

Telephone: 023 9247 4174  
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Website: [www.havant.gov.uk](http://www.havant.gov.uk)

## EXTRAORDINARY COUNCIL AGENDA

**Membership:** Councillor Raines (Mayor)

Councillors Patrick (Deputy Mayor), Bains, P Bains, Branson, Briggs, Bowerman, Crellin, Denton, Francis, Guest, Howard, Hughes, Inkster, Jenner, Keast, Kennett, Linger, Lloyd, Lowe, Milne, Moutray, Patel, Payter, Pike, Rennie, Robinson, Robinson, Satchwell, Sceal, Scott, Mrs Shimbart, Stone, Thain-Smith, Turner, Wade, Weeks and Wilson

**Meeting:** Council

**Date:** Wednesday 13 April 2022

**Time:** 5.00 pm

**Venue:** Hurstwood Room, Public Service Plaza, Civic Centre Road,  
Havant, Hampshire PO9 2AX

The business to be transacted is set out below:

Kim Sawyer  
Chief Executive

5 April 2022

Contact Officer: Jenni Harding 02392 446234  
Email: [jenni.harding@havant.gov.uk](mailto:jenni.harding@havant.gov.uk)

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### PART 1 (Items open for public attendance)

**1 Apologies for Absence**

To receive and record any apologies for absence.

**2 Declarations of Interests**

To receive any declarations of interests from Members.

**3 Minutes**

1 - 10

To confirm the minutes of the last meeting held on 16 March 2022.

**4 Retiring Councillors**

**5 Public Questions under Standing Order 27.5**

To deal with any public questions submitted in accordance with the requirements of Standing Order 27.5, which is to deal with public questions notified no later than 12 noon three working days before the meeting and in accordance with the Council's protocol for public questions.

**6 Cabinet/Board/Committee Recommendations 11 - 30**

To consider any recommended minutes from the Cabinet and any of the Boards or Committees.

**1) Human Resources Committee – 23 March 2022**

**Pay Policy Statement**

“RESOLVED that Council be recommended to approve the Pay Policy Statement for the Council.

**2) Human Resources Committee – 11 April 2022**

**Statutory Officer Appointment (s)**

Recommendation and reports to follow

**3) Cabinet – 13 April 2022**

**Senior Management Structure**

Recommendation and reports to follow

**7 Treasury Management Strategy 2022/23 31 - 52**

**8 Questions Under Standing Order 27.4.1**

To receive questions from Councillors in accordance with the requirements of Standing Order 27.4.1.

**9 Urgent Questions Under Standing Order 27.4.2**

To receive urgent questions from Councillors submitted in accordance with the requirements of Standing Order 27.4.2.

**10 Acceptance of Minutes**

The Council to receive the minutes of Committees:

[Planning Committee on Thursday, 24th February, 2022](#)

[Overview and Scrutiny Committee on Tuesday, 1st March, 2022](#)

[Cabinet on Monday, 7th March, 2022](#)

[Human Resources on Wednesday, 23rd March, 2022](#)

## **11 Special Urgent Decisions**

To note the following special urgency decision made:

- i) [Energy Rebate - £150 Discretionary Scheme](#)
- ii) [Additional Infrastructure Spend Regarding Improvements to Environmental Services on Hayling Island](#)
- iii) [Replacement and repair of Beach Huts damaged by Storm Eunice](#)

## **GENERAL INFORMATION**

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### **Internet**

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### **Public Attendance and Participation**

Members of the public are welcome to attend the Public Service Plaza and observe the meetings.

Questions from members of the public will only be permitted where they have been received by the Democratic Services Team Leader no later than 12 noon three working days before the meeting.

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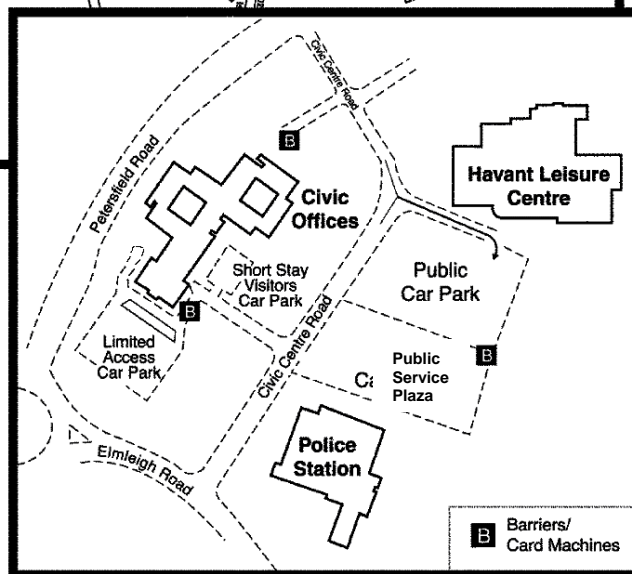
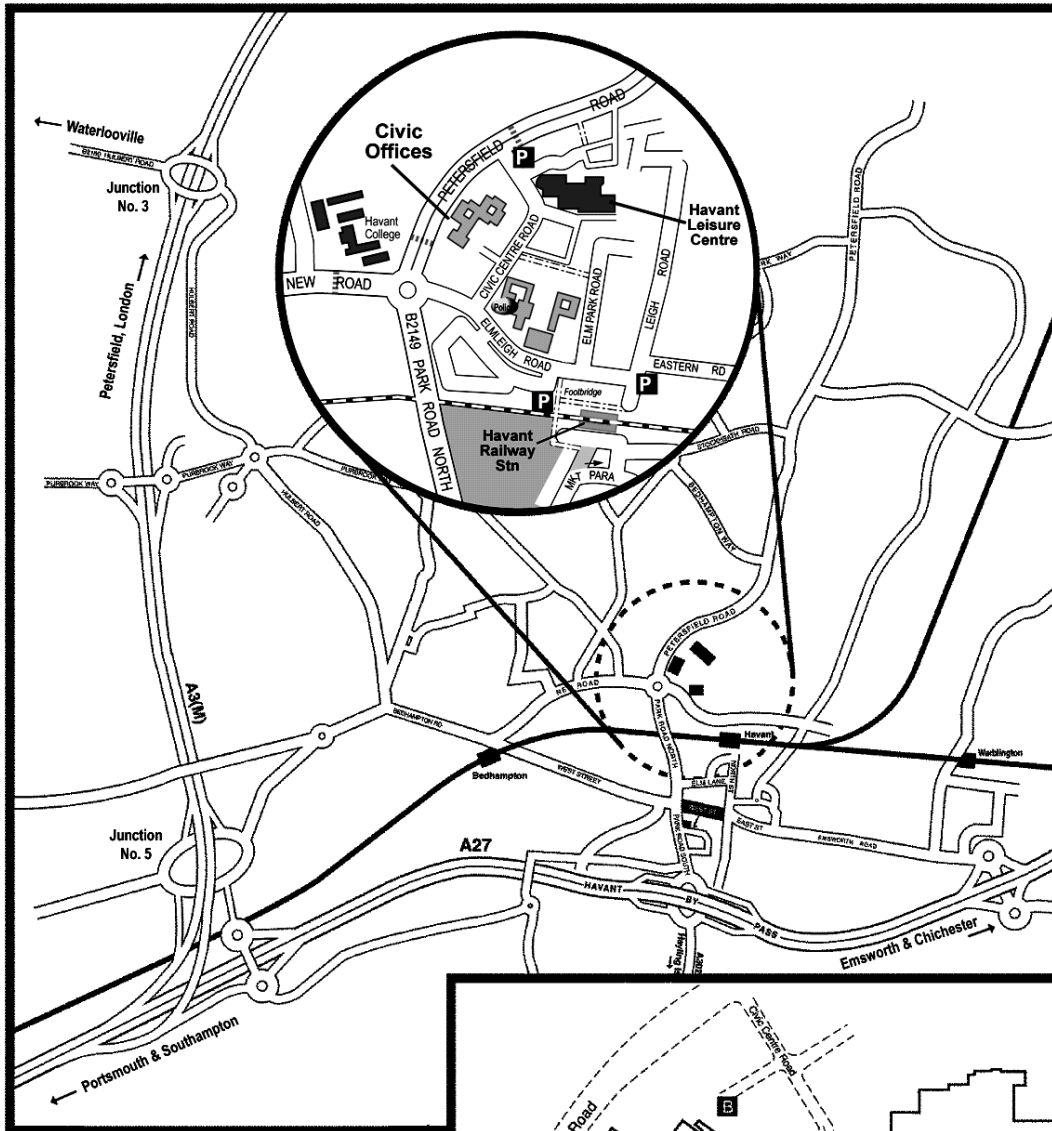
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**Havant**  
**BOROUGH COUNCIL**  
 Civic Offices, Havant, Hants, PO9 2AX  
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# Havant

## BOROUGH COUNCIL

### PROTOCOL AT COUNCIL MEETING – AT A GLANCE

#### Sit or Stand?

Stand to address the Council/Mayor at all times

#### Rules of Debate

- always address each other as “Councillor ...”
- a motion or amendment has to be proposed and seconded
- once an amendment has been proposed and seconded, it becomes the subject of the debate until it is either accepted or rejected by a vote
- a seconder can choose to make their speech at a later time
- only one Councillor to stand at any one time
- speeches will not exceed 5 minutes (the Council can resolve to allow additional time, which will not exceed a further 3 minutes)
- a Councillor proposing the adoption of a Committee/Board minute has sufficient time to propose and unlimited time to reply to debate
- a Councillor can only speak again on an amendment, to move a further amendment, on a point of order or personal explanation.

#### Questions and Motions

- Motions must be submitted in writing (or by email) to the Democratic Services Team Leader 6 working days prior to the Council meeting
- Councillors may ask questions, without notice, of the Leader and Cabinet Leads in respect of the Cabinet Lead reports submitted to Council
- Councillors may ask questions of the Leader, Cabinet Leads and Committee Chairmen, on any matter affect the Borough or its residents, providing that:
  - 48 hours written notice is given; or
  - 2 hours written notice in relation to urgent matters

#### Voting

- Voting may be by a show of hands or by a ballot at the discretion of the Mayor
- Two Councillors may request, before a vote is taken, that the names of those voting be recorded in the minutes
- A recorded vote will always be taken in respect of approval of the Annual Budget
- Councillors may not vote unless they are in the meeting for the full debate on any particular item
- A Councillor may request that his/her vote be recorded in the minutes



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## HAVANT BOROUGH COUNCIL

At a meeting of the Council held on 16 March 2022

Present

Councillor Raines (Mayor)

Councillors Bains, Branson, Briggs, Bowerman, Crellin, Denton, Francis, Howard, Inkster, Kennett, Linger, Lloyd, Milne, Payter, Pike, Rennie, Robinson, Satchwell, Mrs Shimbart, Stone, Thain-Smith and Wade

### 72 Apologies for Absence

Apologies of absence were received from Councillors Prad Bains, David Guest, Gary Hughes, Tom Moutray, Husky Patel, Diana Patrick, Ian Robinson, Leah Turner, Yvonne Weeks and Michael Wilson.

### 73 Declarations of Interests

#### Councillor Mark Inkster

Minute No. 80

Item Title: Havant Brough Local Plan: Update on The Examination, Implications, Way Forward and Approach to Decision Making in the Interim.

Nature of Interest: The Councillor informed Members that he wished to remove himself from the meeting for this item and did not intend to take part in any discussion or vote on this matter.

#### Narinder Bains

Minute No: 82

Item: Freeports Programme – Update & Approvals in respect of the Memorandum of Understanding (MOU) & Full Business Case (FBC)

Nature of Interest: Councillor Bains informed Members she is a member of the Board.

### 74 Minutes

Proposed by Councillor Kennett, seconded by Councillor Branson, the minutes of the meeting of Council held on 23 February 2022 were accepted as an accurate record.

**75 Mayor's Report**

Following prayers, that were delivered by Mayor's Chaplain, Sue Moss, the Mayor invited representatives from Bridget To Unity, a local charity, informed Council of the humanitarian work being undertaken by them in the Ukraine.

There were no questions for The Mayor on her published report.

**76 Provisional Appointment of the Mayor for 2022/2023**

Proposed by Councillor Bowerman and seconded by Councillor Satchwell, it was RESOLVED that Councillor Diana Patrick be provisionally appointed as Mayor for 2022 / 2023.

**77 Provisional Appointment of the Deputy Mayor for 2022/2023**

Proposed by Councillor Crellin and seconded by Councillor Denton, it was RESOLVED that Councillor Rosy Raines be the Deputy Mayor for 2022/2023.

**78 Public Questions under Standing Order 27.5**

There were 4 questions received from members of the public under the provision of this standing order.

Mrs Buckley asked questions on behalf of the Havant Brough Residents' Alliance, which were duly responded to within the meeting.

The question submitted by Mr Comlay would be responded to in writing outside of the meeting.

A list of questions and answers are attached to the minutes of this meeting as Appendix A.

**79 Address from the Public Under Standing Order 28**

There was no address by members of the public under the provision of this standing order.

**80 Havant Borough Local Plan: Update On The Examination, Implications, Way Forward And Approach To Decision Making In The Interim**

Councillor Inkster left the meeting.

Councillor Satchwell introduced the item as relevant Cabinet Lead.

Councillor Branson informed Members that the Planning Policy Committee had considered the report and had supported the recommendations.

Proposed by Councillor Satchwell and seconded by Councillor Rennie, following debate, it was RESOLVED that Council:

**Update regarding the Havant Borough Local Plan examination**

- a. Note the outcome of the examination of the Local Plan, the Inspectors Interim Findings Report (examination library document reference CR18), the response to it (CR19) and subsequent communications (CR20, CR21, CR22 and CR23);
- b. Note the correspondence between the Council Leader and the Secretary of State for Levelling Up, Housing and Communities regarding the need for the NPPF to recognise more strongly the relevance of a plan led approach to development and to not penalise communities whilst plans are being put in place (Appendix 1);
- c. Authorise the withdrawal of the Havant Borough Local Plan from Examination in line with Section 22 (1) of the Planning and Compulsory Purchase Act 2004 (as amended);

**Preparation of a new Local Plan and CIL Charging Schedule for Havant Borough**

- d. Authorise the preparation of a Local Plan to replace the Havant Borough Local Plan (Core Strategy) and the Havant Borough Local Plan (Allocations Plan);
- e. Authorise the preparation of an updated Community Infrastructure Levy Charging Schedule for Havant Borough;
- f. Delegate authority to the Planning Policy Manager, in discussion with the Cabinet Lead for Planning, Hayling Seafront Strategy and Coastal Management<sup>1</sup> to prepare and publish a Local Development Scheme and keep this updated as necessary;
- g. Delegate authority to the Cabinet Lead for Planning, Hayling Seafront Strategy and Coastal Management<sup>1</sup> to consider for approval, following scrutiny by the Planning Policy Committee, an update to the Hayling Island Transport Assessment, to consider the impact of development on summer traffic conditions;

**Decision making on planning applications for new housing**

- h. Note the Borough's five year supply of 3.9 years and the implications that the delay in the local plan's examination have for this issue;
- i. Approve the publication of the Housing Delivery Action Plan (Appendix 2);
- j. Adopt the Housing Delivery **Page 3** Position Statement (Appendix 3);

- k. Delegate authority to the Cabinet Lead for Planning, Hayling Seafront Strategy and Coastal Management<sup>1</sup> to consider for approval, following scrutiny by the Planning Policy Committee<sup>2</sup>, updates to the Housing Delivery Position Statement

#### **Other**

- l. Delegates authority to the Planning Policy Manager<sup>1</sup> to make any necessary minor amendments to the documents listed in this report. These shall be limited to the inclusion of page numbers, a contents page, a glossary, factual updates, correction of minor errors, typographical errors and other minor changes that do not change the meaning of the material.

Councillor Inkster re-joined the meeting.

#### **81 Havant Regeneration & Economy Strategy - A Refreshed Approach**

Councillor Pike introduced the item as relevant Cabinet Lead and proposed the recommendation.

Seconded by Councillor Stone and following debate, it was RESOLVED that Council adopt the Havant Regeneration & Economy Strategy.

#### **82 Freeports Programme - Update and approvals in respect of the Memorandum of Understanding (MOU) and Full Business Case FBC)**

Councillor Bains introduced the item as relevant Cabinet Lead and proposed the recommendations. Cllr Bains further reiterated to Members that she is a member of the Board.

Seconded by Councillor Lloyd, following debate and a vote; in which Councillor Bains abstained, it was RESOLVED that Council:

- 1) Note the update in respect of the development of the Solent Freeport Programme and with regard to the opportunities for Havant borough.
- 2) Note the update on progression of the Full Business Case (FBC).
- 3) Note the update on progression of the Memorandum of Understanding (MoU).

#### **83 Cabinet/Board/Committee Recommendations**

##### **83a Options Appraisal and Business Case for Withdrawal from Joint Management and Shared Staff Arrangements**

Recommendation arising from the meeting of Cabinet held on 07 March 2022:

Options Appraisal & Business Case for Withdrawal from Joint Management & Shared Staff Arrangements

Councillor Rennie proposed the recommendations within the report and added recommendation E. Seconded by Councillor Howard and following debate it was RESOLVED that Council:

- a) approve the preferred option for the future of the Council as set out in the Options Appraisal and Business Case (Appendix 1).
- b) approve the outline business plan for the delivery of the preferred option, as set out in the Options Appraisal and Business Case (Appendix 1).
- c) note the findings of the independent report by CIPFA (Appendix 2) into the affordability of the option to end the Joint Management Team Arrangements.
- d) approve the arrangements for managing transition as set out in section 7 of the Options Appraisal and Business Case (Appendix 1), and that the Chief Executive be delegated authority, in consultation with the s151 Officer, Monitoring Officer and Head of Organisation Development, to develop and implement a robust transition plan, including the entering into contracts or variation agreements which may be required.
- e) Subject to the approval of the above arrangements for withdrawal and transition, the following actions be agreed:
  - i) The Joint Human Resources Committee be reconstituted as a single authority Human Resources Committee with a membership of 6 councillors in political balance and with a quorum of 3
  - ii) The existing members be reappointed to serve on the Committee for the remainder of the Municipal Year
  - iii) The scope, competency and matters reserved to the Committee shall be as presently exist for the Joint Committee but applicable to one authority
  - iv) All consequential and necessary changes to Section F1 of Part 2 to the Council's Constitution (Responsibility for Functions) be made

**83b Council Tax Empty Homes Premium Review**

Recommendation arising from the meeting of Cabinet held on 07 March 2022:

Council Tax Empty Homes Premium Review

Proposed by Councillor Denton and seconded by Councillor Bowerman, following debate it was RESOLVED that Council approve the introduction of a

Premium Deferral process to the existing Council Tax Empty Homes Premium scheme as detailed in Appendix C.

### **83c Community Infrastructure Levy (CIL) Spending Protocol**

Recommendation arising from the meeting of the Planning Policy Committee held on 22 February 2022:

#### Community Infrastructure Levy Spending Protocol

Councillor Branson introduced this item as Chair of the Planning Policy Committee and proposed the recommendations. Seconded by Councillor Milne, following debate, it was RESOLVED that Council:

- a) approve the Community Infrastructure Levy (CIL) Spending Protocol in the Appendix for use in CIL spending decisions;
- b) grant delegated authority to the Head of Planning to amend the CIL Spending Protocol, in consultation with the Cabinet Lead for Housing, Communities & CIL (or any future Cabinet Lead responsible for Community Infrastructure Levy matters). Such changes shall be limited to:
  - (i) the correction of factual errors and changes necessary to accommodate national or local changes in regulations, guidance or procedures and shall not otherwise alter the meaning of the protocol;
  - (ii) amending the Annual Funding Awards for the Neighbourhood Portion as set out in Part 4 of the CIL Spending Protocol where scrutiny by the Planning Policy Committee suggests this should be the case; and
  - (iii) Amending the branding of the Spending Protocol to align with the Council's Corporate Strategy and wider place-making and regeneration agenda and commentary within the document.
- c) grant delegated authority to the Head of Planning, in consultation with the Cabinet Lead for Housing, Communities & CIL (or any future Cabinet Lead responsible for Community Infrastructure Levy matters) to prepare guidance and relevant processes for the implementation and administration of CIL spending decisions in line with the Spending Protocol;
- d) grant delegated authority to the Community Infrastructure Officer/Team Leader, in consultation with the Head of Planning and the Cabinet Lead, to approve spends from the neighbourhood portion and interim Strategic CIL spends with a value of no greater than £10,000.

- e) grant delegated authority to the Cabinet Lead responsible for CIL to approve interim spends greater than £10,000, in consultation with the S151 Officer, and, where the value exceeds £50,000, after consideration by the Planning Policy Committee.
- f) grant delegated authority to the Community Infrastructure Officer/Team Leader, in consultation with the Head of Planning and the Cabinet Lead, to approve spends from the neighbourhood portion;
- g) grant delegated authority to the Community Infrastructure Officer/Team Leader to assign available neighbourhood portion funds for 2022/23 in line with section 4.8 of the Spending Protocol.

#### **84 Leader's Report**

The Leader added to his published report that he had submitted a response to the consultation from Water Resources Southeast in relation to the plan by Southern Water to use recycled water to supplement the water in the planned Havant Thicket Reservoir. Councillor Rennie felt generally that there had not been enough consultation, there was not enough understanding about how this will work and felt that there was more work that needed to be done to provide assurance that this was the right decision for the Borough.

#### **85 Cabinet Lead Reports**

Councillor Bains congratulated the Planning Enforcement Team for their successful prosecution of the owner of the derelict property in Waterlooville. Councillor Bains clarified that the neighbours had endured sustained anti-social behaviour and that the owner is not a resident of the Borough.

Councillor Pike added to his report in relation to the decision taken by Hampshire County Council to take back control of on-street parking and Traffic Regulation Orders and is disappointed with the decision. Our own in-house team of enforcement officers were delivering an excellent service with no cost to the Council and thanked the officers for their work.

There were no further updates to Cabinet Lead Reports.

#### **86 Cabinet Leads and Chairmen's Question Time**

The Cabinet Leads took questions from Councillors on their published reports and the Committee Chairmen on their respective minutes.

#### **87 Questions Under Standing Order 27.4.1**

There were no questions received under the provision of this standing order.

## **88 Urgent Questions Under Standing Order 27.4.2**

There were no urgent questions received under the provision of this standing order.

Councillor Branson left the meeting at 18:56pm.

## **89 Notices of Motion**

Council considered the following Motion, proposed by Councillor Payter and seconded by Councillor Rennie.

Following debate and a vote it was RESOLVED that:

This Council condemns the actions taken by the Russian Government with its illegal and unjustified invasion of Ukraine. The Borough stands in solidarity with the Ukrainian people, flying its flag outside the Plaza with pride and applauds the efforts of local residents who have donated money and goods to the country.

In addition, the Council:

- Welcomes the sanctions placed on Russia by the Government and supports sanctions on oligarchs and individuals who benefit from the patronage of the Russian leadership.
- Calls on the Council's Chief Finance Officer to ensure that the Council divests any financial interest it may hold in Russian companies and investments.
- Makes clear the Council will not invest in any Russian company through its Treasury Management Strategy until such time that the Russian Government ends its illegal occupation of Ukraine and takes steps to reintegrate itself in the international community.
- Requests the Hampshire Local Government Pension Fund divests any similar interests and asks that the Chief Finance Officer to write to the fund managers to make clear this view.
- Welcomes the Council's decision to allow vacant space in the Meridian Centre to be used to support humanitarian donations and calls upon the Council to continue to take all reasonable steps to be part of the national programme to house refugees.

## **90 Calendar of Meetings 2022/2023**

Proposed by Councillor Lloyd, seconded by Councillor Howard, following debate it was RESOLVED that the Calendar of Meetings for 2022/2023 be APPROVED.



**91 Acceptance of Minutes**

Proposed by Councillor Kennett and seconded by Councillor Crellin, it was RESOLVED that the minutes of Committees held since the last meeting of Council be received.

**The meeting commenced at 5.00 pm and concluded at 7.12 pm**

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**Chairman**

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NON-EXEMPT

## HAVANT BOROUGH COUNCIL

HR Committee

23<sup>rd</sup> March, 2022

### Pay Policy Statement 2022/23

### FOR DECISION

Portfolio Holder: Cllr Narinder Bains

Key Decision: No

Report Number: HBC/034/2022

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#### 1. Purpose

- 1.1. This report is submitted to Human Resources Committee (HR) in order to meet a statutory requirement to publish a Pay Policy statement annually.

#### 2. Recommendation

- 2.1. HR Committee is recommended to approve the Pay Policy Statement for the Council, for approval at Full Council.

#### 3. Executive Summary

- 3.1. The Localism Act 2011 places specific obligations on local authorities to be transparent and accountable for the way in which pay and awards are applied.
- 3.2. The Act requires each authority to produce a pay policy statement annually to ensure pay information is available to members of the public for all levels of staff from chief officer level to the lowest paid employee. Whilst salary is a central feature of the statement, there is also a requirement for transparency on other types of remuneration such as fees, allowances, benefits in kind, termination payments etc.
- 3.3. The pay policy statement also requires the council to publish the relationship between the remuneration of “Chief Officers” and “employees who are not Chief Officers”. The

recommended multiplier is that the ratio is no more than 20x the lowest paid employee<sup>1</sup>. The council is significantly well below this multiplier and benchmarking with other similar councils would indicate that the council is in step or below the multipliers of other councils.

3.4. The current pay policy statement for the council has been reviewed to ensure its accuracy for publication for 2022/23.

#### **4. Additional Budgetary Implications**

4.1. None

#### **5. Background and relationship to Corporate Strategy and/or Business Plans**

5.1. The publication of pay policy statements is a statutory requirement under the Localism Act 2011.

#### **6. Options considered**

1. Implement the pay policy statement as this is a statutory requirement.
2. Do nothing. This will mean the council is in breach of the Localism Act 2011.

#### **7. Resource Implications**

##### **7.1. Financial Implications**

None identified.

##### **S151 Officer comments**

Date: 17<sup>th</sup> January 2022

No additional financial implications.

##### **7.2. Human Resources Implications**

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<sup>1</sup> The Hutton Review

None identified.

### **7.3. Information Governance Implications**

None identified.

Other resource implications

There will be a requirement for communications support to publish the policy on the council's website.

### **7.4 Links to Shaping Our Future Programme**

There are no direct links to the SoF programme however we will need to continue to annually monitor the ratio between the Chief Executive and the lowest paid employee as transformation work develops in the council.

#### **Chief Operating Officer comments**

Date: 20<sup>th</sup> January 2022

There are no direct impacts to the Shaping Our Future Programme from this report.

*Kim Sawyer*

### **7.5 Other resource implications**

There are no other resource implications identified.

## **8. Legal Implications**

8.1 The publication of the pay policy statement is a statutory requirement. We are fulfilling all legal obligations by publishing the statements.

#### **Legal Implications**

##### **Monitoring Officer**

Date: 11<sup>th</sup> January 2022

All Legal Implications are sound.

*Surinder Atkar*

**9. Risks**

9.1. There is a risk of non-compliance in respect of the authority executing its statutory duty, however by providing this statement of fact on pay, this is mitigated.

**10. Consultation**

10.1. Unison will be informed about the pay policy statement of the council.

**11. Communication**

11.1. The pay policy statement will be published on the council's website and become available to the public following approval at Full Council.

**12. Appendices**

Appendix A – Havant Borough Council Pay Policy Statement 2022/23

Appendix B – Havant Borough Council Senior Salaries

**13. Background papers**

13.1. None

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Agreed and signed off by:

Portfolio Holder: Cllr. Narinder Bains 16<sup>th</sup> February 2022

Director: 20<sup>th</sup> January 2022

Monitoring Officer: 11<sup>th</sup> January 2022

Section 151 Officer: 17<sup>th</sup> January 2022

**Contact Officer:**

Name: Gina King

Job Title: HR Advisor

E-Mail: [gina.king@easthants.gov.uk](mailto:gina.king@easthants.gov.uk) [gina.king@havant.gov.uk](mailto:gina.king@havant.gov.uk)

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### Havant Borough Council Pay Policy Statement Financial Year 2022-23

#### 1. Purpose

This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011 and is updated annually from April each year.

This pay policy statement sets out Havant Borough Council's policies relating to the pay of its workforce for the financial year 2022-23, in particular:

- a) the remuneration of its Chief Officers
- b) the remuneration of its "lowest paid employees"
- c) the relationship between
  - the remuneration of its Chief Officers and
  - the remuneration of its employees who are not Chief Officers

This Policy Statement is an annual revision. It is available on the Council's website. The Council's website also includes separately published data on salary information relating to Chief Officers.

#### 2. Scope

This statement applies to all employees of the council employed under the conditions of service of the following bodies:

- National Joint Council for Local Government Services;
- Joint Negotiating Committee for Chief Officers of Local Authorities;
- Joint Negotiating Committee for Local Authority Chief Executives

#### 3. Definitions

For the purpose of this Pay Policy the following definitions will apply: -

**3.1 "Pay"** in addition to salary includes charges, fees, allowances, increases in/enhancements to pension entitlements, and termination payments.

**3.2 "Day's Pay"**

The definition of a day's pay is the hours worked on the day multiplied by the employee's hourly rate of pay.

**3.3 "Chief Officer"** refers to roles within Havant Borough Council within the corporate leadership team, which comprises Statutory and Non Statutory Chief Officer posts;

- Chief Executive and Head of Paid Service
- Director for Regeneration & Place
- Director for Corporate Services & Chief Finance Officer (Section 151 Officer)
- Client Relationship Director

Officers within this Chief Officer group will normally hold Statutory functions (Head of Paid Service, S151 Officer, Monitoring Officer) unless delegated by exception.

**3.4 “Deputy Chief Officer”** i.e. all other Heads of Service and all senior managers if reporting directly to, or directly accountable to, a statutory or non-statutory Chief Officer in respect of all or most of their duties (excluding roles which are clerical or secretarial).

**3.5 “Shared roles”** - Havant Borough Council has a partnership agreement with East Hampshire District Council. Chief Officer/Deputy Chief Officer roles and shared employees are covered by an Inter Authority Agreement (IAA). This IAA is a S113 legal agreement between the two councils and ensures that issues around control, cost sharing, indemnity and transparency are all clearly captured within this formal agreement.

**3.6 “Lowest paid employees”** refers to those staff employed within grade A of the council's pay framework. The above definition for the “lowest paid employees” has been adopted because grade A is the lowest grade on the Council's pay framework.

**3.7 “Employee who is not a Chief Officer”** refers to all staff who are not covered under the “Chief Officer and Deputy Chief Officer” group above. This includes the “lowest paid employees” i.e. staff on grades A.

## **4. Pay and grading structure**

### **4.1 General approach**

Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the council's business objectives and delivering services to the public. This must be balanced by ensuring remuneration is not, nor is seen to be, unnecessarily excessive. Each council has responsibility for balancing these factors. Each council faces its own unique challenges and opportunities in doing so and retains flexibility to cope with various circumstances that may arise, including the use of market supplements or other such mechanisms for individual categories of posts where appropriate.

### **4.2 Responsibility for decisions on remuneration**

It is essential for good governance that decisions on pay and reward packages for Chief Executives and Chief/Deputy Chief Officers are made in

an open and accountable way and that there is a verified and accountable process for recommending the levels of top salaries.

A remuneration board is in place to formally ratify Chief/Deputy Chief Officer pay and pay progression. The remuneration board members are the Head of Paid Service, the Section 151 Officer, the Head of Organisational Development and a Director. Any decision by the remuneration board is documented for transparency purposes.

Pay for senior staff is determined by the JNC Chief Officer pay negotiations. Any award given is effective from April of the relevant year and is formally noted by JHR Committee in line with HR standing orders.

Havant Borough Council's pay framework was implemented in April 2007 in line with national guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this Havant Borough Council determined a local pay framework reducing the overall number of grades to 11.

Pay awards are considered annually for staff. For those staff up to and including grade K and senior Manager level posts, the outcome of the national consultations by the Local Government Employers in negotiation with the Trades Unions is applied.

The pay award for all staff is also formally noted at Joint Human Resources Committee. The committee comprises elected Councillors and has responsibility for local terms and conditions of employment for staff within the council's pay framework that falls outside the delegated powers of the Head of Paid Service and Head of Organisational Development.

### **4.3 Salary grades and grading framework**

Salary grades for staff who are not Chief Officers are determined in line with the NJC job evaluation scheme (using GAUGE), with the grade for each role being determined by a consistent job evaluation process.

There are 11 grades (A-K) in the pay framework, grade A being the lowest and grade K the highest. Each employee will be on one of the 11 grades based on the job evaluation of their role. Grade A consists of two spinal column points. Grades B – E consist of between 3 and 7 incremental steps. Grades F – K consists of between 5 and 7 incremental steps. Employees can progress to the salary range maximum of their grade subject to assessment of their performance in the appraisal performance process.

In 2021-22 we were unable to even out the number of incremental steps within each of the grades. This will be considered again in 2022-23 as part of the council's transformation programme.

The rise in the National Living Wage rates, with effect from 1 April 2020 do not impact on the value of the council's lowest pay grades as the council pay is of a higher value. Annual pay awards for all employees will be noted by the Joint Human Resources Committee having regard to any agreement reached by the relevant national negotiating bodies.

In light of the partnership agreement with East Hampshire District Council, work progressed during 2019-20 and 2020-21 to align both councils pay scales to ensure consistency in pay across both councils. This is particularly important where roles are shared.

Details of senior management remuneration are published annually on the Council's website as part of this Pay Policy Statement and in the Council's Statement of Accounts.

#### **4.4 Reward Principles**

In order to fulfil the strategic priorities, set out within the Corporate Strategy, the council recognises that the approach to pay and reward needs to reflect modern employment practices and continuously keep abreast of the employment market.

The Council has a reward strategy in place which has three core aims:

- 1) to drive a culture which motivates reward,
  - 2) to reduce and ultimately remove all barriers to a fair and attractive reward package and
  - 3) to align reward with the Councils' resources and financial requirements.
- To achieve these aims we ensure that we review and continually develop reward practices to reflect modern and innovative trends in reward within the context of local and national collective agreements.

The outcomes of this reward strategy mean we have a reward package in place which is attractive to job seekers, helps the Council to retain talented employees, ensures managers reward staff and teams fairly and there is an ethical, open and transparent decision making relevant to reward.

## **5. Remuneration – level and element**

### **5.1 Salaries**

#### **5.1.1 “Chief Officers”**

Chief/Deputy Chief Officers are paid outside of the council's pay framework. There is a specific senior pay policy in place which deals with Chief and Deputy Chief Officer pay. Broadly, the following principles are applied:

- Chief Officer pay is based on a broad band approach and is set at market rate plus. This means that the entry point of the pay scale is 15% below market rate plus and the top of the scale is 15% above market rate plus. The mid-point of the scale is set at market rate plus. Market rate plus means the council is committed to paying 5% above the market rate based on relevant market data
- There are different bands for senior roles based on hierarchy and each Chief/Deputy Chief Officer are paid a spot salary within the pay band described above,
- the Chief/Deputy Chief Officer pay band is benchmarked to ensure pay remains competitive in the market place. In determining Chief/Deputy Chief Officer pay, relevant available information, including the salaries of Chief/Deputy Chief Officers in other similar sized organisations is considered
- National and local pay awards which are applied across the Councils to all grades of staff below senior management do not apply to senior level roles. Pay for senior staff is determined by the JNC Chief Officer pay negotiations. Any award given is effective from April of the relevant year and is formally noted by Joint Human Resources Committee in line with HR standing orders.

### **5.1.2 Joint Chief Executive**

The Joint Chief Executive is the council's Head of Paid Service. This is a joint post with East Hampshire District Council. The remuneration for the Joint Chief Executive is paid outside of the council's pay framework. The level of pay for this role is determined by the Leaders of both councils considering salary benchmarking. There is a broad band of salaries in place which is reviewed each April and the Joint Chief Executive is paid a spot salary within this range.

The annual pay review for the Joint Chief Executive is considered by the Leaders of both councils. The annual pay review takes place annually each year from 1 April.

The performance award for the Chief Executive will be agreed by the Leaders of each Council via Leader delegated decisions and formally noted at Joint Human Resources Committee. Again, any award given will be effective from April of the relevant year.

### **5.2 "Lowest paid employees"**

Each "lowest paid employee" is paid within the salary range for grade A.

### **5.3 Other pay elements**

“Chief/Deputy Chief Officers” are subject to the same performance management process as the “lowest paid employees” and “employees who are not Chief Officers”.

Targets are set and performance against those targets is assessed. Chief/Deputy Chief Officers do not receive any incremental or step progression as they are on a spot salary.

An incremental pay award for any staff member may be withheld in exceptional circumstances due to poor performance. Separate capability processes are applied in such cases.

### **5.4 Charges, fees or allowances**

Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the council’s collective agreement and subsequent amendments.

Any honorarium that is paid will be paid in accordance with Havant Borough Council’s arrangements for such additional payments. Further details can be provided on request.

Any travel expenses reasonably incurred by an employee in the course of their duties will be reimbursed upon production of appropriate receipts and must be authorised by their line manager before payment will be made. Further detail can be provided on request.

Any subsistence allowance that is paid will be in accordance with the council’s policy.

Further details on allowances and payments are available on request.

### **5.5 Electoral Duties**

No fees for election duties are included in the salaries of Chief/Deputy Chief Officers. Any additional fees payable for such responsibilities are calculated in accordance with the statutory rules and recommendations of the Hampshire and Isle of Wight Election Fees Working Party for all local government elections and by central government for Parliamentary elections. Special fees are paid for Returning Officer duties which are not part of the post holder’s substantive role. These fees are payable as required and can be made to any senior officer appointed to fulfil the statutory duties of this role.

The Returning Officer is an officer of the District Council who is appointed under the Representation of the People Act 1983. Whilst appointed by the District Council, the role of the Returning Officer is one which involves and incurs personal responsibility and accountability and is statutorily separate from their duties as an employee of the District Council. As Returning Officer,

they are paid a separate allowance for each election for which he/she is responsible in accordance with accepted national and regional scales and criteria which is approved annually by the Home Office and Electoral Claims Unit.

## **5.6 Performance Management**

High levels of performance are expected of all of our employees. Performance and contribution during the course of the year is reviewed within the annual appraisal process.

This process provides for the setting of targets on an annual basis and review of the employee's achievement against those targets.

Where a member of staff is employed within the salary and grading framework set out in 4.3, following assessment of the employee's achievement against targets the reviewing manager will recommend a rating for each employee. This will normally result in the progression of one incremental step but will not take the salary above the salary range maximum. If an employee is at the top of their grade there will be no further increase. Except in rare cases of poor performance, incremental progression will be applied where relevant.

The staff recognition scheme 'You're a Star' offers rewards to staff, one of which is a one-off payment as a reward for going above and beyond in their given role. A staff recognition panel awards payment.

Any salary changes following assessment under the Appraisal process will normally be effective from 1 April each year.

## **5.7 Other:**

- a) There is a formal provision for a payment to the Joint Chief Executive based on performance which is determined through the normal appraisal system conducted by the Leaders of both councils and is independently verified by the Head of Organisational Development.
- b) Staff members are entitled to access corporate rates for dental and health cash plans through a third-party supplier.
- c) A single financial benefit is payable upon death of any member of staff. The benefit is paid to either widows, widowers, civil partners, cohabiting partners without a legal status or dependent children under the age of 19 who are still in full time education. The benefit is equivalent to the greater of; one twelfth of one year's salary, or £1500 after five years' service, or £2,000 after ten years' service or £2,500 after twenty years' service.
- d) Staff are entitled to discounts for local leisure facilities. The extent of the discount varies according to the facility.

## **5.8 Car, Motorcycle and Bicycle Loans**

The current scheme offers car, motorcycle and bicycle loans up to a maximum of £20,000 and the total loan must be no more than 50% of the employee's gross salary.

These are only available to those staff who are deemed to be 'essential users' who have successfully completed their probationary period. The loan rate is in line with the HMRC official interest rate at the date the loan is taken out and is fixed for the period of the loan. The term of the loan is up to a maximum of five years.

## **5.9 Pension**

All employees as a result of their employment are eligible to join the Local Government Pension Scheme. There are no increases or enhancement to pension entitlements.

## **5.10 Severance Payments**

On ceasing to be employed by Havant Borough Council, individuals will only receive compensation:

- a) in circumstances that are relevant (e.g. redundancy)
- b) that is in accordance with our published policy statement on how we exercise the various employer discretions provided by the Local Government Pension Scheme (LGPS), and/or
- c) that complies with the specific term(s) of a settlement agreement

We are already required to publish our policy on discretionary payments on early termination of employment as well as publishing our policy on increasing an employee's total pension scheme membership and on awarding additional pension.

It is important that the council has flexibility to respond to unforeseen circumstances as regards re-employing former employees as a Chief Officer.

If we re-employ a previous employee who received a redundancy or severance package on leaving, or if that person returns on a 'contract for services', or if they are in receipt of a Local Government Pension Scheme (with same or another local authority), then the decision to re-employ will be made on merit, taking into account the use of public money and the exigencies of the council. Decisions taken in respect of re-employment of former employees in receipt of a redundancy/severance package will be taken in line with legislation in force at that time.



## 5.11 New starters joining the Council

Employees new to the council and who are not Chief Officers will normally be appointed to the first point of the salary range for their grade. Where the candidate's current employment package would make the first point of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range.

Employees new to the council who are appointed to Chief Officer or posts outside of the salary and grading structure (see 4.3) will be paid a fixed salary for the post (see 5.1.1) within the appropriate band.

## 5.12 Apprenticeship Posts

The council employs apprentices through an approved Apprentice Framework. Apprentices are appointed onto the grade appropriate for the post.

## 6. Relationship between remuneration of “Chief Officers” and “employees who are not Chief Officers”

The Local Government Association has offered advice on the Government's requirement in reporting remuneration relationships. The advice is that the measure of the relationship between Chief Officers and employees who are not Chief Officers be considered on the ratio between the highest paid employee and the median average earnings across the organisation as a multiple. This has been calculated as at 1<sup>st</sup> April 2021 as follows:

### Mean Calculation

Remuneration for the Chief Executive (excluding pension contributions)	£133,575
Mean average earnings for all employees at the Council (excluding pension contributions)	£34044.47
Ratio	1:3.9

### Ratio between the highest paid employee and the lowest paid employee

Remuneration for the Chief Executive (excluding pension contributions)	£133,575
Pay for the lowest paid employee at the Council (excluding pension contributions)	£18,932.97
Ratio	1:7.2

Please note that the 2021 pay review is yet to be finalised and this is the reason for the unchanged Chief Executive pay from 2020-21.

## **7. Review**

The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each subsequent financial year. Havant Borough Council's annual statement is normally scheduled for approval by Full Council in advance of 1 April each year, unless there are exceptional circumstances.

If it should be necessary to amend this statement during this financial year, an appropriate resolution will be made by Full Council.

## Appendix B

### Senior Officer Salaries 2021-2022

#### Introduction

In line with the revised Local Government Transparency Code 2015, the Council is required to publish details under the Accounts and Audit Regulations 2015 of the following information:

- The number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000
- Details of remuneration and job titles of certain senior employees whose salary is at least £50,000, and
- Employees whose salaries are £150,000 or more must also be identified by name

The council is committed to providing value for money and as such has entered into a shared agreement with East Hampshire District Council, whereby a number of senior members of staff are shared with both councils. 50% of staff remuneration for shared roles is recharged back to the other Council.

Although the payment of these posts is often shared equally between the two councils, for the purposes of senior salary publication, remuneration information is shown against the employing council for the postholder.

The same information relating to [senior salaries at East Hampshire District Council](#) can be found on their website.

#### Number of Employees with remuneration at least £50,000

Pay Bracket	Number of Employees	Bonuses (£)	Payments in Kind (£)
£50,000 - £54,999	5	0	0
£55,000 - £59,999	1	0	0
£60,000 - £64,999	1	0	0
£65,000 - £69,999	2	0	0
£70,000 - £74,999		0	0
£75,000 - £79,999	4	0	0
£80,000 - £84,999		0	0
£85,000 - £89,999	1	0	0
£90,000 - £94,999		0	0
£95,000 - £99,999		0	0
£100,000 - £104,999		0	0
£105,000 - £109,999		0	0
£110,000 - £114,999		0	0
£115,000 - £119,999		0	0
£120,000 - £124,999		0	0

## Senior Employees' Remuneration and Job Titles

	Remuneration (Including pension contributions)
<b>Senior Employees 2019-20 (employing council)</b>	
Chief Executive (EHDC)	£133,575
Director of Corporate Services / Chief Finance Officer (EHDC)	£104,805
Service Director of Regeneration and Place (EHDC)	£101,609

## Staff Roles with Remuneration of at least £50,000 (excluding Senior Employees above)

	Remuneration (including pension contributions)
Business Development Manager	£51,930.00
Civil Engineering and Landscape Manager	£54,183.00
Planning Policy Manager (HBC)	£54,183.00
Operations Team Manager	£54,183.00
Policy Team Manager	£54,183.00
Neighbourhood Quality Manager	£55,506.00
Enforcement Manager	£60,473.00
Senior Business Partner	£60,623.00
Business, Economy & Town Services Mgr	£68,890.00
Client Relationship Director	£76,766.88
Head of Strategic Commissioning	£77,069.40
Head of Prog. Redesign & Quality	£77,069.40
Head of Organisational Development	£77,069.40
Head of Coastal Partnership	£89,300.99

- Remuneration costs shared by both councils in **green**
- Remuneration costs shared between five councils in **orange**

## Local Government Pension Scheme (LGPS)

All officers are eligible to join the LGPS. The contribution rates are detailed in the table below. The employer's contribution is 16.5%. The employee's contribution is based on the full time equivalent rate of pensionable pay.

<b>Pay bands (1.4.2021)</b>	<b>Contribution Rates</b>
Up to £14,600	5.50%
£14,601 to £22,900	5.80%
£22,901 to £37,200	6.50%
£37,201 to £47,100	6.80%
£47,101 to £65,900	8.50%
£65,901 to £93,400	9.90%
£93,401 to £110,000	10.50%
£110,001 to £165,000	11.40%
£165,001 or more	12.50%

### Senior Employees Responsibilities

Information relating to senior staff's role and responsibilities can be found on the website at: <http://www.havant.gov.uk/management-structure>.

Further information relating to senior staff remuneration and budgets etc can be found as part of the councils statement of accounts, which can be found on the website at: <http://www.havant.gov.uk/accounts>.

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NON-EXEMPT

## HAVANT BOROUGH COUNCIL

COUNCIL

Date: 13 April 2022

### Treasury Management Strategy 2022/23

#### FOR DECISION

Portfolio Holder: Councillor Tony Denton

Key Decision: No

Report Number: HBC/040/2022

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#### 1. Purpose

- 1.1. The Council approved its 2022/23 Treasury Management Strategy as part of the budget process in February 2022. This strategy has now been revised to enable the Council to make better use of its cash balances through building a structured investment portfolio.

#### 2. Recommendation

- 2.1. Members are requested to approve the revised Havant Borough Council Treasury Management Strategy for 2022/23 as detailed in Appendix A.

#### 3. Executive Summary

- 3.1. The Treasury Management Strategy, (incorporating the Minimum Revenue Provision and Annual Investment Strategies), is considered, and approved, by Council annually as part of budget setting. In summary, the strategy governs how the council can invest cash balances held, and borrow funding, (if required), in compliance with the CIPFA Prudential and Treasury Management Codes 2017.

3.2. Since approving the 2022/23 Strategy in February 2022, the Council has reviewed its historical, and forward looking, cashflow forecasts and has established that it will hold significant cash balances that could accumulate better financial returns through a more proactive approach to Treasury Management.

3.3. To provide greater flexibility in how the Council can invest, there is a need to revise the number of approved investment counter-parties available along with respective cash limits, and time limitations, for each type of investment which is now reflected in the revised policy within this report. All modifications have been made in compliance with recognised Treasury Management good practice within the public sector and have been verified through independent Treasury Management advisors.

#### **4. Additional Budgetary Implications**

4.1. Through adopting this revised Strategy, the Council can achieve higher financial returns on the cash balances that it holds. This will generate surplus income over and above the revenue budget that was set for 2022/23.

4.2. Following the approval of the Strategy, the Council's Section 151 Officer will commission support from Treasury Management Advisors with a view to setting up a diversified investment portfolio which will aim to balance any cashflow risks with the need to generate financial returns. The resulting outcome from such investments will be fed into the Budget Working Group and back to Council through budget monitoring reporting throughout the 2022/23 financial year.

#### **5. Background and relationship to Corporate Strategy and/or Business Plans**

5.1. Although the Council presented a balanced budget for 2022/23, the published Medium Term Financial Strategy, (MTFS), indicates a potential revenue funding gap for Havant BC of £2.6m by 2026/27. This requires the Council to take a more proactive approach in how it manages its finances in order to drive efficiencies to deliver the objectives and priorities as detailed in the Corporate Strategy.

5.2. The revised 2022/23 Strategy reflects minimal changes to the version as approved by Council in February 2022. The main addition is the table as detailed in the *investment approved instruments and limits* section which sets the parameters for structured longer-term investments to be made.



5.3. The Havant Borough Council Treasury Management Strategy will undergo a comprehensive review, and update, in advance of the publication of budget papers for the 2023/24 financial year.

## 6. Resource Implications

6.1. There are no direct financial implications in approving the revised Treasury Management Strategy. However, there will be significant financial benefits from the pursuing investments that the strategy will enable.

6.2. There will be a one-off cost incurred in commissioning Treasury Management advisory services to guide the council as to which investments it should make. This cost is not expected to exceed £10k and will be met through the surplus income achieved from the resulting investments.

6.3. The Section 151 Officer will review the current skills, and functions, of the existing finance structure and make subsequent recommendations to ensure that any Council investment portfolio can be appropriately monitored, and maintained, with regular reporting of the performance of investments made through regular budget monitoring reports.

## 7. Legal Implications

### Monitoring Officer comments

Date: 5 April 2022

The Council's financial procedure rules require an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year. In addition and as required, further treasury reports will be produced during the year if the strategy needs updating.

*Mark Watkins, DMO*

## 8. Risks

8.1. There are no risks associated with the Strategy itself. Prior to making any subsequent investments, any financial risks will be fully considered and weighed up against the potential benefits that will accrue from the investment. All transactions will be made in compliance with the newly approved strategy.

8.2. The counter-party lists, transaction limits and stated duration of investments will help manage the overall risk within an investment portfolio to ensure that investments are spread in a logical manner.

## **9. Consultation**

9.1. The Cabinet has been consulted with regarding the need to revise the 2022/23 Treasury Management Strategy.

9.2. The Section 151 Officer will liaise with the Portfolio Holder for Finance prior to making any specific long term investments in compliance with the newly approved Strategy.

## **10. Appendices**

10.1. Havant Borough Council 2022/23 Treasury Management Strategy (revised) as detailed in Appendix A

## **11. Background papers**

11.1. Council Report on 23 February 2022: 2022/23 Revenue Budget, Capital Budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium-Term Financial Plan (MTFP)

### **Contact Officer**

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Job Title: Interim Strategic Finance Lead

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## **Havant Borough Council**

### **Treasury Management Strategy, Minimum Revenue Provision Strategy and Annual Investment Strategy**

#### **1. Background**

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

#### **2. The CIPFA Treasury Management Code of Practice**

- 2.1 The Treasury Management and Investment Strategy has been set in accordance with the CIPFA Prudential and Treasury Management Codes 2017.
- 2.2 Please note that CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft TMSS/AIS reports for 2022/23 unless they wish to do that: full implementation would be required for 2023/2024.

- 2.3 The DLUHC is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.
- 2.4 The Council is required to approve a Treasury Management Strategy which establishes the investment and borrowing activities for the Council. The Council's approach to Treasury Management is in accordance with the Cipfa Code of Practice, which requires a three-year strategy to be agreed annually.
- 2.5 The Prudential Code for Capital requires the Council to set Prudential Indicators for Treasury Management and Capital Expenditure. These are linked to the Strategy and are set out at the end of this document.
- 2.6 The Prudential Code expresses concern that commercial activities should be proportional to a local authority's overall resources and that Local authorities should also engage appropriate expertise to ensure that members are well-informed before making such investment decisions.
- 2.7 The Council is also required to make an annual Policy statement on making Minimum Revenue Provision (MRP) for borrowing, together with the consideration of prudent provision in future financial years.
- 2.8 The Council is required to produce an annual Capital strategy which should specifically set out parameters around Investment.
- 2.9 The Authority to approve an investment strategy before the start of each financial year.
- 2.10 The Council delegates responsibility for the monitoring and scrutiny of treasury activity to the Audit and Finance Committee, and delegates responsibility for implementing and administering the strategies, policy, and procedures to the Chief Finance Officer.

### **3. Treasury Management Reporting**

- 3.1 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.
  - 3.1.1 Prudential and treasury indicators and treasury strategy (this report)
  - 3.1.2 A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

- 3.1.3 An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 3.2 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Finance Committee.

#### **4. Treasury Management role of the Section 151 Officer**

- 4.1. The S151 (responsible) officer is responsible for:
  - 4.1.1. recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
  - 4.1.2. submitting regular treasury management policy reports
  - 4.1.3. submitting budgets and budget variations
  - 4.1.4. receiving and reviewing management information reports
  - 4.1.5. reviewing the performance of the treasury management function
  - 4.1.6. ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  - 4.1.7. ensuring the adequacy of internal audit, and liaising with external audit
  - 4.1.8. recommending the appointment of external service providers
  - 4.1.9. ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
  - 4.1.10. ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
  - 4.1.11. ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
  - 4.1.12. ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
  - 4.1.13. provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans, and financial guarantees

- 4.1.14. ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- 4.1.15. ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- 4.1.16. training and qualifications of members responsible for treasury management approval and scrutiny as well as officers responsible for the day-to-day operations of treasury management.

## 5. Training

- 5.1. The CIPFA Code requires the responsible officer to ensure that all members with responsibility for treasury management receive adequate training in this area. The s151 officer is responsible for this function. The training needs of treasury management officers are periodically reviewed.

## 6. Treasury Management Advisors

- 6.1. The council uses Link Asset Services as its external treasury management advisors
- 6.2. Responsibility for treasury management decisions remains with the council at all times. Although the council will from time to time require the services of specialists, consultants, and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

## 7. Current Treasury Portfolio

- 7.1. The Council's current investment and borrowing position:

	Value as at 31/03/2022		Value as at 31/03/2021	
	£'000	%	£'000	%
<b>Investments</b>				
Nat West	44,814	9	40,432	8
Santander	5,028	91	5,000	92
Total	49,842	100	45,432	100
<b>Borrowing</b>				
PWLB	3,203	100	3,302	100

## **8. Treasury Management Policy 2022/23**

- 8.1. The Council may acquire property sites for strategic, operational and regeneration purposes, any expenditure outside existing capital receipts available may require the Authority to borrow further money. The proposed policy for managing borrowing to finance such expenditure is to borrow short term, or through the Public Works Loan Board (PWLB), monitoring interest rates closely to switch to longer term fixed rate borrowing where analysis of market rates suggests this may be appropriate. If borrowing is required from the PWLB this will be considered against the PWLB rules following the consultation and guidance issued at the end of 2020.
- 8.2. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.
- 8.3. The borrowing rates for general fund for a 25-year loan are forecast at 1.9%. However, the rules around PWLB now require confirmation that borrowing is not for the purpose of buying investment assets purely for yield.

## **9. Economic Factors**

- 9.1. Factors that influence the Council's Treasury Management Strategy include the Council's overall level of resources, medium term spending plans and the need to finance the future cost of services. It is also influenced by the state of the economy in general, the outlook for interest rates and the credit risk environment.
- 9.2. The Treasury strategy is linked to the Council's medium term financial plans and are reflected in a net interest cost or yield in the Council's budget. The net cost/yield estimates are updated regularly through the budget setting process and in year forecasting.

## **10. Prudential Indicators**

- 10.1. The Prudential Indicators were established as part of the Local Government Act 2003 through the Prudential Code. The Code requires the Council to produce indicators to demonstrate that capital financing is prudent, sustainable, and affordable. Local authorities must undertake financial planning for periods longer than the three years required for prudential and treasury indicators. The Capital Programme provides the basis for this. The indicators are set out at the end of this document.

## **11. MRP Policy**

11.1. The Council is required to calculate an amount in relation to its borrowing, and charge this amount as Minimum Revenue Provision to its Income & Expenditure Account in respect of borrowing repayment. The Policy is set out at Schedule 3 to the Treasury Management Strategy. The policy is unchanged from the prior year.

## **12. Risk Management**

12.1. Minimisation and mitigation of risk is a key aspect of treasury management activity. Capital expenditure bids are subject to detailed business cases and lending and investment lists are updated during the financial year.

12.2. The Finance Team carry out their duties in accordance with internal controls to ensure any day-to-day investment decisions are made in accordance with the Treasury Management Strategy.

12.3. The Audit and Finance Committee will be responsible for the scrutiny of Treasury Management activity & practices.

## **13. UK Sovereign Rating**

13.1. The UK sovereign rating is currently AA-. This is the lowest acceptable level for investments.

## **14. IFRS16 - Leasing**

14.1. In December 2020, the CIPFA LASAAC Local Authority Accounting Code Board announced the deferral of the implementation of IFRS 16 Leases in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) until the 2022/23 financial year.

14.2. This report has no alterations to deal with bringing currently off-balance sheet leased assets onto the balance sheet: this will, though, be a requirement for closing of the accounts for 2022/23. There may be an impact on Capital Financing Requirement, External debt (Other long-term liabilities), authorised limit and operational boundary, to allow for those leases which were previously off-balance sheet.



## **SCHEDULE 1 – TREASURY MANAGEMENT STRATEGY**

1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the DLUHC issued Investment Guidance in 2018 that requires the Authority to approve an investment strategy before the start of each financial year.
2. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and DLUHC Guidance.
3. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

### **Havant Borough Council's context**

4. Havant Borough Council anticipates that, by 31 March 2022, £47 million will be invested in short term accounts, with no longer term deposits maturing beyond 12 months. There was external borrowing in place as of March 2022 of £3.2 million, which represents the balance of PWLB borrowing for the refurbishment of the Plaza.
5. The underlying need to borrow is measured by the Council's Capital Financing Requirement (CFR). The CFR is anticipated to remain at the current level over the period of the MTFS.

### **Borrowing Strategy**

6. The Council will adopt a flexible approach to borrowing in consultation with Treasury Management advisors, and will keep under review the following borrowing sources:
  - Internal borrowing (borrowing against future revenue budgets)
  - PWLB
  - Other Local Authorities
  - Finance Leasing
  - Brokers for short term financing
7. Exposure to short dated/variable rate borrowing will be reviewed by reference to the difference between variable rate and longer-term borrowing costs. A significant change in this difference will trigger a review of borrowing strategy to determine whether a switch to longer term rates is made or whether exposure to short term rates is maintained.
8. Capital Finance can also be raised through other debt liabilities, including Finance Leases, Sale & Leaseback, or LGA Bonds. Any decision to raise finance through these methods will be subject to appraisal and a separate report to Cabinet.

9. The Council may take advantage of debt rescheduling (the repayment of loans before maturity to allow replacement with new loans) where it is expected to create a cost saving or significantly reduce interest rate risk to the Council.

### **Investment Strategy**

10. The Council's overriding objective in relation to the investment of cash is the security of the capital invested, followed by the liquidity of investment. The Council aims to maximise yield given these parameters.
11. Investments are categorised as specified or non-specified investments. Specified investments are sterling denominated investments maturing under 1 year, and non-specified investments are effectively anything else.
12. The CFO has discretion to make investments outside of the Lending list on the advice of appropriate Treasury Advisors. Institutions may be added or removed from the list if credit ratings improve or deteriorate below the thresholds outlined on the List.
13. Overnight funds are held in an overnight fund provided by the Council's bank. Consideration will be given to Money Market Funds in 2022/23 and 2023/24 as an alternative to the overnight account and may be utilised if the CFO is satisfied with the level of risk.
14. The Council will arrange short term investments through brokers, in order to ensure transactional security and to promote competition to enhance returns.

### **Interest Rate Forecasts**

15. The Council formulates a view on interest rates as part of the budget setting process. This view is formulated on the basis of advice from Treasury Management advisors (Link Asset Services) and Bank of England forecasts. The forecast by the Link Group for Bank Rate now includes four increases, one in quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.
16. There remains uncertainty around the pandemic and the impact and recovery over the next few years will be kept under review.
17. It is important to note that although the base rate has changed, the rates that we can get on our investments are based on the London Interbank Offer rate, which fluctuates depending on other market factors. This explains the differing rates of return of our current investment portfolio.

## Creditworthiness Policy

18. This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

19. This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands

- Blue Banks 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used unless exempted in table below

## investment approved instruments and limits

Counterparty/Financial Instrument	Colour (and long-term rating where applicable)	Money and/or % limit	Transaction limit	Time limit
<b>DMAF UK Government</b>	n/a	£30m	£30m	3 months
<b>UK Government gilts</b>	UK sovereign rating	20%	£15m	12 months
<b>UK Government Treasury bills</b>	UK sovereign rating	20%	£15m	6 months
<b>Money Market Funds CNAV</b>	AAA	£10m per fund £25m limit		liquid
<b>Money Market Funds LVNAV</b>	AAA			liquid
<b>Money Market Funds VNAV</b>	AAA			liquid
<b>Term Deposits with UK banks</b>	Colour bands	20% per bank	£5m	12 months
<b>Council's banker</b>	Colour bands	100%	unlimited	1 day
<b>Strategic pooled funds*</b>	Price risk analysis and due diligence	£15m	£5m	n/a
<b>Deposits with Local authorities</b>	n/a	£13m per LA	£5m	12 months
<b>Real Estate Investment Trusts**</b>	Price risk analysis and due diligence	£15m	£5m	n/a
<b>Loan to Registered providers</b>	Credit loss analysis and legal due diligence	20%	£5m	n/a

**\*Strategic pooled funds:** Bond, equity, multi-asset 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 Authority'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

20. Sole reliance will not be placed on credit ratings. The Council will continue to monitor reports in the press, market data and information on government support when reviewing credit worthiness.

*21. Long Term borrowing*

Long term borrowing is for capital project. Long term borrowing will be from PWLB, UK Sterling based institutions and to include Local Authorities.

*22. Short Term borrowing*

Short term borrowing is for temporary cash shortfalls. Short term borrowing will be from UK Sterling based institutions, including Local Authorities. Short term borrowing will not exceed 364 days.

**Treasury Limits and Prudential Indicators 2022/23 to 2025/26**

23. The revised CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance, in accordance with Section 3 of the Local Government Act 2003, require the Council to determine and review the level of borrowing that it can afford.

24. The Codes require a number of indicators to be formally set, on a rolling basis, for 2022/23 and the following three years. The Council must have regard to the following when setting these indicators:

- Service Objectives
- Stewardship of Assets
- Value for Money
- Prudence and Sustainability
- Affordability and Practicality

25. The purpose of these indicators is to ensure that total capital investments and, in particular, the effect of these investments on the Council Tax level is 'acceptable'.

26. The Prudential Indicators set for 2022/23 are shown in Schedule 2 below. An explanation is provided for each indicator.

## SCHEDULE 2

### PRUDENTIAL INDICATORS

#### 1. Ratio of Financing Costs to Net Revenue Stream

The budgeted ratio for 2022/23 and estimated ratios for the remainder of the Medium Term Financial Strategy.

	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>	<b>2024/25 Estimate £'000</b>	<b>2025/26 Estimate £'000</b>	<b>2026/27 Estimate £'000</b>
Interest Payable	126	122	118	113	108
Interest Receivable	(55)	(55)	(55)	(55)	(55)
Investment Income	(1,858)	(1,858)	(1,858)	(1,858)	(1,858)
MRP (include finance leases)	237	235	234	234	233
	(1,550)	(1,556)	(1,561)	(1,566)	(1,572)
NNDR	5,269	5,375	5,483	5,592	5,703
Council Tax	9,113	9,341	9,576	9,817	10,063
Other non-ringfenced grants*	381	0	0	0	0
New Homes Bonus Grant	474	0	0	0	0
	15,237	14,716	15,059	15,409	15,766
Ratio as a Percentage	(0.10)	(0.11)	(0.10)	(0.10)	(0.10)

The ratio is calculated by comparing the financing cost of all borrowing with the revenue stream through Council Tax, general grants, and Retained Business Rates.

The cost of finance associated with this borrowing is more than covered by the revenues attached to investment income.

## 2. Approved Capital Expenditure

The Capital Expenditure estimates are summarised below. The estimates come from approved schemes in the Capital Budget, which is to be agreed by Council in February 2022.

Capital Expenditure	2022/23 Forecast Estimate	2023/24 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	3,657	6,821	3,928	1,628	1,628
Capital Financing	3,657	6,821	3,928	1,628	1,628
Borrowing Requirement	-	-	-	-	-

## 3. Maturity Structure of Fixed Rate Borrowing

The below table demonstrates the value of principal repayments repayable.

	31/03/2021 Actual
	£'000
Under 12 months	101
12 months to 2 years	104
2 years to 5 years	341
5 years to 10 years	668
Over 10 years	2,037

#### 4. The Capital Financing Requirement

The Capital Financing Requirement (CFR) is used to assist in deciding whether capital expenditure is affordable, by measuring the underlying need to borrow. The indicator is calculated by matching fixed assets and projected capital expenditure to capital resources applied. The difference between the two, if positive, represents total capital expenditure financed by borrowing. The definition of unfinanced capital expenditure includes finance leases and PFI arrangements. Long Term borrowing should not, except in the short term, exceed the CFR.

	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>	<b>2024/25 Estimate £'000</b>	<b>2025/26 Estimate £'000</b>	<b>2026/27 Estimate £'000</b>
Opening CFR	13,131	12,894	12,659	12,425	12,191
Unfinanced Capital Expenditure	-	-	-	-	-
MRP	(237)	(235)	(234)	(234)	(233)
Closing CFR	12,894	12,659	12,425	12,191	11,958
Long Term Borrowing	3,047	2,938	2,824	2,705	2,583
Over/(Under) Borrowing	(9,847)	(9,721)	(9,601)	(9,486)	(9,375)



## TREASURY MANAGEMENT INDICATORS

### 1. Authorised Limit for External Debt

To ensure good cashflow management, there is occasionally a need to borrow in the short term. Authority for any such borrowing is delegated to the S151 Officer. There are some circumstances where long-term borrowing to support the Capital Programme is required to finance major capital projects or investment property purchases. The long-term limits set in this report are based on the projected Capital Financing requirement over the period of the Medium-Term strategy and will be the maximum permissible amount of total borrowing.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Borrowing Authorised Limit	145,000	145,000	145,000	145,000	145,000
Other Long-Term Liabilities	748	748	748	748	748

### 2. Operational Boundary for External Debt

The purpose of this indicator is to serve as a warning that the authorised limit for external debt is close. It has been set at £2 million below the authorised limit.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Borrowing Operational Limit (Up to 1 Yr)	143,000	143,000	143,000	143,000	143,000
Other Long Term Liabilities	748	748	748	748	748

### 3. Interest Rate Exposures

Setting upper limits for variable and fixed interest rates provides a range in which the authority manages exposure to fixed and variable interest rates. Although fixed rates bring security to long term returns, variable rate investments can give the flexibility to maximise returns when interest rates are expected to increase. The indicators set will allow this flexibility.

#### Upper Limit for Fixed Rate Exposure

2022/23 Budget	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
100%	100%	100%	100%	100%

#### Upper Limit for Variable Rate Exposure

<b>2022/23 Budget</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/267 Estimate</b>
100%	100%	100%	100%	100%

#### **4. Total Principal Sums invested**

The Prudential Code requires authorities to establish long term limits on principal sums invested in long term investments. The purpose of this indicator is to ensure that a good maturity profile of investments is maintained.

<b>Term of Investment</b>	<b>Total Value £M</b>
Within 1 Years	unlimited
Between 1 and 2 Years	0
2+ Years	15

## **SCHEDULE 3**

### **Minimum Revenue Provision Policy 2020/21**

#### **MRP on Finance Leased assets prior to 2017**

The Council holds assets which are financed through a Finance Lease, as defined by International Financial Reporting standards. Where assets are financed in this way, MRP is charged over the life of the asset or, where this is not practical, over the life of the lease.

#### **Prudential Code debt incurred in the year 2019/20 and onwards in relation to income generating property acquisitions**

The Council will calculate the amounts for MRP for 2019/20 by applying an annuity formula incorporating a PWLB long-term borrowing rate, commensurate in duration to the estimated life of the item purchased/built to the apportionment of the value attributed to each financial year's opening CFR in relation to such income generating capital expenditure where the item purchased/built is expected to have a life of up to 50 years or more.

#### **Prudential Code debt incurred in the year 2017 onwards in relation to Leisure Centres and other operational assets**

The Council will apply the following methodology for MRP in relation to the Leisure Centre build:

- Annuity method (Asset life) - Annuity method, which works on the basis of a mortgage type repayment extended over the lifecycle of the asset. MRP Commencement on operational properties will be postponed until the financial year after asset becomes operational.
- Borrowing where timing differences arise between spend and future capital receipts; MRP will be charged in the year in which capital receipts are received
- Internal Borrowing: MRP repayment on internal borrowing will be offset against savings or income generated in the Income & Expenditure Account as a direct result of the investment. Repayment schedules will be confirmed prior to internal borrowing commencing.

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