - | £ | 250,000 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 250,000 |
| 55 | Brambles Farm Link | CIL (HBC) | £ | - | £ | - | £ | - | £ | 70,000 | £ | - | £ | - | £ | - | £ | 70,000 |
| | | s106 | £ | - | £ | - | £ | - | £ | 18,500 | £ | - | £ | - | £ | - | £ | 18,500 |
| | | | £ | - | £ | - | £ | - | £ | 88,500 | £ | - | £ | - | £ | - | £ | 88,500 |
| 56 | Reconstruction of Hayling Billy Feasibility | CIL (HBC) | £ | 42,489 | £ | - | £ | - | £ | - | £ | - | £ | - | £ | - | £ | 42,489 |
| 57 | Emsworth Mill Pond | RES (HBC) | £ | - | £ | - | £ | 46,000 | £ | 50,000 | £ | 78,000 | £ | 48,000 | £ | 18,000 | £ | 240,000 |
| 58 | Northney Drainage, Stage 3 of 3 | CIL (HBC) | £ | - | £ | - | £ | 184,000 | £ | - | £ | - | £ | - | £ | - | £ | 184,000 |
| 59 | Seafront Boardwalks, Hayling Island 2022_2017 | CIL (HBC) | £ | - | £ | - | £ | 30,000 | £ | - | £ | - | £ | - | £ | - | £ | 30,000 |
| | | UKSPF (DHLUC) | £ | - | £ | - | £ | 90,000 | £ | - | £ | - | £ | - | £ | - | £ | 90,000 |
| | | | £ | - | £ | - | £ | 120,000 | £ | - | £ | - | £ | - | £ | - | £ | 120,000 |
| 60 | Somborne Drive Car Park - Greening | S106 | £ | - | £ | - | £ | 29,327 | £ | - | £ | - | £ | - | £ | - | £ | 29,327 |

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| Total Coastal Defence Partnership Manager | £ 5,535,782 | £ 2,177,769 | £ 3,566,408 | £ 8,789,607 | £ 8,944,326 | £ 1,096,000 | £ 4,165,000 | £ 34,274,892 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|

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| Total Capital Programme | £ 5,536,345 | £ 4,510,769 | £ 25,453,974 | £ 11,786,774 | £ 11,553,493 | £ 3,723,167 | £ 6,509,167 | £ 69,073,689 |
|--------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|

| | | | Forecast Expenditure 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|---|---------------|---|------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Funded by: | | | | | | | | | |
| DWP Disabled Facilities Grant | DFG (DWP) | £ | - | £ 1,628,000 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 1,993,167 | £ 11,593,835 |
| Changing Places Grant | CHGP | £ | - | £ - | £ 150,000 | £ - | £ - | £ - | £ 150,000 |
| Regeneration Reserve | REGRES | £ | - | £ 100,000 | £ 1,033,000 | £ - | £ - | £ - | £ 1,133,000 |
| Corporate Reserves | RES (HBC) | £ | - | £ 500,000 | £ 1,913,000 | £ 1,701,000 | £ 1,563,000 | £ 811,000 | £ 7,271,000 |
| Community Infrastructure Levy (Strategic) | CIL (HBC) | £ | 1,195,484 | £ 909,217 | £ 845,662 | £ 3,333,430 | £ 3,272,721 | £ - | £ 10,011,514 |
| Community Infrastructure Levy (Neighbourhood) | CIL (Neigh) | £ | - | £ 20,425 | £ 338,000 | £ 300,000 | £ 300,000 | £ 300,000 | £ 1,288,425 |
| Section 106 (Sports Pitch) | S106 (SP) | £ | 23,616 | £ 91,218 | £ - | £ - | £ - | £ - | £ 114,834 |
| Section 106 (Affordable Housing) | S106 (AH) | £ | - | £ - | £ 700,000 | £ - | £ - | £ - | £ 700,000 |
| Section 106 (HBC) | S106 | £ | - | £ - | £ 2,332,327 | £ 44,572 | £ - | £ - | £ 2,376,899 |
| Unsupported Borrowing | UB | £ | - | £ - | £ 7,630,481 | £ - | £ - | £ - | £ 7,630,481 |
| UK Shared Prosperity Grant | UKSPF (DHLUC) | £ | - | £ 105,000 | £ 460,000 | £ 390,000 | £ - | £ - | £ 955,000 |
| Brownfield Grant | BRFG (DHLUC) | £ | - | £ - | £ 1,650,000 | £ - | £ - | £ - | £ 1,650,000 |
| Flood Defence Grant in Aid | FDGiA (EA) | £ | 4,317,245 | £ 1,025,409 | £ 980,856 | £ 2,023,105 | £ 2,023,105 | £ 604,000 | £ 11,577,720 |
| Local Authority Housing Fund Grant | LAHF (DLUHC) | £ | - | £ - | £ 4,250,481 | £ - | £ - | £ - | £ 4,250,481 |
| Other Grants | OG | £ | - | £ - | £ 350,000 | £ - | £ - | £ - | £ 350,000 |
| Other Contributions | OC | £ | - | £ 105,000 | £ 807,000 | £ 2,001,500 | £ 2,401,500 | £ - | £ 7,959,000 |
| Specific Reserve | Res Sp | £ | - | £ - | £ 20,000 | £ - | £ - | £ 15,000 | £ 35,000 |
| Revenue Contribution to Capital Outlay | RCCO | £ | - | £ 26,500 | £ - | £ - | £ - | £ - | £ 26,500 |

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|--------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|
| Total Capital Resources | £ 5,536,345 | £ 4,510,769 | £ 25,453,974 | £ 11,786,774 | £ 11,553,493 | £ 3,723,167 | £ 6,509,167 | £ 69,073,689 |
|--------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|

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| Earmarked Reserves | Balance Brought Forward | Movement (to)/from reserves | Forecast Balance of reserves | Movement (to)/from reserves | Forecast Balance of reserves | Movement (to)/from reserves | Forecast Balance of reserves | Movement (to)/from reserves | Forecast Balance of reserves | Movement (to)/from reserves | Forecast Balance of reserves | Movement (to)/from reserves | Forecast Balance of reserves |
|---------------------------------|--------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 2022/23 | 2023/24 | 2023/24 | 2024/25 | 2024/25 | 2025/26 | 2025/26 | 2026/27 | 2026/27 | 2027/28 | 2027/28 | 2028/29 | 2028/29 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Insurance Reserve | (653) | | (653) | | (653) | | (653) | | (653) | | (653) | | (653) |
| Financial Management reserve | (4,656) | 910 | (3,746) | | (3,746) | | (3,746) | | (3,746) | 975 | (2,772) | 2,046 | (726) |
| Strategic Resilience Reserve | 0 | (1,030) | (1,030) | 459 | (571) | 146 | (424) | 424 | 0 | | 0 | | 0 |
| Service Support Reserve | (189) | | (189) | | (189) | | (189) | | (189) | | (189) | | (189) |
| General Fund - earmarked | (22) | | (22) | | (22) | | (22) | | (22) | | (22) | | (22) |
| Restructuring reserve | (418) | 418 | 0 | | 0 | | 0 | | 0 | | 0 | | 0 |
| Regeneration Reserve | (698) | 135 | (563) | | (563) | | (563) | | (563) | | (563) | | (563) |
| s31 Earmarked Reserves | (1,767) | 1,063 | (704) | 463 | (241) | | (241) | | (241) | | (241) | | (241) |
| Transformation Reserve | (23) | 23 | 0 | | 0 | | 0 | | 0 | | 0 | | 0 |
| Leisure Contingency Reserve | (950) | | (950) | | (950) | | (950) | | (950) | | (950) | | (950) |
| Total Earmarked Reserves | (9,376) | 1,519 | (7,857) | 922 | (6,935) | 146 | (6,789) | 424 | (6,364) | 975 | (5,390) | 2,046 | (3,344) |
| General Fund Balance | (2,255) | 251 | (2,005) | 0 | (2,005) | 207 | (1,798) | 929 | (869) | 869 | 0 | 0 | 0 |

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Havant Borough Council Treasury Management Strategy

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy defines Treasury management as:

“The management of the Council’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks”.

1.2 In accordance with the CIPFA definition, the Council’s treasury management function aims to manage risk; the successful identification, control and monitoring of risk are integral elements to treasury management activities and include credit and counterparty risk, liquidity risk, market and interest rate risk, refinancing risk and legal and regulatory risk.

1.3 The council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. There are two aspects to treasury management:

- To ensure the cash flow is adequately planned, with **cash being available when needed**. Surplus monies are invested in *low-risk* counterparties or instruments commensurate with the Councils low risk appetite, providing adequate liquidity initially before considering investment return.
- To ensure the cash flow meets the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council. Essentially this is the longer-term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 The content of the Strategies is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

2 Reporting requirements

2.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

- Treasury Management Strategy – detailing how the Councils investments and borrowings are to be organised.
- A Mid-Year Treasury Management Report – this will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy and investment strategies are meeting their objectives or whether policies require revision.
- An Annual Treasury Report – this provides details of a selection of actual prudential, investment and treasury indicators and actual treasury and investment operations compared to the estimates within the strategy.

- 2.2 Council is responsible for approving the Treasury Management Strategy which is presented annually as part of the budget setting papers. The Audit Committee recommends the Treasury Management Strategy to Council and maintains responsibility for the implementation, monitoring and effective scrutiny of the treasury management strategy and its associated policies.

3 Local Context

- 3.1 On 31st December 2023, the Council held £2.9m of borrowing and £41.6m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

| | 31.3.23 Actual £m | 31.03.24 Estimate £m | 31.03.25 Forecast £m | 31.03.26 Forecast £m | 31.03.27 Forecast £m |
|--------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund CFR | 12,884 | 12,652 | 20,047 | 19,665 | 19,287 |
| Less: External Borrowing | -3,052 | -2,937 | -2,824 | -2,705 | -2,582 |
| Internal Borrowing | 9,832 | 9,715 | 17,223 | 16,960 | 16,705 |
| Less: Usable Reserves | -43,220 | -39,470 | -34,439 | -29,385 | -23,018 |
| Less: Working Capital Position | -14,817 | -14,817 | -14,817 | -14,817 | -14,817 |
| Net Investments | -48,205 | -44,572 | -32,033 | -27,242 | -21,130 |

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3 The Council has an increasing CFR due to the capital programme. Investments are due to fall as capital reserves are used to finance capital expenditure and revenue reserves are used to finance the revenue budget.
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the council total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council is expected to comply with this recommendation during 2024/25.

Asset Benchmark

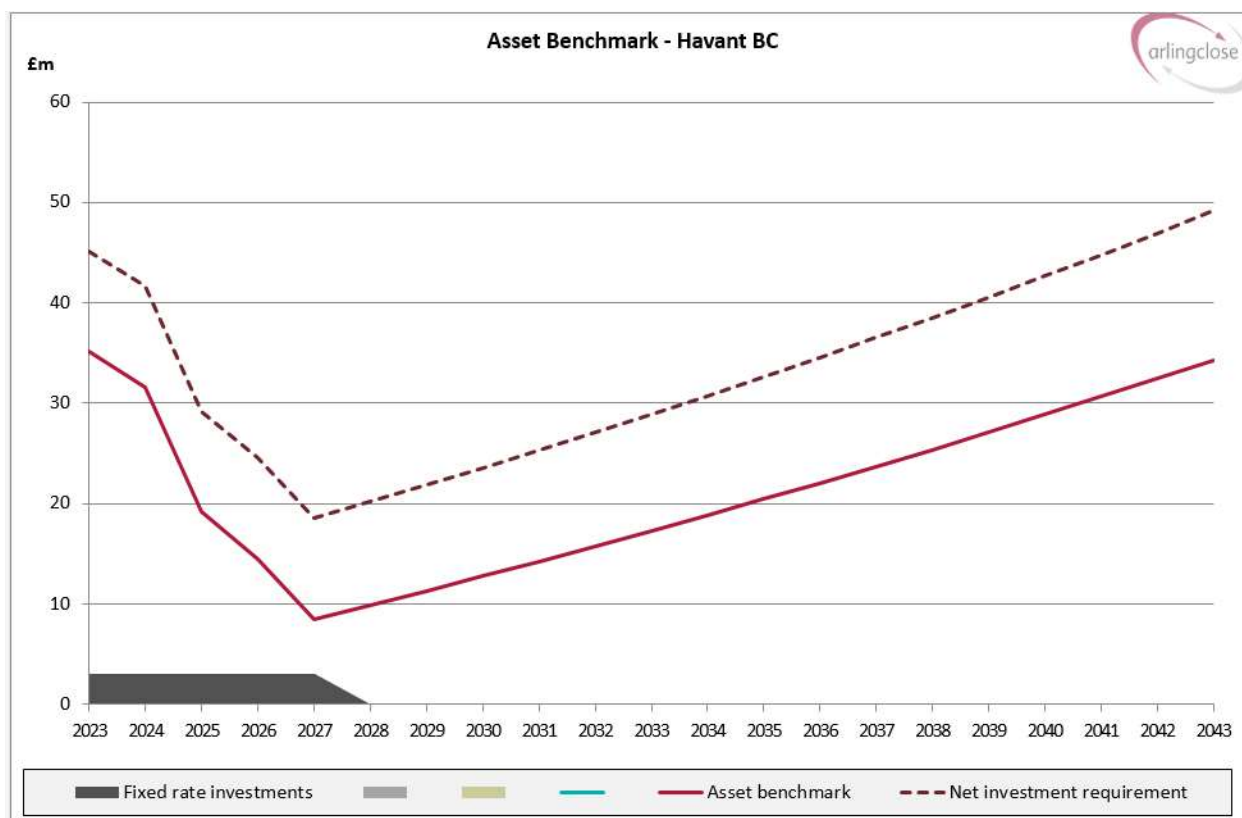
- 3.5 To compare the Councils actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecast as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year end to maintain sufficient liquidity but minimise credit risk.

3.6 The asset benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The asset benchmark itself represents an estimate of the cumulative amount of investment balances the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Asset Benchmark

| | 31.3.23 Actual £m | 31.03.24 Estimate £m | 31.03.25 Forecast £m | 31.03.26 Forecast £m | 31.03.27 Forecast £m |
|--------------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Loans CFR | 12,884 | 12,649 | 20,047 | 19,665 | 19,287 |
| External Borrowing | - 3,052 | - 2,937 | - 2,824 | - 2,705 | - 2,582 |
| Less: Balance Sheet Resources | - 58,037 | - 54,287 | - 49,256 | - 44,202 | - 37,835 |
| Net Investments | - 48,205 | - 44,575 | - 32,033 | - 27,242 | - 21,130 |
| Net Investment Required | - 45,153 | - 41,638 | - 29,209 | - 24,537 | - 18,548 |
| Plus: Liquidity Allowance | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Asset Benchmark | - 35,153 | - 31,638 | - 19,209 | - 14,537 | - 8,548 |

3.7 The Council has an asset benchmark rather than a liability benchmark as it does not have a borrowing requirement. The asset benchmark is a useful tool to understand the Council's investment horizon.



Treasury Management Strategy

4 Current Portfolio Position

- 4.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £36.5 and £46.5 million, levels are expected to increase in the forthcoming year.

5 Treasury Investment Strategy

- 3.1 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return or **yield**.
- 3.2 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 3.3 The Council expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 3.4 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

4 ESG policy

- 4.1 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5 Approved Counterparties

- 5.1 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

| Sector | Time limit | Counterparty limit | Sector limit |
|--|------------|--------------------|--------------|
| The UK Government | 50 years | Unlimited | n/a |
| Local authorities & other government entities | 25 years | £5m | Unlimited |
| Secured investments * | 25 years | £5m | Unlimited |
| Banks (unsecured) * | 13 months | £3m | Unlimited |
| Building societies (unsecured) * | 13 months | £3m | £6m |
| Registered providers (unsecured) * | 5 years | £3m | £10m |
| Money market funds * | n/a | £5m | Unlimited |
| Strategic pooled funds | n/a | £5m | £25m |
| Real estate investment trusts | n/a | £5m | £10m |
| Other investments * | 5 years | £3m | £5m |

5.2 Both the Counterparty and Sector limit are based on a prudent percentage of average cash balances over the past year.

5.3 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

5.4 For entities without published credit ratings, investments may be either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2 million per counterparty as part of a diversified pool.

5.5 Summary of counterparty types:

- Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years. Despite this lower risk we would still review and not invest in those authorities with active Section 114 notices.
- Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is

secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

- **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

6 Operational bank accounts

- 6.1 The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

7 Risk assessment and credit ratings

7.1 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

7.2 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

8 Other Information on the Security of Investments

8.1 The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.

8.2 The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

8.3 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

8.4 The following internal measures are also in place:

- Investment and borrowing decisions formally recorded and endorsed using a Counterparty Decision Document.
- Monthly officer reviews of the investment and borrowing portfolio and quarterly reviews with the Chief Finance Officer and Portfolio Holder for Finance.

9 Investment limits:

- 9.1 The Council has sufficient balances available to cover the unlikely event of having to account for losses in our investments as at 31st March 2024. In order to minimise risk, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 9.2 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Additional investment limits

| | Cash limit |
|--|------------------|
| Any group of pooled funds under the same management | £10m per manager |
| Negotiable instruments held in a broker's nominee account | £10m per broker |
| Foreign countries | £4m per country |

10 Liquidity management

- 10.1 The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 10.2 The Council will spread its liquid cash over at least four providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider. Alongside this we have an arrangement with our bank where our daily operational accounts are 'swept' to a minimum level into a higher interest account on a daily basis.

Borrowing Strategy

11 Current Portfolio Position

- 11.1 The Council currently holds £2.9 million of loans, a decrease of £0.2 million on the previous year, as part of its strategy for funding previous years' capital programmes. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £25 million.

12 Borrowing Strategy

- 12.1 The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 12.2 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 12.3 With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 12.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
- 12.5 Our Treasury Advisors will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 12.6 Additionally, any request to increase the current level of borrowing for a capital project will be subject to a robust business case ensuring it meets the priorities within the Councils revised Corporate Strategy and is financially viable in terms of the cost of borrowing.
- 12.7 The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
- 12.8 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 12.9 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 12.10 In addition, the Council may borrow short term loans to cover unexpected cash flow shortages.

13 Sources of borrowing

13.1 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
- UK Infrastructure Bank Ltd.
- Any institution approved for investments.
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body.
- UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
- Capital market bond investors.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing.
- Hire purchase.
- Private Finance Initiative .
- Sale and leaseback.
- Similar asset-based finance.

14 Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

15 Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

16 Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

17 Treasury Management Indicators

17.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

Security

- 17.2 The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| Credit Risk Indicator | Target |
|---------------------------------|--------|
| Portfolio Average credit rating | A |

Liquidity

- 17.3 The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a one-month period, without additional borrowing.

| | Target |
|---------------------------------------|--------|
| Total cash available within one month | £10m |

Interest Rate Exposures

- 17.4 This indicator is set to control the Councils exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall of interest rates will be:

| | Limit |
|--|----------|
| Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | £500,000 |
| Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | £500,000 |

- 17.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity Structure of Borrowing

- 17.6 This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

| | Upper Limit | Lower Limit |
|--------------------------------|-------------|-------------|
| Under 12 months | 50% | 0% |
| 12 months and within 24 months | 50% | 0% |
| 24 months and within 5 years | 50% | 0% |
| 5 years and within 10 years | 50% | 0% |

17.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term treasury management investments

17.8 The purpose of this indicator is to control the Councils exposures to the risk of incurring losses by seeking early repayment of its investments.

| | 24/24 | 25/26 | 26/27 | No Fixed Date |
|---|--------|--------|--------|---------------|
| | £m | £m | £m | £m |
| Limit on principal invested beyond year end | 20,000 | 20,000 | 20,000 | 10,000 |

17.9 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short term.

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

18 Financial Derivatives

18.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

18.2 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

18.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in

the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

18.4 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

19 **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council’s treasury management activities, the S151 Officer believes this to be the most appropriate status.

Financial Implications

20 The budget for investment income in 2024/25 is £1.6 million, and the budget for debt interest paid in 2024/25 is £0.120 million. If actual levels of investments and borrowing, or actual interest rates, differ from that forecast, performance against budget will be correspondingly different.

21 Where investment income exceeds budget, e.g., from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g., from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years.

Other Options Considered

22 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

| Alternative | Impact on income and expenditure | Impact on risk management |
|--|--|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower | Lower chance of losses from credit related defaults, but any such losses may be greater |
| Invest in a wider range of counterparties and/or for longer times | Interest income will be higher | Increased risk of losses from credit related defaults, but any such losses may be smaller |
| Borrow additional sums at long-term fixed interest rates | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; |

| | | |
|---|--|---|
| | | however long-term interest costs may be more certain |
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing | Saving on debt interest is likely to exceed lost investment income | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain |

Capacity and Skills

23 Training

- 23.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 23.2 Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.

24 Use of Treasury Management Consultants

- 24.1 The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt, and capital finance issues.
- 24.2 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.
- 24.3 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.

Havant Borough Council

Investment Strategy

1. Introduction

1.1 The Council invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure – known as **treasury management investments**,
- to support local public services by lending to or buying shares in other organisations – **service investments**
- to earn investment income – known as **commercial investments** where this is the main purpose.

1.2 This investment strategy meets the requirements of the statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.3 The Council does not currently have any service investments.

1.4 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

2. Treasury Management Investments

2.1 The Council typically receives its income in cash before it pays for its expenditure. It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with the guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £30m and £50m during the 2024/24 financial year.

Contribution

2.2 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further Details

2.3 Full details of the Council's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy, available in Appendix E.

3. Commercial Investments: Property

3.1 The Council invests in UK commercial property with the intention of making a profit that will be spent on local public services.

3.2 The Council's total Commercial property portfolio is valued at £38.1 million.

3.3 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Risk Assessment

3.4 The Council assesses the risk of loss before entering into, and whilst holding, property investments. These risks are managed by ensuring:

- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Council's finances.
- new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term.
- appropriate checks are carried out to ascertain the tenant's reliability.
- other "due diligence" is undertaken to protect the Council's investment as far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

Proportionality

3.5 The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

| | 2022/23 Actual £m | 2023/24 Forecast £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m |
|----------------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| Investment income | 1,448 | 1,554 | 1,466 | 1,466 | 1,466 |
| Gross service expenditure | | 17,588 | 18,020 | 17,931 | 18,613 |
| Proportion | | 8.8% | 8.1% | 8.2% | 7.9% |

4. Investment Indicators

4.1 The Council has set the following indicators to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure

4.2 The first indicator shows the Councils total exposure to potential investment losses.

| | 2022/23 Actual £m | 2023/24 Forecast £m | 2024/25 Forecast £m |
|---------------------------------|-------------------------|---------------------------|---------------------------|
| Treasury Management Investments | 48,205 | 46,205 | 46,205 |
| Commercial Investments | 38,100 | 38,100 | 38,100 |
| Total | 86,305 | 84,305 | 84,305 |

Rate of return received

4.3 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

| | 2022/23 Actual | 2023/24 Forecast | 2024/25 Forecast |
|---------------------------------|-------------------|---------------------|---------------------|
| Treasury Management Investments | 4.06% | 4.00% | 3.75% |

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Havant Borough Council Council Tax Resolution 2024/25

RECOMMENDED to Council:

- (1) That it be noted that (on 31st January 2024) the Chief Finance Officer calculated the Council Tax Base 2024/25 for the whole Council area as **42,528.17** [Item T in the formula in Section 31B (1) of the Local Government Finance Act 1992, as amended, (the “Act”)] and that this Council Tax base be split between the regions of the Environment Agency as follows:

Southern – **42,528.17**

- (2) That the following amounts be calculated by the Council for the year 2024/25 in accordance with Sections 31 and 34 to 36 of the Act.

(i) **£62,265,336** (expenditure) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act;

(ii) **£52,363,927** (income) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act;

(iii) **£9,901,409** being the amount by which the aggregate at d(i) above exceeds the aggregate at d(ii) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year (Item R in the formula in section 31A(4) of the Act);

(iv) **£232.82** being the amount at c(iii) above (Item R), divided by Item T (b above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year;

- (3) Valuation Bands

| Valuation band | Band AR £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
|------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Havant Borough Council | 129.35 | 155.21 | 181.08 | 206.95 | 232.82 | 284.56 | 336.29 | 388.03 | 465.64 |

being the amounts given by multiplying the amount at 2(iv) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (4) That it be noted that for the year 2024/25 that Hampshire County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below.

| Valuation band | Band AR £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
|-------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic Charge | 729.07 | 874.88 | 1,020.69 | 1,166.51 | 1,312.32 | 1,603.95 | 1,895.57 | 2,187.20 | 2,624.64 |
| Adult Social Care | 122.73 | 147.28 | 171.83 | 196.37 | 220.92 | 270.01 | 319.11 | 368.20 | 441.84 |

- (5) That it be noted that for the year 2024/25 the Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below.

| Valuation band | Band AR £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police and crime commissioner for Hampshire | 145.26 | 174.31 | 203.36 | 232.41 | 261.46 | 319.56 | 377.66 | 435.77 | 522.92 |
| Hampshire and IOW Fire and Rescue | 46.02 | 55.23 | 64.43 | 73.64 | 82.84 | 101.25 | 119.66 | 138.07 | 165.68 |

- (6) That having calculated the aggregate in each case of the amounts at (3), (4) and (5) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024/25 for each of the categories of dwellings shown below:

- (7) The section 151 be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire County precept.

| Valuation band | Band AR £ | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
|----------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Charge | 1,172.43 | 1,406.91 | 1,641.39 | 1,875.88 | 2,110.36 | 2,579.33 | 3,048.29 | 3,517.27 | 4,220.72 |

Note: At the time of the publication of this agenda the figures for the Precepting Bodies are based upon current proposals. If these change before the Council meeting councillors will be advised before the meeting

| Havant Borough Council | | |
|--|-----|---------------------------------------|
| Analysis of Business Rates Income & Expenditure | | |
| | | 2024/25 Estimate £'000 |
| Business Rates Yield | | 35,508 |
| Distribution | | |
| Central Government | 50% | 17,754 |
| Hampshire County Council | 9% | 3,196 |
| Hampshire Fire | 1% | 355 |
| Havant Borough Council | 40% | 14,203 |
| Total | | 35,508 |
| Business rates HBC | | 14,203 |
| Tariff HBC | | (10,549) |
| Share of business rates 2024/25 | | 3,654 |
| Levy on growth* | | (1,023) |
| Deficit on collection fund b/f | | (644) |
| Use of S31 reserve to fund deficit | | 644 |
| Business rates grants (s31)** | | 3,124 |
| Retained business rates | | 5,755 |

* The Levy on growth is an estimate based on the NNDR1 return submitted to Government and is subject to change during the year dependent on business rates received during 2024/25

** The s31 grants is an estimate based on the NNDR1 return to Government and is subject to change during the year dependant on reliefs awarded during 2024/25

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Budget 2024/25

**Section 151 Officer's Statement of robustness of budgets
and adequacy of reserves**

1.0 Introduction

- 1.1 The Section 151 Officer (S151 of the Local Government Act 1972) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:
- i. Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the chief finance officer of the authority must report to it on the following matters-
 - a) The robustness of the estimates made for the purposes of the calculations, and
 - b) The adequacy of the proposed financial reserves.
 - ii. An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.
- 1.2 This includes reporting and taking into account:
- i. The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
 - ii. The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.
- 1.3 This report has to be considered and approved by Council as part of the budget approval and Council Tax setting process.
- 1.4 This document concentrates on the 2024/25 Revenue Budget Estimates, the proposed Capital Programme, Capital Strategy and Investment Strategy, but in addition it also considers key medium-term issues faced by the Council.

2.0 Assurance Statement of the Council's Section 151 Officer

- 2.1 The following are the summary assurances and recommendations of the Council's Section 151 Officer.
- 2.2 In relation to the 2024/25 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging, the budget presented is more than achievable, having been constructed in a consultative and collaborative manner and with evidence-based calculations and assumptions and with regard to both internal and external specialist advice. I am also satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.
- 2.3 In relation to the adequacy of reserves, the overall position is that the authority has healthy balances across the General Fund and Capital but recognises that over the medium term these are potentially reducing to position that may be considered uncomfortable should further funding or efficiency savings not be found.
- 2.4 In relation to the Medium-Term Financial Plan (MTFP), I have recommended that the Council embarks on a five-year savings and efficiency programme, starting in early 2024/25. The aim of this programme will be to close the current estimated base budget gap over the MTFP period so that reserves are protected and available for their specific intended use only.
- 2.5 As Section 151 and Chief Financial Officer I am content that the budget being presented is adequate, and that the level of reserves held throughout the MTFP period are adequate to meet the Council's financial obligations having due regard for foreseeable risk.

Steven Pink

Chief Finance Officer (Section 151 Officer)

Havant Borough Council