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Portsmouth
CITY COUNCIL

Agenda & minutes

Full Council meeting of
Tuesday, 19 March 2019

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Portsmouth City Council

A MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall on Tuesday, 19 March 2019 at 2.00 pm and all members of the council are hereby summoned to attend to consider and resolve upon the following business:-

Agenda

1 **Declaration of Members' Interests**

2 **To approve as a correct record the Minutes of the Ordinary Council meeting held on 12 February 2019** (Pages 13 - 66)

3 **To receive such communications as the Lord Mayor may desire to lay before the Council, including apologies for absence**

4 **Deputations from the Public under Standing Order No 24.**

5 **Questions from the Public under Standing Order 25.**

6 **Appointments**

7 **Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26.**

8 **Ravelin Group of Companies** (Pages 67 - 94)

To receive and consider the attached open report and recommendations by the Cabinet held on 26 February 2019. The exempt appendices which went to Cabinet are not included as they do not relate to the recommendations before Council.

9 **Annual Capital Strategy** (Pages 95 - 144)

To receive and consider the attached report from Cabinet held on 12 March (recommendation to follow).

10 **Treasury Management Policy 2019/20** (Pages 145 - 214)

To receive and consider the attached report from Cabinet held on 12 March (recommendation to follow).

11 **Modern Slavery Statement** (Pages 215 - 240)

To receive and consider the attached report from Cabinet held on 12 March (recommendation to follow).

12 **Review of Hampshire Minerals and Waste Plan** (Pages 241 - 366)

To receive and consider the attached report and recommendations by the Planning, Regeneration & Economic Development portfolio meeting held on 26 February 2019.

13 Pay Policy Statement (Pages 367 - 378)

To receive and consider the attached report and recommendations by Employment Committee held on 26 February 2019.

14 Health and Wellbeing Board Constitution (Pages 379 - 394)

To receive and consider the attached report and recommendation from Governance & Audit & Standards Committee held on 8 March.

15 Appointment of Monitoring Officer (Pages 395 - 398)

To receive and consider the attached report from the Chief Executive.

Notices of Motion: Process information

Standing Order (32(d)) requires a vote by members before each motion to determine whether or not the motion is to be debated at the meeting or stand referred to the Cabinet or relevant Committee (including Scrutiny) to report back to a future meeting.

16 Notices of Motion

(a) **Proposal to Declare a Climate Emergency in Portsmouth**

Proposed by Councillor Judith Smyth
Seconded by Councillor Thomas Coles

We are in the middle of a climate emergency which poses a threat to our health, our planet and our children's and grandchildren's future. (Sadiq Khan London Mayor)

The UK exceeded the scientifically agreed safe level of CO_2 in the atmosphere (350ppm) sometime in the late 1990s. Since then we have been gambling with the lives of future generations and other species. Today we have reached the point where, even if we stopped all production of fossil fuelled cars, buses, trains, ships and planes and built no more gas or coal power stations, we would still only have a 64% chance of keeping below the 1.5°C target agreed in Paris in 2015. [1] [2] [3] [4]

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[1] Hansen J, Sato M, Kharecha P, Beerling D, Berner R, *et al*. (2008) *Target Atmospheric CO2: Where Should Humanity Aim?* The Open Atmospheric Science Journal 2: 217–231.
[2] Hansen J, Kharecha P, Sato M, Masson-Delmotte V, Ackerman F, Beerling DJ, *et al*. (2013) *Assessing "Dangerous Climate Change": Required Reduction of Carbon Emissions to Protect Young People, Future Generations and Nature*. PLoS ONE 8(12): e81648.
[3] IPCC, (2018) *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy,

In Portsmouth we have very high levels of air pollution on some streets where people live, cycle and walk exposing people to dangerous chemicals. Children are particularly vulnerable. We have also had several breaches to sea defences and are vulnerable to flooding.

48 UK local authorities have declared a climate emergency including Cornwall, the Forest of Dean, Bristol, Lambeth, Nottingham, Lancaster, Brighton and Hove, and Milton Keynes [5]. 72 cities around the world have also declared a climate emergency committing resources to address this emergency [6].

A climate emergency declared by a local authority can be a powerful catalyst for community wide action when paired with a clear action plan. There is no time to waste if we are to avoid the consequences of a rise in global warming above 1.5°C.

We propose that Portsmouth City council asks the Cabinet to Declare a Climate emergency to give a compelling lead to citizens, businesses and other partners of the urgency to reduce our carbon footprint to zero by 2030.

Portsmouth City council has started this journey. CO_2 emissions in Portsmouth have reduced from 1243.5 kilotons in 2005 to 817.9 kilotons in 2016 and the City council has recognised that to avoid the worst impacts of climate change further reductions are needed. [7] [8] Several separate initiatives are underway. For example, electric car charging points, tree planting, investment in the new plastics recycling plant required to recycle more plastics jointly with Hampshire and Southampton by constructing a new Integra plant and the 'cough, cough' campaign together with reduction of carbon footprint of council premises and services.

However, this is somewhat disjointed and too slow. What is needed is action. Working with local business and other partners we need to develop and agree an ambitious city-wide strategy and clear

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Maycock, M. Tignor, and T. Waterfield (eds.)]. *World Meteorological Organization, Geneva, Switzerland, 32 pp.*

[4] Campaign against Climate Change. (2019). *Councils declaring climate emergency: new hope for climate action?*, from https://www.campaigncc.org/councils_climate_emergency

[5] C40 Cities. (2019). *Deadline 2020*., from https://www.c40.org/other/deadline-2020

[6] Greenhouse Gas Protocol. (2019). *GHG Protocol Corporate Accounting and Reporting Standard.* [Bhatia, P., Cummis, C., Brown, A., Rich, D., Drauker, L., Lahd, H.] *Greenhouse Gas Protocol, Washington, USA.*

[7] Department for Business, Energy and Industrial Strategy. (2018) *Local Authority Carbon Dioxide Emissions Estimates 2016*. London: Department for Business, Energy and Industrial Strategy.

[8] Portsmouth City Council. (2019). *Climate change - Portsmouth's priorities*., from https://www.portsmouth.gov.uk/ext/environment/green-living/climate-change---portsmouths-priorities

action plans leading to rapid action which is openly monitored, well led and well governed. We need to enthuse and involve citizens, including young people, in generating ideas and support for green policies, plans and action. We can lead the way as a Green City.

Portsmouth City council will ask the Cabinet to:

1. Declare a 'Climate Emergency' then ask partners to sign up including local business, schools and community groups.

2. Pledge to achieve net zero carbon emissions in the Portsmouth by 2030, considering, both production and consumption of emissions according to the Standard provided by the Greenhouse Gas (GHG) Protocol [6].

3. Require the Leader of the Council to report back to the Council within six months with an action plan, detailing how the Council will work with partners across the City and with central government to ensure that Portsmouth's net carbon emissions (Scope 1, Scope 2 and Scope 3 emissions as defined by the GHG Protocol) are reduced to zero by 2030.

4. Provide an annual report on Portsmouth GHG emissions, what is working and what is more challenging and progress towards achieving net zero-carbon emissions.

5. Require the Chief Executive to establish a 'Portsmouth Climate Change Board' before the end of July 2019, equivalent to that of Manchester, to underpin our efforts to decarbonise Portsmouth.

6. Write to the government requesting (a) additional powers and funding to make the 2030 target possible and (b) that ministers work with local government and other governments to ensure that the UK maximizes carbon reduction by 2030 in line with the overriding need to limit global warming to a maximum of 1.5°C.

7. Develop and implement a community engagement plan to i) fully inform residents about the need for urgent action on climate change ii) offer a vision of a healthier, more child friendly and greener city that is a model of best practice iii) mobilise residents in the delivery of the action plan

(b) **Council Housing**

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Suzy Horton

The City Council recognises that having a decent place to live, and one that families can afford, is hugely important.

The City Council notes the loss of council housing over the last forty years and the retreat from house building by councils.

The City Council has an ambition to increase the amount of council housing available to Portsmouth residents. The City Council welcomes the long overdue Government decision to remove the cap on borrowing for the building of council housing. The City Council asks the Cabinet to look at how this new freedom can be used to accelerate the building of new council housing.

The city council does not support the view expressed by the Deputy Leader of the Conservative Group that the building of new social housing can only be done with a subsidy. Figures from within the city council says that there could be large scale building of new council homes within Portsmouth, and the land the city council owns outside Portsmouth, to help address the huge need and demand for good quality council housing at social rents. It requests the Cabinet to come forward with concrete plans to do this.

(c) **Paulsgrove Splash Pool**

Proposed by Councillor Gemma New
Seconded by Councillor Jo Hooper

Paulsgrove splash pool was left for very many years to rot. It was untouched and unkempt, derelict and unused. Just locked away, out of sight with many excuses made to the people of Paulsgrove for why it was closed.

Paulsgrove splash pool, was missed and unable to be enjoyed by the community of Paulsgrove and people naturally asked why.

Under the administration of Portsmouth Conservatives, Paulsgrove Splash Pool was given a new lease of life. Repairs and maintenance were carried out until May 2018, when we were finally able to reopen up this much missed facility back to the community of Paulsgrove.

This is a much loved and gladly welcomed facility that is also used to its full capacity too. Residents of Paulsgrove are extremely pleased to have the splash pool back in use once again.

In Feb 2019, our budget was voted down. In our budget, it allowed for some equipment for Paulsgrove Splash Pool. Equipment such as picnic benches and parasol's.

Therefore the council requests the cabinet members for Culture and Leisure & Housing, work with the Paulsgrove Councillors to find a solution to provide this equipment for Paulsgrove Splash Pool from either the Housing Revenue Account or any in-year capital underspends in Culture & Leisure.

(d) **The MA Parking Zone**

Proposed by Councillor Luke Stubbs
Seconded by Councillor Donna Jones

The recent introduction of the MB and MC parking zones has had a significant impact on neighbouring streets. One area particularly affected is the long-established MA zone, covering Beatrice Road and Leopold Street. During the hours of operation of the MC zone, between 4 and 6pm, these roads fill up with vehicles that can no longer park in that zone. This means local people have nowhere to leave their cars when they get home from work.

Council regrets this situation and calls on the Cabinet Member for Traffic and Transportation to bring an urgent report to her decision meeting detailing how these problems could be mitigated.

(e) **Portsmouth Stray Dog Kennel Service**

Proposed by Councillor Robert New
Seconded by Councillor Hannah Hockaday

"Portsmouth's stray dog kennel service is one of the best in the country. This service is provided to Portsmouth and the surrounding area by Portsmouth City Council. The service provided by a small team, which is focused on protecting and re-home dogs, is outstanding.

The Portsmouth City Stray Dog Kennels are nationally recognised. The RSPCA have awarded the kennels their "Gold Service Award" three years in a row; this is something Members should be proud of.

Portsmouth City Council wishes to formally recognise the outstanding work being carried out by the staff who run the dog kennels and place our thanks on record. The council also requests that the cabinet member for Environment and Community Safety writes to members of the city council confirming his intention to continue to expand partnership links, as Cllr Robert New did whilst the Cabinet member in previous years, with organisations such as Battersea Cats and Dog Home. This organisation has assisted Portsmouth City Council in re-homing 'hard to place' dogs and other animals many of whom have suffered abuse or who are scared of people, especially those used for 'baiting' and as protection dogs for criminals such as drug dealers. These partnerships have ensured that dogs have found a 'forever home' rather than being put to sleep. Portsmouth City Council should be proud of these success stories.

Finally the council requests that the cabinet member considers the creation of a 'Dog Friendly City Charter', including exploring better use of enclosed parks, better use of Southsea beach for owners and dogs and continue with the expansion of dog waste bins across the city"

(f) **Dignity in Social Care - Improving Social Care Services and Jobs**

Proposed by Councillor George Fielding

Seconded by Councillor Judith Smyth

This Council notes with alarm the continuing crisis of social care underfunding that makes it hard for local authorities and provider organisations to ensure decent jobs and quality services.

This Council supports in principle the provisions of UNISON's Ethical & Residential care charters. The Council asks the Cabinet to implement the charters at the earliest practicable opportunity, recognising that some aspects of the charters may require additional funding.

This Council welcomes the additional short term funding that the government pledged for social care in the 2017 budget but notes that this does not go far enough and does not represent a sustainable solution.

This Council welcomes UNISON's campaign initiative which aims to expand union membership within the sector to give care workers the support and confidence to lead the public-facing campaign to increase central government funding, improve employee relations and raise standards within the sector.

This Council asks the Cabinet to encourage those careproviders that we currently commission or purchase provision from and to ask the Cabinet to require those care providers that we commission or purchase provision from in future to:-

1) Respect the right of care staff to organise a union in their workplace and do nothing to undermine the reasonable efforts of staff to organise a union.

2) Allow access to accredited union representatives and officials for membership recruitment activity. Provider organisations should engage positively with union requests for access to staff and, where necessary, agree arrangements that do not disrupt service delivery

3) Pursue a partnership approach to employment relations. We would expect the provider to engage constructively with the union including a recognition and facilities agreement to underpin collective working.

4) Work with the providers and unions to pursue our shared objective of achieving the provisions of the UNISON Ethical and Residential Care Charters

The Council will ask the Cabinet to write to all current providers of council-commissioned care services at the earliest opportunity to advise them of our expectation that they will comply positively with the above points (1-4). These principles will be enshrined in our future commissioning processes and procedures.

(g) **Permanent Flag Representation in the Council Chamber**

Proposed by Councillor Scott Payter-Harris
Seconded by Councillor Ian Lyon

In stark contrast to many other local councils in the UK and around the world, Portsmouth's council chamber does not currently have any fixed flag representation of the city we represent as well as the country to which we are all loyal. We propose that from the next Council Meeting, we have permanently displayed in the chamber a 'triple crown' of 3 flags; namely:

- A flag/crest of the city in the centre
- The Union Flag on one side
- The Royal Navy's Ensign on the other side

These flags individually and together represent the Council's commitment to Portsmouth's residents whom we are elected to serve; our nation as a whole; and our recognition of the importance of the Royal Navy to the city.'

To enable this, the Resources Portfolio holder be asked to meet the cost of this from the Resources Portfolio Reserve.

(h) **Library Service**

Proposed Councillor Robert New
Seconded Councillor Swann

"World Book Day was held on the 7th March 2019. Many schools across the city including schools in Copnor celebrated the annual awareness day of books and literature, which also celebrates the incredible authors who create the literature content and the characters who stay with us for life.

Over the past four years, against national austerity where other councils were closing libraries, we saw a manifesto pledge implemented to protect and expand library services with increased opening hours and no library was closed. Former councillor Linda Symes worked hard with officers to create a new revenue stream by way of Waterfront Gifts, whose profits support the library service.

Reading, and reading books is important for early development and can often open the minds of young people. You can travel the world in the book, you can travel the cosmos. It allows you to dream. To visualise words into imagery and aspirations. You can fly through the skies on the back of Drogon the dragon with Daenerys

Targaryen in Essos, or fight against giant squids with Captain Nemo onboard the submarine Nautilus, or immerse yourself in the murky underhand deceptions and plots of Westminster in the House of Cards.

Council also places on record their thanks to Victorious Festival for their amazing support to children across the city and our library services with their gift of £12,000 per year to help libraries to buy books. When children read, they are inspired, they aspire, they dream big and think big.

We ask that council request that the Cabinet continues the work to enhance the library service and that where possible and appropriate, library services are expanded into areas that currently do not have their own library, such as wards like Copnor. Furthermore, we ask Cabinet that any future council developments in areas such as Copnor, that it should consider the creation of small library spaces/service in any such developments for the community to access and enjoy."

(i) **St James' Hospital**

Proposed by Councillor Donna Jones
Seconded by Councillor Luke Stubbs

"Portsmouth City Council recognises the importance of the development of St James' Hospital in Milton and the potential impact the development could have on the local community. It has been widely reported that the area at Velder Avenue, very close to this site is one of the worst air pollution sites in the city. The council also notes the pressure on school places and medical facilities in the area.

The city notes that in order to achieve the best outcome for the people of Milton and the surrounding areas, all political parties on the city council must work together. Cross party working is essential when there is a minority administration that does not enjoy the support of a 'supply and confidence agreement'.

NHS Property Services have confirmed their intention to proceed with the highest and most comprehensive bid for the St James' hospital site. They have also notified that contracts have been agreed and a completion date set for the summer. With this in mind, the council requests that the Leader of the council release the previously withheld business case for St James' Hospital to opposition leaders and shadow spokesperson for Planning, Regeneration & Economic Development so they can better understand the aspiration of the city council with regards this site. The reason for the request is to ensure that should there be any change to the legal purchase of the site, the business case has full and cross party support, ensuring all angles are covered therefore giving Portsmouth City Council a greater chance of acquiring parts of the site in the future. We, the members of Portsmouth City

Council wish to work together in a cross party way and encourage the leader of the council to support this open and democratic way of working by sharing the private and withheld business case for this important site."

17 **Questions from Members under Standing Order No 17.** (Pages 399 - 400)

David Williams
Chief Executive

Members of the public are permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting nor records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

Whilst every effort will be made to webcast this meeting, should technical or other difficulties occur, the meeting will continue without being webcast via the Council's website.

This meeting is webcast (videoed), viewable via the Council's livestream account at https://livestream.com/accounts/14063785

If any member of the public wishing to attend the meeting has access requirements, please notify the contact the Local Democracy Manager at Stewart.Agland@portsmouthcc.gov.uk

Civic Offices
Guildhall Square
PORTSMOUTH
11 March 2019

MINUTES OF A MEETING OF THE COUNCIL held at the Guildhall Portsmouth on Tuesday, 12 February 2019 at 2.00 pm

Council Members Present

The Right Worshipful The Lord Mayor
Councillor Lee Mason (in the Chair)

Councillors

Dave Ashmore
Jennie Brent
Ryan Brent
Tom Coles
Yahiya Chowdhury
Ben Dowling
Jason Fazackarley
George Fielding
John Ferrett
David Fuller
Scott Payter-Harris
Hannah Hockaday
Jo Hooper
Suzy Horton
Frank Jonas BEM
Donna Jones
Ian Lyon
Leo Madden
Hugh Mason
Stephen Morgan
Gemma New
Robert New
Steve Pitt
Will Purvis
Darren Sanders
Jeanette Smith
Lynne Stagg
Judith Smyth
Luke Stubbs
Benedict Swann
David Tompkins
Claire Udy
Gerald Vernon-Jackson CBE
Steve Wemyss
Matthew Winnington
Rob Wood
Tom Wood
Neill Young

1. Declarations of Interests under Standing Order 13(2)(b)

There were no declarations of members' interests.

2. Minutes of the Council Meeting held on 11 December 2018

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Donna Jones

That the minutes of the council meeting held on 11 December 2018 be confirmed and signed as a correct record.

RESOLVED that the minutes of the council meeting held on 11 December 2018 be confirmed and signed as a correct record.

3. Communications and apologies for absence

Apologies for absence were received on behalf of Councillor Ken Ellcome and Councillor Simon Bosher. Councillor Ryan Brent and Councillor Ian Lyon each sent apologies for lateness.

The Lord Mayor gave detailed information concerning filming in the chamber and reiterated the council's rules which strictly prohibit the filming, photographing or recording of members of the public unless they are addressing the meeting and only then if they do not actively object. Filming from gallery to gallery is also prohibited. The Lord Mayor advised that in order to assist online viewers a webcast camera will take an overview of members in the chamber when any voting takes place.

The Lord Mayor then gave details of the evacuation procedure and reminded everyone that there are building evacuation signs displayed both inside the public galleries and in the chamber itself. He advised that the evacuation assembly point for this meeting is in front of the Queen Victoria statue in Guildhall Square.

Councillor Gerald Vernon-Jackson made a short statement advising members that a civic award had been given to Mr John Holland, an active volunteer in the city over many years. The civic award was made in advance of the annual council meeting owing to the terminal illness of Mr Holland. The Leader advised that Mr Holland's funeral had recently taken place.
The Leader said that he hopes that the civic award will be presented to Mr Holland's family at the annual mayor making event.

4. Deputations from the Public under Standing Order No 24

The City Solicitor advised that one deputation request had been made in respect of

Agenda Item 7 - Budget and Council Tax 2019/20 and Medium Term Budget Forecast 2020/21 to 2022/23.

Honorary Alderman Dr Alan Burnett made his deputation speaking broadly against this item.

The City Solicitor advised that two deputation requests had been received in respect of

Agenda Item 8 - Capital Programme.

One deputation was made speaking broadly against this item by Honorary Alderman Alan Burnett.

One deputation was made speaking broadly in favour of this item by Reverend Tracey Ansell.

5. Appointments

Councillor Robert New was appointed as a main member on the Langstone Harbour Board to replace Councillor Lyon who became a standing deputy.

6. Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26

The Lord Mayor advised that notice had been given by the Leader of the Council to the other group leaders as detailed on the green sheet about an urgent matter in accordance with Standing Order No 26. The Leader advised members that the urgent matter concerns making the city ready for the prospect of a no-deal Brexit. The Leader advised that the Chief Executive would set aside a significant amount of money under Standing Order 58 powers in order to set up triage points and a holding area for HGVs accessing the International Port.

The Lord Mayor advised that any ward councillor can speak on this matter if it significantly impacted on their ward. An opportunity was also given to group leaders to speak on this matter. Following a short debate the Lord Mayor advised that the Chief Executive would provide a briefing to members on the day following the council meeting.

7. Recommendations from the Cabinet meeting held on 5 February 2019

The Lord Mayor advised that as previously advised to members, the Capital Programme and the Budget and Tax Setting reports and recommendations would be taken and debated together on the basis that each item impacts on the other and on the understanding that the tax setting item would be voted on first followed by the Capital Programme.

Minute 7 - PCC Budget and Council Tax 2019/20 and Medium Term Budget Forecast

This was opposed

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Steve Pitt

That the recommendations contained in the report entitled "PCC Budget and Council Tax 2019/20 and Medium Term Budget Forecast 2020/21 to 2022/23" be approved.

Councillor Gerald Vernon-Jackson spoke on the budget proposals which had been produced by the Liberal Democrat group and he commended them to council. He placed on record his thanks to Chris Ward and his team and to all staff in the city council.

The Leader also paid tribute to councillors from all groups who have worked hard in various ways for the good of the city.

As an amendment it was

Proposed by Councillor Donna Jones
Seconded by Councillor Luke Stubbs

That the recommendations set out in **Appendix 1** attached to these minutes (Conservative Revenue Budget amendment) be adopted.

Councillor Donna Jones then spoke to her group's proposed budget amendment. She placed on record her thanks to Chris Ward and the finance team, and to Conservative group members. Following her budget presentation, she commended the proposals to council.

As an amendment to the recommendations in relation to Cabinet minute 7 it was

Proposed by Councillor Stephen Morgan
Seconded by Councillor Judith Smyth

That the recommendations set out in **Appendix 2** attached to these minutes (Labour Revenue Budget amendment) be adopted.

Councillor Stephen Morgan (Labour group leader) then spoke to his group's proposed budget amendments. He placed on record his thanks to officers and directors for their hard work in assisting with the proposed budget amendment. He commended the Labour Group's proposed budget amendments to council.

As an amendment it was

Proposed by Councillor Darren Sanders
Seconded by Councillor Jeanette Smith

That the recommendations set out in **Appendix 3** attached to these minutes (Liberal Democrat revenue amendment) be adopted.

As an amendment it was

Proposed by Councillor Steve Wemyss
Seconded by Councillor George Fielding

That the recommendations set out in **Appendix 4** attached to these minutes (Conservative-Labour group revenue amendment) be adopted.

Council adjourned at 4.25 pm.

Council resumed at 4.50 pm.

Following debate, the Lord Mayor called upon the Leader of the Council, Councillor Vernon-Jackson to sum up which he then did. He said that he would agree to subsume the amendment standing in the name of Councillor Darren Sanders into the original Cabinet recommendations in respect of the revenue budget. He did not accept any of the other proposed amendments. The Lord Mayor advised that regulations require all votes on the budget proposals to be dealt with by means of recorded votes.

Upon the Conservative amendment standing in the name of Councillor Donna Jones on the Portsmouth City Council Budget and Council Tax 2019/20 and Medium Term Budget Forecast 2020/21 to 2022/23 being put to the vote the following members voted in favour

Ryan Brent	Gemma New
John Ferrett	Rob New
Hannah Hockaday	Scott Payter-Harris
Jo Hooper	Luke Stubbs
Frank Jonas BEM	Ben Swann
Donna Jones	David Tompkins
Ian Lyon	Steve Wemyss
Lee Mason	Neill Young

The following members voted against

Dave Ashmore	Steve Pitt
Jennie Brent	Will Purvis
Yahiya Chowdhury	Darren Sanders
Tom Coles	Jeanette Smith
Ben Dowling	Judith Smyth
Jason Fazackarley	Lynne Stagg
George Fielding	Claire Udy
David Fuller	Gerald Vernon-Jackson CBE
Suzy Horton	Matthew Winnington
Leo Madden	Rob Wood
Hugh Mason	Tom Wood
Stephen Morgan MP	

There were no abstentions.

The Conservative group revenue amendment was therefore LOST.

Upon the Labour group amendment standing in the name of Councillor Stephen Morgan on the Budget and Council Tax 2019/20 and Medium Term Budget Forecast 2020/21 to 2022/23 being put to the vote the following members voted in favour

Yahiya Chowdhury	George Fielding
Tom Coles	John Ferrett
Stephen Morgan MP	Judith Smyth

The following members voted against

Dave Ashmore
Jennie Brent
Ben Dowling
Jason Fazackarley
David Fuller
Hannah Hockaday
Jo Hooper
Suzy Horton
Frank Jonas BEM
Donna Jones
Ian Lyon
Leo Madden
Hugh Mason
Lee Mason
Gemma New
Robert New
Scott Payter-Harris
Steve Pitt
Will Purvis
Darren Sanders
Jeanette Smith
Lynne Stagg
Luke Stubbs
Ben Swann
David Tompkins
Gerald Vernon-Jackson CBE
Steve Wemyss
Matthew Winnington
Rob Wood
Tom Wood
Neill Young

The following members abstained

Ryan Brent
Claire Udy

The Labour group amendment was therefore LOST.

Upon a joint Conservative/Labour amendment to the Revenue Budget standing in the name of Councillor Steve Wemyss being put to the vote, the following members voted in favour

Ryan Brent
Yahiya Chowdhury
Tom Coles
John Ferrett
George Fielding
Hannah Hockaday
Jo Hooper
Frank Jonas BEM
Donna Jones
Ian Lyon
Lee Mason
Stephen Morgan MP
Gemma New
Robert New
Scott Payter-Harris
Judith Smyth
Luke Stubbs
Ben Swann
David Tompkins
Steve Wemyss
Neill Young

The following members voted against

Dave Ashmore
Jennie Brent
Ben Dowling
Jason Fazackarley
David Fuller
Suzy Horton
Leo Madden
Hugh Mason
Steve Pitt
Will Purvis
Darren Sanders
Jeanette Smith
Lynne Stagg
Claire Udy
Gerald Vernon-Jackson CBE
Matthew Winnington
Rob Wood
Tom Wood

There were no abstentions.

The joint Conservative/Labour revenue amendment was therefore CARRIED.

Upon the recommendations in **Cabinet minute 7 - Portsmouth City Council Budget and Council Tax 2019/20 and Medium Term Budget Forecast 2020/21 to 2022/23** including the Liberal Democrat amendment and the Conservative/ Labour amendment being put to the vote the following members voted in favour

Dave Ashmore
Jennie Brent
Ryan Brent
Tom Coles
Yahiya Chowdhury
Ben Dowling
Jason Fazackarley
John Ferrett
George Fielding
David Fuller
Scott Payter-Harris
Hannah Hockaday
Jo Hooper
Suzy Horton
Frank Jonas BEM
Donna Jones
Ian Lyon
Leo Madden
Hugh Mason
Lee Mason
Stephen Morgan MP
Gemma New
Robert New
Steve Pitt
Will Purvis
Darren Sanders
Jeanette Smith
Judith Smyth
Lynne Stagg
Luke Stubbs
Ben Swann
David Tompkins
Claire Udy
Gerald Vernon-Jackson CBE
Steve Wemyss
Matthew Winnington
Rob Wood
Tom Wood
Neill Young

No members voted against the proposal and there were no abstentions. This was therefore CARRIED.

The Cabinet recommendations in Cabinet minute 7 incorporating the amendments in the names of Councillor Sanders and Councillor Wemyss - appendices 3 and 4 to the minutes were approved.

RESOLVED

1. That the following be approved in respect of the Council's Budget:

    1) The revised Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 as set out in the General Fund Summary (Appendix A amended) including the changes described in paragraph 19 below:-

    2) The Portfolio Cash Limits for the Revised Budget for 2018/19 and Budget for 2019/20 as set out in Sections 7 and 9, respectively as amended by paragraph 20 below:-

3) That the transfer to the Revenue Reserve for Capital in 2018/19 be reduced by £3.5m to offset overspendings within the current year and maintain General Reserves at levels consistent with maintaining the Councils financial resilience over the medium term

4) That the Council's share of the of the £650m national allocation for Adults and Children's Social Care (confirmed for 2019/20 only) and amounting to £2.4m is allocated as follows:

- Adult Social Care - to meet the costs of Winter Pressures and contribute towards the cost of the increase in the National Living Wage (4.9%) for care providers - £1.4m

- Children's Social Care (to contribute towards the costs of rising numbers of Looked After Children) - £1m

5) That a further £3.0m be added to the Children's Social Care Budget on an on-going basis, recognising the financial impact of the sustained rise in Looked After Children over the last 5 years amounting to over 40%

6) The additional £1.6m received from the 75% Solent Business Rate Retention Pilot (currently guaranteed for 1 year only) be used to enable the Council to make a Revenue Contribution to the Capital Programme in 2019/20 to supplement the Capital Resources available in order to fund essential Capital Investment priorities

7) Any underspendings for 2018/19 arising at the year-end outside of those made by Portfolios be transferred to Capital Resources in order to provide funding for known and potential future commitments in future years such as School Places, Sea Defences, enabling infrastructure for Regeneration and the Digital Strategy all necessary for the City's development and growth which have, as yet, insufficient funding

8) Any variation to the Council's funding arising from the final Local Government Finance Settlement be accommodated by a transfer to or from General Reserves

9) The S.151 Officer be given delegated authority to enter into the Solent[1] 75% Business Rates Retention Pilot agreement with the Department for Communities and Local Government

10) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts

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[1] Includes Isle of Wight Council, Portsmouth City Council and Southampton City Council

11) That the level of Council Tax be increased by 2.99% for general purposes in accordance with the referendum threshold[2] for 2019/20 announced by Government (as calculated in recommendation 4 (d))

12) That the level of Council Tax be increased by a further 1.5% beyond the referendum threshold (as calculated in recommendation 4 (d)) to take advantage of the flexibility offered by Government to implement a "Social Care Precept"; and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £1,144,300 is passported direct to Adult Social Care

13) Managers be authorised to incur routine expenditure against the Cash Limits for 2019/20 as set out in Section 9

14) That the savings requirement for 2020/21 be set at a minimum on-going sum of £2.5m

15) That the S.151 Officer be given delegated authority to make transfers to and from reserves in order to ensure that they are maintained as necessary and in particular, adjusted when reserves are no longer required or need to be replenished

16) Directors be instructed to start planning how the City Council will achieve the savings requirements shown in Section 10 and that this be incorporated into Service Business Plans

17) The minimum level of General Reserves as at 31 March 2019 be maintained at £8.0m to reflect the known and expected budget and financial risks to the Council

18) Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 13.

19) the following changes be made to Cash Limits for 2018/19, 2019/20 and future years as set out in the table below, but Members note that:

the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings or additions within those Portfolios/Committees, that responsibility is reserved for Cabinet Members. The budget savings and additions in the tables below are therefore indicative only.

2 Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

a) Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Other Expenditure				
Re-instate Victory Energy Supply Limited	Remove provision for loss on disposal	(2,500,000)	0	0
	Generate additional income for the Council to contribute to future savings, re-invest in the community as well as reducing residents bills and providing renewable energy	0	(325,000)	(430,000)
Total		**(2,500,000)**	**(325,000)**	**(430,000)**

In the event that the disposal of Victory Energy Supply Limited achieves a sale price of £1m, that the following changes be reflected within the recommended Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 (attached at Appendix A amended) and be funded from the proceeds of the sale:

i) Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Other Expenditure				
Sale of Victory Energy Supply Limited	Reduce provision for loss on disposal	(500,000)	0	0
Total		**(500,000)**	**0**	**0**

ii) Additions to Revenue Estimates

Saving No.	Increases to Portfolio Cash Limits	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Resources Portfolio				
New	Neighbourhoods Fund	0	140,000	0
Traffic & Transportation Portfolio				
New	Increasing resource in the parking department to meet demand for parking zones	0	100,000	0
Other Expenditure				
New	Transfer to Revenue Reserve For Capital	260,000	0	0
Total		**260,000**	**240,000**	**0**

b) The following changes be made to Cash Limits for 2019/20 and future years

Portfolio / Committee	2018/19 £	2019/20 £	Future Years £
Other Expenditure (Victory Energy)	(2,500,000)	(325,000)	(430,000)
Total	**(2,500,000)**	**(325,000)**	**(430,000)**

2. That the following be **noted** in respect of the Council's Budget:

1) The Revenue Estimates 2019/20 as set out in Appendix A of the report have been prepared on the basis of a 1.5% tax increase for the "Social Care Precept" (amounting to £1,144,300) and that this is passported to Adult Social Care in order to provide for otherwise unfunded budget pressures including the current underlying budget deficit, the cost of the new National Living Wage and demographic pressures arising from a "living longer" population

2) The decision on the amount at which to set the Adult Social Care precept will be critical for the Social Care and wider Health system in the City; in the event that the additional flexibility of the "Social Care Precept" and associated 1.5% tax increase (amounting to £762,900 for each 1%) is not taken, then equivalent savings will need to be made in Adult Social Care in 2019/20

3) In general, due to the savings of £762,900 for each 1% reduction in order for the Budget 2019/20 to be approved

4) The Revenue Forecast for 2020/21 onwards as set out in Section 10 and Appendix B of the report

5) The estimated Savings Requirement of £7.5m for the 3 year period 2020/21 to 2022/23, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2020/21	2.5	2.5
2021/22	2.5	5.0
2022/23	2.5	7.5

6) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies will hold an uncommitted balance of £8.3m[3] and will only be replenished in future from an approval to the transfer of any underspends, contributions from the Revenue Budget or transfers from other reserves which may no longer be required

7) The Council's share of the Council Tax element of the Collection Fund surplus for 2018/19 is estimated to be £1,573,500

8) The Council's share of the Business Rate element of the Collection Fund surplus for 2018/19 is estimated to be £837,500

9) The Retained Business Rate income[4] for 2019/20 is based on the estimated Business Rate element of the Collection Fund surplus as at March 2018, the Non Domestic Rates poundage for 2019/20 and estimated rateable values for 2019/20 and has been determined at £66,700,841

3. That the S.151 Officer has determined that the Council Tax base for the financial year 2019/20 will be **57,075.4** [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].

4. That the following amounts be now calculated by the Council for the financial year 2019/20 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

[3] Including the net transfers from the reserve of £2.241m contained with the recommendations of the Capital Programme 2018/19 to 2023/24 report elsewhere on this agenda
[4] Including the Portsmouth City Council element of the Collection Fund surplus of £837,539, S31 Grants of £6,848,028, the "Tariff" paid to Government of £2,544,842,and the contributions to the "Growth Pool" of £2,444,000,and from the "Growth Pool" of £1,630,000

(a)	£481,710,889	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£401,994,819	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£79,716,070	Being the amount by which the aggregate at 4 (a) above exceeds the aggregate at 4 (b) 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 31B(1) of the Act.
(d)	£1,396.68	Being the amount at 4(c) above (Item R), all divided by Item 3 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands (Portsmouth City Council)

A £	B £	C £	D £	E £	F £	G £	H £
931.12	1,086.31	1,241.49	1,396.68	1,707.05	2,017.43	2,327.80	2,793.36

Being the amounts given by multiplying the amount at 4 (d) 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 in different valuation bands.

5. That it be noted that for the financial year 2019/20 the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be 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 Bands (Hampshire Police & Crime Commissioner)

A £	B £	C £	D £	E £	F £	G £	H £
134.31	156.69	179.08	201.46	246.23	291.00	335.77	402.92

6. That it be noted that for the financial year 2019/20 Hampshire Fire and Rescue Authority are recommended to approve the following amounts for the precept 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 Bands (Hampshire Fire & Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
45.14	52.66	60.19	67.71	82.76	97.80	112.85	135.42

7. That having calculated the aggregate in each case of the amounts at 4(e), 5 and 6 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2019/20 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,110.57	1,295.66	1,480.76	1,665.85	2,036.04	2,406.23	2,776.42	3,331.70

8. The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2019/20, which represents a 4.49% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act; and it be noted that:

   i. The 4.49% increase includes a 1.5% increase to support the delivery of Adult Social Care

   ii. As the billing authority, the Council has not been notified by a major precepting authority (the Police and Crime Commissioner for Hampshire or the Hampshire Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2019/20 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.

9. The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.

10. That the Council Tax policy for Second Homes & Long Term Empty Properties discount scheme, aimed at bringing additional properties into productive use attached at Appendix C to the report be approved

11. That the Council Tax Exemption Scheme for Care Leavers be approved and be implemented by way of a write-off procedure under the delegated powers of the S. 151 Officer in accordance with the

scheme attached at Appendix D to the report to be incorporated into the Council's Financial Rules.

Minute 8 - Capital Programme 2018/19 onwards

This was opposed.

It was
proposed by Councillor Gerald Vernon-Jackson
seconded by Councillor Steve Pitt
that the Cabinet recommendations referred to in Minute 8 be approved.

As an amendment it was

Proposed by Councillor Donna Jones
Seconded by Councillor Luke Stubbs

That the amendment to Capital attached as Appendix 5 to the minutes be approved.

As an amendment it was

Proposed by Councillor Stephen Morgan
Seconded by Councillor Judith Smyth

That the amendment to Capital attached as appendix 6 to the minutes be approved.

The amendments standing in the name of Councillor Jones and the amendment standing in the name of Councillor Morgan could not be put to the vote as the revenue amendments from both the Conservative and Labour Groups were lost and consequently their related capital amendments could not be put.

As an amendment it was

Proposed by Councillor Darren Sanders
Seconded by Councillor Jeanette Smith

That the amendment to Capital attached as Appendix 7 to the minutes be approved.

The mover of the original proposal, Councillor Gerald Vernon-Jackson agreed to subsume into it the amendment standing in the name of Councillor Darren Sanders.

Upon the original recommendations from Cabinet including the amendment proposed by Councillor Darren Sanders being put to the vote, the following members voted in favour

Dave Ashmore
Jennie Brent
Ryan Brent
Tom Coles
Yahiya Chowdhury
Ben Dowling
Jason Fazackarley
George Fielding
David Fuller
Scott Payter-Harris
Hannah Hockaday
Jo Hooper
Suzy Horton
Frank Jonas BEM
Donna Jones
Ian Lyon
Leo Madden
Hugh Mason
Lee Mason
Stephen Morgan MP
Gemma New
Robert New
Steve Pitt
Will Purvis
Darren Sanders
Jeanette Smith
Judith Smyth
Lynne Stagg
Luke Stubbs
Ben Swann
David Tompkins
Claire Udy
Gerald Vernon-Jackson CBE
Steve Wemyss
Matthew Winnington
Rob Wood
Tom Wood
Neill Young

The following member voted against

John Ferrett

There were no abstentions.

This was therefore CARRIED.

The Cabinet recommendations in Cabinet minute 8 incorporating the amendment in the name of Councillor Sanders - appendix 7 to the minutes were approved.

RESOLVED

1. That the following be approved in respect of the Council's Capital Programme:

    1) The Revised Capital Programme 2018/19 to 2023/24 attached as Appendix 1 of the report (as amended) which includes all additions, deletions and amendments for slippage and re-phasing described in Sections 6 and 8 be approved

    2) The Section 151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council

    3) That the Section 151 Officer in consultation with the Leader of the Council be given delegated authority to release capital resources held back for any contingent items that might arise,

and also for any match funding requirements that may be required of the City Council in order to secure additional external capital funding (e.g. bids for funding from Government or the Solent Local Enterprise Partnership)

4) The following schemes as described in Section 9 and Appendix 2 of the report be reflected within the recommended Capital Programme 2018/19 to 2023/24 and be financed from the available corporate capital resources:

Recommended New Capital Schemes		Corporate Resources Required £	Total Scheme Value £
Education			
	Maintained Schools - Urgent Conditions Project	**1,600,000**	**1,770,000**
	Additional Special School Places - Design	**500,000**	**679,200**
	Additional School Places in Mainstream Schools - Design	**250,000**	**250,000**
	Additional Secondary School Places - St Edmunds Catholic School - Grant	**650,000**	**650,000**
	Additional School Places - 2020/21	**6,908,000**	**6,908,000**
Culture, Leisure & Sport			
	Invest in Football Facilities including Changing Facilities	**335,000**	**588,000**
	Parks & Open Spaces Protection Measures to Prevent Incursion	**50,000**	**50,000**
	Pyramids Refurbishment	**1,500,000**	**1,500,000**
	Repair / Refurbishment of Southsea Splashpool	**102,000**	**102,000**
	World War 1 Memorial Plaques	**45,000**	**45,000**
	Contribution to Roof at Southsea Skatepark	**10,000**	**10,000**
	Contribution to Architectural Design to Enable Regeneration of the Guildhall	**40,000**	**40,000**
	Contribution to Architectural Design to Enable Regeneration of the Kings Theatre	**40,000**	**40,000**
	Provision of a Dog Exercise and Training Area	**11,000**	**11,000**
Environment & Community Safety			
	Air Quality Initiatives	**150,000**	**150,000**
	Air Quality Equipment & Monitoring Station	**100,000**	**100,000**
Health & Social Care			
	Older Persons Supported Living (Extra Care Housing)	**4,600,000**	**9,730,000**
	Kestrel Centre Relocation to Civic Offices	**350,000**	**350,000**
Housing & Property Services			
	Homes For Homeless	**500,000**	**1,000,000**
PRED			
	Brougham Road (Arts Centre) - External Repairs	**300,000**	**300,000**
	Public Realm - Improvements to Station Square & Isambard Brunel Road	**250,000**	**250,000**
Resources			
	Review of Revenues & Benefits Software Applications	**188,000**	**188,000**
	Landlord's Maintenance 2019/20	**1,750,000**	**1,750,000**
	The People's Network - Windows 10 Upgrade	**350,000**	**350,000**
Traffic & Transportation			
	Local Transport Plan 3	**650,000**	**650,000**
	Extension to Park & Ride Multi Story Car Park - Design	**350,000**	**350,000**
	Smart Cities: Intelligent Transport System Phase 2	**200,000**	**200,000**
	The Hard Interchange Auxiliary Works	**300,000**	**300,000**
Total Recommended Sum To Be Approved		**22,079,000**	**28,311,200**

5) Subject to a satisfactory financial appraisal approved by the Director of Finance & Section 151 Officer the following schemes as described in Section 10 be funded from Prudential Borrowing up to the amounts shown

	Total Prudential Borrowing £
Single Material Recycling Facility	4,838,400
Waste Collection Vehicle Replacement	4,125,000
Older Persons Supported Living (Extra Care Housing)	2,836,000
Homes For Homeless	500,000
Development of Cruise & Ferry Port	12,700,000
Passenger Boarding Bridge	5,000,000
New Car Park Facility - Southsea	1,800,000
Total Recommended Sum To Be Approved	**31,799,400**

6) That borrowing for a sum of £15m be approved in principle for Capital Investment into MMD Ltd but subject to the approval by Cabinet on their preferred option for the MMD site which is to be considered at a future meeting of the Cabinet

7) In the event that the Cabinet continue to operate MMD, that £15m be made available as a loan draw down facility subject to a satisfactory financial appraisal approved by the Director of Finance & Section 151 Officer, as outlined in Section 10, and provided at an interest rate consistent with State Aid rules

8) Subject to a satisfactory financial appraisal approved by the Director of Finance & Section 151 Officer the following schemes as described in Section 11 be funded from the MTRS Reserve

Scheme	**Total MTRS Funding £**
Enterprise Resource Planning (ERP) Software Replacement	1,000,000
Utilities & Energy Management 2019/20	1,050,000
Enable and Improve Mobile Working	191,000
Total Recommended Sum To Be Approved	**2,241,000**

9) The following schemes as described in Section 12 be funded from Earmarked Reserves

Scheme	**Total Funding From Earmarked Reserves £**
Enterprise Resource Planning (ERP) Software Replacement	1,000,000
Enable Mobile Working	182,000
Older Persons Supported Living (Extra Care Housing)	1,000,000
Total Recommended Sum To Be Approved	**2,182,000**

10) The following Schemes as described in Section 14 be included within the "Reserve List" of Capital Schemes to be considered once additional capital resources are identified

Future Priority Capital Schemes – Not in Priority Order
Additional School Places in Primary & Secondary Schools
Anti-Poverty Projects
Development of Performing Arts
Digital Strategy (incl. move to cloud based Information Technology systems)
Landlord's Repairs & Maintenance
Local Transport Plan - Road safety and traffic improvement schemes
Park Life
Sea Defences
School condition (roofs, boilers, electrics, windows etc)
The Camber Quay Berth 4 Replacement

11) The Prudential Indicators described in Section 15 and set out in Appendix 3 of the report be approved.

12) That the S.151 Officer, in consultation with the Leader, be given delegated authority to borrow as necessary for the Joint Venture limited liability partnership which is established to deliver the City Centre re-development as described in the report to the Cabinet on 5th February 2019 entitled "City Centre Regeneration"

13) That prior to any borrowing described in Recommendation12 above, a full business case and financial appraisal is prepared that can satisfactorily demonstrate with good certainty that cost savings / additional income or value uplift of the development which will accrue directly to the Council will at least cover the cost of that borrowing on a sustained basis over the lifetime of the borrowing undertaken

14) In the event that the disposal of Victory Energy Supply Limited achieves a sale price of £1m, that the following additional Capital Schemes be reflected within the recommended Capital Programme 2018/19 to 2023/24 (attached at Appendix 1 to the report) and be funded from the proceeds of sale:

Scheme Description - Additions (New)		**Increase in Corporate Resources**	**Total Corporate Resources Allocated**
		£	**£**
Additional Capital Scheme Proposals (New):			
	Planting 100 trees to celebrate the great women of Portsmouth	17,000	17,000
	Tackling Financial Exclusion and Fuel Poverty	243,000	243,000
Total Overall Change		**260,000**	

2. That the following be noted in respect of the Council's Capital Programme:

    1) The passported Capital Allocations (Ring-fenced Grants) as set out in Section 7

    2) That Cabinet Members, in consultation with the Section 151 Officer, have authority to vary Capital Schemes and their associated funding within their Portfolio in order to manage any potential overspending or funding shortfall or to respond to emerging priorities

    3) As outlined in Section 9 and Appendix 2 of the report, that the Director of Housing, Neighbourhood & Building Services will work with other Directors to further prioritise the schedule of identified Landlord's Maintenance works to ensure that those with the highest priority are undertaken up to the value of the £1.75m allocated

    4) As outlined in Section 13 and Appendix 2 of the report, the release of £444,200 from the Environment & Community Safety Portfolio Reserve towards a £380,000 scheme for the provision of Public Toilets (£200,000); Replacement of WC Hand Washing and Drying Units (£130,000) and a Food Waste Recycling Pilot (£114,200)

    5) As outlined in Section 13 and Appendix 2 of the report. the release of £1m from the PRED Portfolio Reserve towards a £6m scheme for a new Passenger Boarding Bridge

    6) The City Council note that Prudential Borrowing can only be used as a source of capital finance for Invest to Save Schemes as described in Sections 8 and 15

8. Recommendations from the Governance & Audit & Standards Committee held on 1 February 2019

Minute 12 - Protocol for Member / Officer relations

This was approved unopposed.

Minute 13 - Delegated Authority to City Solicitor to settle claims on behalf of the Authority

This was opposed to allow for debate.

It was

Proposed by Councillor Leo Madden
Seconded by Councillor Hugh Mason

That the recommendations from Governance & Audit & Standards Committee contained in minute 13 be adopted.

Following debate, upon the original recommendations from Governance & Audit & Standards Committee being put to the vote these were CARRIED.

RESOLVED that on 12 February 2019 Full Council

(a) **approved the proposed increase to the delegated authority granted to the City Solicitor to £75,000 to settle claims on behalf of the Council; and**

(b) **agreed that the City Solicitor may make the appropriate amendments to the Delegation to Directors in the Constitution.**

9. Notices of Motion

The Lord Mayor advised that there were two notices of motion before council today.

(a) Southern Water

It was

Proposed by Councillor Dave Ashmore
Seconded by Councillor Jennie Brent

That notice of motion (a) as set out on the agenda be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Dave Ashmore
Seconded by Councillor Jennie Brent

That notice of motion (a) as set out on the agenda be adopted.

An amendment standing in the name of Councillor Neill Young fell as the seconder was not in the chamber.

Upon being put to the vote notice of motion (a) as set out on the agenda was CARRIED.

RESOLVED that

"This Council is concerned about sewage being discharged into Langstone Harbour by Southern Water. This has been the subject of reports in the media and many environmental campaigns.

The Leader of the Council and Cabinet Member for Environment and Community Safety have met with Southern Water and the company have stated that they only do this as a measure to avoid flooding in storms, that discharges on average only last for a few minutes at a time, and that they have consent from the Environment Agency in certain circumstances. However, the Council want to see this practice cease and an alternative method found quickly.

Langstone Harbour is an important part of this city, being home to many birds and marine life. It also contains a wide variety of plant life. So as well as being a landmark and a working harbour, it is also a place of environmental importance.

This Council notes that the Langstone Harbour board do an excellent job in looking after the site, regulating activities, and looking after our environment. This Council also notes areas where Southern Water have been innovative and forward looking in areas such as water conservation and energy.

Therefore the Council requests that the Cabinet Member write to Southern Water asking if they can work with stakeholders in preventing the practice of discharging sewage into the Harbour completely, and that the Traffic, Environment and Community Safety scrutiny panel be asked to consider carrying out a review with relevant interest groups to achieve that purpose."

An undertaking was given by Councillor Ashmore to ensure that the letter to Southern Water would be a joint letter from him and the opposition spokespersons.

(b) Green Initiatives

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Jeanette Smith

That notice of motion (b) as set out on the agenda be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Jeanette Smith

That notice of motion (b) as set out on the agenda be adopted.

As an amendment it was

Proposed by Councillor Donna Jones
Seconded by Councillor Ben Swann

"Paragraph 5 – delete from "The City Council condemns the decision" – to the end of the paragraph and replace with:

“The City Council notes grants given by the government to businesses and citizens wishing to own an electric vehicle. The number of electric vehicles in the UK has increased as a consequence of this national initiative.

In Portsmouth we have benefited from Government funding which has enabled us to install electric charging points at public car parks in the city including the Park and Ride. We are delighted that PCC has also been one of the first cities in the UK to submit plans for electric charging points in lampposts.

Portsmouth City Council has a long history of supporting the green agenda and good example of which is the civic offices which has over 100 solar panels installed on roof. This is creating not only green energy to run the civic offices and reducing the energy bills, but also creating income for the council. Another example of supporting the green agenda and helping residents in fuel poverty, is the creation of Victory Energy. The company was set up and designed to help reduce people's fuel consumption, whilst also identifying ways of creating green energy and generating income for the city to help pay for the growing care costs the council faces each year. It is a huge disappointment that the current Liberal Democrat administration took the naïve decision to end the company therefore affecting people in our communities. “

Delete Paragraph 6 and replace with:

"The Council therefore notes the Governments actions, recognises that more needs to be done and requests that Group Leaders write to the secretary of state making representations on these items accordingly.""

Upon being put to the vote the amendment standing in the name of Councillor Donna Jones was LOST.

Upon the original notice of motion being put to the vote, this was CARRIED.

RESOLVED that

Portsmouth is a flat seaside city which is vulnerable to sea level rises. Global warming is a threat to all communities in low lying coastal areas due to rising sea levels.

The City Council is working with the Environment Agency to put in place new sea defences for the city, which is very welcome.

The production of greenhouse gases is accepted by almost all scientists as leading to global warming and therefore to the rise in sea level which is a threat to local residents in a flat coastal city.

Things that reduce greenhouse gases are therefore good for Portsmouth as it helps reduce the threat of ever higher sea levels.

Encouraging residents and companies to use less fossil fuels helps reduce the amount of greenhouse gasses. The City Council is therefore surprised by the Government's decision to remove subsidies to residents and companies who want an alternative to making greenhouse gasses. The City Council condemns the decision of the Government to remove subsidies to companies and residents wanting to buy electric vehicles and to install solar panels. This decision risks destroying many "green jobs" and pushing the UK backwards in making "green jobs and technologies" central to our economy, and reduces our chances of being a global leader in this field.

The City Council therefore asks the Leader of the Council and the other Group Leaders to write to the Government condemning their actions and asking them to reconsider.

10. Questions from Members under Standing Order No 17

There were no questions before council.

The meeting concluded at 6.30 pm.

....

Lord Mayor

AGENDA ITEM 7 - Portsmouth City Council Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Donna Jones

Signed ______________________________

Seconded by (Name) Councillor Luke Stubbs

Signed ______________________________

Amendment proposed by the Conservative Group

Portsmouth City Council - Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

That the recommendations of the Cabinet of 5th February 2019 (Minute 7/19) on "Portsmouth City Council - Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23" be amended as follows:-

Recommendation 1 be amended to:

1 The revised Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 as set out in the General Fund Summary (Appendix A amended) including the changes described in paragraph 19 below:-

19 the following changes be made to Cash Limits for 2018/19, 2019/20 and future years as set out in the table below, but Members note that:

the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings or additions within those Portfolios/Committees, that responsibility is reserved for Cabinet Members. The budget savings and additions in the tables below are therefore indicative only.

i) Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Resources				
Move to "All Out" Elections*		0*	0*	0*
Other Expenditure				
Re-instate Victory Energy Supply Limited	Remove provision for loss on disposal	(2,500,000)	0	0
	Generate additional income for the Council to contribute to future savings, re-invest in the community as well as reducing residents bills and providing renewable energy	0	(325,000)	(430,000)
Total		**(2,500,000)**	**(325,000)**	**(430,000)**

*** The required process for moving to whole council elections would be as follows**

I. **Full Council resolves to undertake public consultation as the Council thinks appropriate on any proposed change**

II. **Have regard to the outcome of the consultation before making its decision**

III. **Convene a special meeting of the Council**

IV. **Full Council must pass a resolution by a two-thirds majority of those voting at that Special meeting**

V. **The resolution must specify the commencement year (earliest date would be May 2020)**

VI. **The resolution is the means by which the term of office is reduced for any members whose term would not be completed**

VII. **Any election(s) scheduled to take place before the start date indicated in the Council's resolution would continue as normal**

VIII. **An explanatory document on the decision must be published after the resolution is made**

IX. **The Council must notify the Boundary Commission of the scheme adopted and the commencement year**

X. **If the Council resolves to change to whole council elections, the decision cannot be reversed until five years from the date of the resolution**

The earliest implementation date would be from May 2020 and the saving is estimated to be <u>£47,000 per annum.</u>

The relevant legislation is contained in sections 32-36 of the Local Government and Public Involvement in Health Act 2007 (as amended by the Localism Act 2011)

ii) <u>Additions to Revenue Estimates</u>

Saving No.	Increases to Portfolio Cash Limits	2018/19	2019/20	Future Years
		£	£	£
Culture, Leisure & Sport Portfolio				
010	Re-instate - Parks - Teams using all sports pavilions to become responsible for sports attendant duties	0	17,000	17,000
New	Maintenance associated with Design and implementation of a scheme to enable disabled access to the beach (as proposed in the Conservative Capital Amendment)	0	10,000	10,000
Environment & Community Safety Portfolio				
New	Provision of 20 additional dog waste bins across the city	0	12,000	8,000
New	Maintenance of Installation of 8 Toilet Pods around the City including: Paulsgrove Park; Bransbury Park and Tipner Lake (as proposed in the Conservative Capital Amendment)	0	96,000	96,000
PRED Portfolio				
032	Re-instate - Deletion of vacant Planning Policy Officer post	0	40,000	40,000
New	High street events	0	120,000	0
New	Additional Planning Officer/Project Manager for the Redevelopment of the St James' Site	0	40,000	40,000
Traffic & Transportation Portfolio				
New	On island parking zone referendum	0	100,000	0
New	Free 30 minute parking concession in Cosham, Southsea & North End shopping areas for 12 months	0	250,000	0
New	Marketing of a public cycle sharing scheme	0	50,000	0
Other Expenditure				
New	Transfer to Revenue Reserve For Capital	2,090,000	0	0
Total		**2,090,000**	**735,000**	**211,000**

Recommendation 2 be amended to:-

2 The Portfolio Cash Limits for the Revised Budget for 2018/19 and Budget for 2019/20 as set out in Sections 7 and 9, respectively as amended by paragraph 20 below:-

20 The following changes be made to Cash Limits for 2018/19, 2019/20 and future years

Portfolio / Committee	**2018/19 £**	**2019/20 £**	**Future Years £**
Culture, Leisure & Sport	0	27,000	27,000
Environment & Community Safety	0	108,000	104,000
Planning Regeneration & Economic Development	0	200,000	80,000
Traffic & Transportation Portfolio	0	400,000	0
Other Expenditure (Victory Energy)	(410,000)	(325,000)	(430,000)
Total	**(410,000)**	**410,000**	**(219,000)**

Recommendation 3 be amended to:

3 That the transfer to the Revenue Reserve for Capital in 2018/19 be reduced by £1.0m to offset overspendings within the current year and maintain General Reserves at levels consistent with maintaining the Councils financial resilience over the medium term

SECTION 151 OFFICER'S COMMENTS

Under Recommendation 18, the Section 151 Officer advises as follows:-

The proposals contained within this amendment do not alter the statements made by the Section 151 Officer in Section 13 of this report.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

Conservative Group Amendment

GENERAL FUND SUMMARY - 2018/19 to 2022/23   APPENDIX A (amended)

Original Budget 2018/19 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
24,904,800	Children & Families	24,926,600	29,600,800	34,178,800	35,151,500	36,194,100
8,993,160	Culture Leisure & Sport	8,330,960	8,944,160	9,322,460	9,589,560	9,869,560
24,294,457	Education	23,379,657	24,003,957	24,429,257	24,593,857	24,765,857
16,154,013	Environment & Community Safety	16,444,913	16,477,213	16,878,713	17,108,113	17,595,713
45,052,279	Health & Social Care	42,094,679	47,682,279	47,732,979	49,707,979	51,645,579
8,282,428	Housing	8,345,228	8,029,528	8,102,428	8,195,328	8,292,928
158,453	Leader	184,953	152,853	157,253	161,753	166,453
(4,490,371)	Planning Regeneration Economic Development	(6,181,171)	(7,500,971)	(8,699,971)	(9,597,571)	(9,932,771)
22,289,434	Resources	24,177,734	23,993,734	25,828,234	26,507,634	27,116,134
16,443,707	Traffic & Transportation	16,469,507	16,642,107	16,350,707	16,429,007	17,522,507
199,400	Governance, Audit & Standards Committee	241,800	210,200	219,300	114,600	238,100
(222,795)	Licensing Committee	(223,895)	(228,095)	(230,795)	(233,895)	(237,595)
162,058,965	**Portfolio Expenditure**	**158,190,965**	**168,007,765**	**174,269,365**	**177,727,865**	**183,236,565**
	Other Expenditure					
0	Precepts	0	0	39,400	40,400	41,500
(150,000)	Portchester Crematorium - Share of Dividend	(150,000)	(160,000)	(150,000)	(150,000)	(150,000)
7,672,000	Pension Costs	7,241,200	8,018,900	8,352,900	8,698,300	9,106,100
6,384,000	Contingency Provision	10,179,500	9,489,000	4,713,500	4,713,500	4,713,500
10,344,500	Revenue Contributions to Capital Reserve	9,738,300	6,600,000	2,000,000	0	0
3,155,900	Transfer to / (from) Other Reserves	6,260,300	(570,600)	1,124,100	1,396,300	396,300
(27,225,965)	Treasury Management	(30,528,865)	(28,643,765)	(26,361,665)	(24,480,165)	(24,720,565)
2,536,600	Other Expenditure	5,611,600	2,995,700	1,628,400	2,161,800	2,695,600
2,717,035	**Other Expenditure**	**8,352,035**	**(2,270,765)**	**(8,653,365)**	**(7,619,865)**	**(7,917,565)**
164,776,000	**TOTAL NET EXPENDITURE**	**166,543,000**	**165,737,000**	**165,616,000**	**170,108,000**	**175,319,000**
	FINANCED BY:					
(304,260)	Contribution (to) from Balances and Reserves	(366,346)	692,310	2,471,355	4,574,197	7,279,038
0	Revenue Support Grant	0	0	0	0	0
73,567,319	Business Rates Retention	73,971,976	66,700,841	66,577,515	67,454,236	68,424,771
15,827,049	Other General Grants	17,251,478	17,054,314	15,264,935	15,159,284	15,044,859
75,685,892	Council Tax	75,685,892	81,289,535	81,302,195	82,920,283	84,570,332
164,776,000		**166,543,000**	**165,737,000**	**165,616,000**	**170,108,000**	**175,319,000**
	BALANCES & RESERVES					
20,645,474	Balance brought forward at 1 April	20,565,824	20,932,170	20,239,860	17,768,505	13,194,308
304,260	Deduct (Deficit) / Add Surplus for Year	366,346	(692,310)	(2,471,355)	(4,574,197)	(7,279,038)
20,949,734	**Balance carried forward at 31 March**	**20,932,170**	**20,239,860**	**17,768,505**	**13,194,308**	**5,915,270**
8,000,000	**Minimum Level of Balances**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
(304,260)	**Underlying Budget Deficit / (Surplus)**	**(366,346)**	**692,310**	**2,471,355**	**4,574,197**	**7,279,038**

Appendix 2
(to the minutes of 12 February 2019)

AGENDA ITEM 7 - Portsmouth City Council Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Stephen Morgan

Signed ______________________________

Seconded by (Name) Councillor Judith Smyth

Signed ______________________________

Amendment proposed by the Labour Group

Portsmouth City Council - Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

That the recommendations of the Cabinet of 5th February 2019 (Minute 7/19) on "Portsmouth City Council - Budget & Council Tax 2018/19 & Medium Term Budget Forecast 2020/21 to 2022/23" be amended as follows:-

Recommendation 1 be amended to:

1 The revised Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 as set out in the General Fund Summary (Appendix A amended) including the changes described in paragraph 19 below:-

19 the following changes be made to Cash Limits for 2018/19, 2019/20 and future years as set out in the table below, but Members note that:

the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings or additions within those Portfolios/Committees, that responsibility is reserved for Cabinet Members. The budget savings and additions in the tables below are therefore indicative only.

iii)Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Resources				
Move to "All Out" Elections*		0*	0*	0*
A reduction in Cabinet Members from 9 to 6**		0**	0**	0**
Other Expenditure				
Re-instate Victory Energy Supply Limited	Remove provision for loss on disposal	(2,500,000)	0	0
	Generate additional income for the Council to contribute to future savings, re-invest in the community as well as reducing residents bills and providing renewable energy	0	(325,000)	(430,000)
Total		**(2,500,000)**	**(325,000)**	**(430,000)**

*** The required process for moving to whole council elections would be as follows**

XI. **Full Council resolves to undertake public consultation as the Council thinks appropriate on any proposed change**

XII. **Have regard to the outcome of the consultation before making its decision**

XIII. **Convene a special meeting of the Council**

XIV. **Full Council must pass a resolution by a two-thirds majority of those voting at that Special meeting**

XV. **The resolution must specify the commencement year (earliest date would be May 2020)**

XVI. **The resolution is the means by which the term of office is reduced for any members whose term would not be completed**

XVII. **Any election(s) scheduled to take place before the start date indicated in the Council's resolution would continue as normal**

XVIII. **An explanatory document on the decision must be published after the resolution is made**

XIX. **The Council must notify the Boundary Commission of the scheme adopted and the commencement year**

XX. **If the Council resolves to change to whole council elections, the decision cannot be reversed until five years from the date of the resolution**

The earliest implementation date would be from May 2020 and the saving is estimated to be <u>£47,000 per annum.</u>

The relevant legislation is contained in sections 32-36 of the Local Government and Public Involvement in Health Act 2007 (as amended by the Localism Act 2011)

**** Members should note that, in accordance with the Local Government Act 2000, this is a decision for the Leader of the Council not the Council itself. In the event that the Leader elects to take such a decision, the savings amount will increase by <u>£23,000</u>.**

iv) Additions to Revenue Estimates

Saving No.	Increases to Portfolio Cash Limits	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Culture, Leisure & Sport Portfolio				
010	Re-instate - Parks - Teams using all sports pavilions to become responsible for sports attendant duties	0	17,000	17,000
Housing Portfolio				
New	Additional Houses in Multiple Occupation Licensing and Enforcement Officer	0	40,000	40,000
PRED Portfolio				
032	Re-instate - Deletion of vacant Planning Policy Officer post	0	40,000	40,000
New	Upgrade Planning Policy Officer Post	0	20,000	20,000
New	Green city community regeneration (including high street regeneration, events, community engagement in local plans etc.)	0	208,000	313,000
Other Expenditure				
New	Transfer to Revenue Reserve For Capital	2,500,000	0	0
Total		**2,500,000**	**325,000**	**430,000**

Recommendation 2 be amended to:-

2 The Portfolio Cash Limits for the Revised Budget for 2018/19 and Budget for 2019/20 as set out in Sections 7 and 9, respectively as amended by paragraph 20 below:-

20 The following changes be made to Cash Limits for 2019/20 and future years

Portfolio / Committee	**2018/19 £**	**2019/20 £**	**Future Years £**
Culture, Leisure & Sport	0	17,000	17,000
Housing	0	40,000	40,000
Planning Regeneration & Economic Development	0	268,000	373,000
Other Expenditure (Interest Income from Victory Energy)	0	(325,000)	(430,000)
Total	**0**	**0**	**0**

Recommendation 3 be amended to:

3 That the transfer to the Revenue Reserve for Capital in 2018/19 be reduced by £1.0m to offset overspendings within the current year and maintain General Reserves at levels consistent with maintaining the Councils financial resilience over the medium term

SECTION 151 OFFICER'S COMMENTS

Under Recommendation 18, the Section 151 Officer advises as follows:-

The proposals contained within this amendment do not alter the statements made by the Section 151 Officer in Section 13 of this report.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

Labour Group Amendment

GENERAL FUND SUMMARY - 2018/19 to 2022/23 APPENDIX A (amended)

Original Budget 2018/19 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
24,904,800	Children & Families	24,926,600	29,600,800	34,178,800	35,151,500	36,194,100
8,993,160	Culture Leisure & Sport	8,330,960	8,934,160	9,312,060	9,578,860	9,858,460
24,294,457	Education	23,379,657	24,003,957	24,429,257	24,593,857	24,765,857
16,154,013	Environment & Community Safety	16,444,913	16,369,213	16,771,213	16,997,113	17,481,113
45,052,279	Health & Social Care	42,094,679	47,682,279	47,732,979	49,707,979	51,645,579
8,282,428	Housing	8,345,228	8,069,528	8,143,628	8,237,828	8,336,728
158,453	Leader	184,953	152,853	157,253	161,753	166,453
(4,490,371)	Planning Regeneration Economic Development	(6,181,171)	(7,432,971)	(8,398,771)	(9,283,371)	(9,605,171)
22,289,434	Resources	24,177,734	23,993,734	25,822,734	26,491,634	27,089,434
16,443,707	Traffic & Transportation	16,469,507	16,242,107	16,350,707	16,429,007	17,522,507
199,400	Governance, Audit & Standards Committee	241,800	210,200	219,300	114,600	238,100
(222,795)	Licensing Committee	(223,895)	(228,095)	(230,795)	(233,895)	(237,595)
162,058,965	**Portfolio Expenditure**	**158,190,965**	**167,597,765**	**174,488,365**	**177,946,865**	**183,455,565**
	Other Expenditure					
0	Precepts	0	0	39,400	40,400	41,500
(150,000)	Portchester Crematorium - Share of Dividend	(150,000)	(160,000)	(150,000)	(150,000)	(150,000)
7,672,000	Pension Costs	7,241,200	8,018,900	8,352,900	8,698,300	9,106,100
6,384,000	Contingency Provision	10,179,500	9,489,000	4,713,500	4,713,500	4,713,500
10,344,500	Revenue Contributions to Capital Reserve	10,148,300	6,600,000	2,000,000	0	0
3,155,900	Transfer to / (from) Other Reserves	6,260,300	(570,600)	1,124,100	1,396,300	396,300
(27,225,965)	Treasury Management	(30,528,865)	(28,643,765)	(26,361,665)	(24,480,165)	(24,720,565)
2,536,600	Other Expenditure	5,611,600	2,995,700	1,628,400	2,161,800	2,695,600
2,717,035	**Other Expenditure**	**8,762,035**	**(2,270,765)**	**(8,653,365)**	**(7,619,865)**	**(7,917,565)**
164,776,000	**TOTAL NET EXPENDITURE**	**166,953,000**	**165,327,000**	**165,835,000**	**170,327,000**	**175,538,000**
	FINANCED BY:					
(304,260)	Contribution (to) from Balances and Reserves	43,654	282,310	2,690,355	4,793,197	7,498,038
0	Revenue Support Grant	0	0	0	0	0
73,567,319	Business Rates Retention	73,971,976	66,700,841	66,577,515	67,454,236	68,424,771
15,827,049	Other General Grants	17,251,478	17,054,314	15,264,935	15,159,284	15,044,859
75,685,892	Council Tax	75,685,892	81,289,535	81,302,195	82,920,283	84,570,332
164,776,000		**166,953,000**	**165,327,000**	**165,835,000**	**170,327,000**	**175,538,000**
	BALANCES & RESERVES					
20,645,474	Balance brought forward at 1 April	20,565,824	20,522,170	20,239,860	17,549,505	12,756,308
304,260	Deduct (Deficit) / Add Surplus for Year	(43,654)	(282,310)	(2,690,355)	(4,793,197)	(7,498,038)
20,949,734	**Balance carried forward at 31 March**	**20,522,170**	**20,239,860**	**17,549,505**	**12,756,308**	**5,258,270**
8,000,000	**Minimum Level of Balances**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
(304,260)	**Underlying Budget Deficit / (Surplus)**	**43,654**	**282,310**	**2,690,355**	**4,793,197**	**7,498,038**

AGENDA ITEM 7 - Portsmouth City Council Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Darren Sanders

Signed ______________________________

Seconded by (Name) Councillor Jeanette Smith

Signed ______________________________

Amendment proposed by the Liberal Democrat Group

Portsmouth City Council - Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

That the recommendations of the Cabinet of 5th February 2019 (Minute 7/19) on "Portsmouth City Council - Budget & Council Tax 2018/19 & Medium Term Budget Forecast 2020/21 to 2022/23" be amended as follows:-

Recommendation 19 to be added:

In the event that the disposal of Victory Energy Supply Limited achieves a sale price of £1m, that the following changes be reflected within the recommended Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 (attached at Appendix 1) and be funded from the proceeds of the sale:

i) Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Other Expenditure				
Sale of Victory Energy Supply Limited	Reduce provision for loss on disposal	(500,000)	0	0
Total		**(500,000)**	**0**	**0**

ii) Additions to Revenue Estimates

Saving No.	Increases to Portfolio Cash Limits	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Resources Portfolio				
New	Neighbourhoods Fund	0	140,000	0
Traffic & Transportation Portfolio				
New	Increasing resource in the parking department to meet demand for parking zones	0	100,000	0
Other Expenditure				
New	Transfer to Revenue Reserve For Capital	260,000	0	0
Total		**260,000**	**240,000**	**0**

SECTION 151 OFFICER'S COMMENTS

Under Recommendation 18, the Section 151 Officer advises as follows:-

The proposals set out within this amendment will not form part of the proposed Revenue Budget for 2018/19 and 2019/20 unless the disposal proceeds described above are achieved.

The proposals contained within this amendment do not alter the other statements made by the Section 151 Officer in Section 13 of this report.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

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Appendix 4
(to the minutes of 12 February 2019)

AGENDA ITEM 7 - Portsmouth City Council Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Steve Wemyss

Signed ______________________________

Seconded by (Name) Councillor George Fielding

Signed ______________________________

Amendment proposed by the Conservative & Labour Groups

Portsmouth City Council - Budget & Council Tax 2019/20 & Medium Term Budget Forecast 2020/21 to 2022/23

That the recommendations of the Cabinet of 5th February 2019 (Minute 7/19) on "Portsmouth City Council - Budget & Council Tax 2018/19 & Medium Term Budget Forecast 2020/21 to 2022/23" be amended as follows:-

Recommendation 1 be amended to:

1 The revised Revenue Estimates for the financial year 2018/19 and the Revenue Estimates for the financial year 2019/20 as set out in the General Fund Summary (Appendix A amended) including the changes described in paragraph 19 below:-

19 the following changes be made to Cash Limits for 2018/19, 2019/20 and future years as set out in the table below, but Members note that:

the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings or additions within those Portfolios/Committees, that responsibility is reserved for Cabinet Members. The budget savings and additions in the tables below are therefore indicative only.

i) Reductions to Revenue Estimates

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2018/19	2019/20	2020/21 & Future Years
		£	£	£
Other Expenditure				
Re-instate Victory Energy Supply Limited	Remove provision for loss on disposal	(2,500,000)	0	0
	Generate additional income for the Council to contribute to future savings, re-invest in the community as well as reducing residents bills and providing renewable energy	0	(325,000)	(430,000)
Total		**(2,500,000)**	**(325,000)**	**(430,000)**

Recommendation 2 be amended to:-

2 The Portfolio Cash Limits for the Revised Budget for 2018/19 and Budget for 2019/20 as set out in Sections 7 and 9, respectively as amended by paragraph 20 below:-

20 The following changes be made to Cash Limits for 2019/20 and future years

Portfolio / Committee	2018/19 £	2019/20 £	Future Years £
Other Expenditure (Victory Energy)	(2,500,000)	(325,000)	(430,000)
Total	**(2,500,000)**	**(325,000)**	**(430,000)**

SECTION 151 OFFICER'S COMMENTS

Under Recommendation 18, the Section 151 Officer advises as follows:-

The proposals contained within this amendment do not alter the statements made by the Section 151 Officer in Section 13 of this report.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

Labour & Conservative Group Joint Amendment

GENERAL FUND SUMMARY - 2018/19 to 2022/23 **APPENDIX A (amended)**

Original Budget 2018/19 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
24,904,800	Children & Families	24,926,600	29,600,800	34,178,800	35,151,500	36,194,100
8,993,160	Culture Leisure & Sport	8,330,960	8,917,160	9,294,460	9,560,560	9,839,460
24,294,457	Education	23,379,657	24,003,957	24,429,257	24,593,857	24,765,857
16,154,013	Environment & Community Safety	16,444,913	16,369,213	16,771,213	16,997,113	17,481,113
45,052,279	Health & Social Care	42,094,679	47,682,279	47,732,979	49,707,979	51,645,579
8,282,428	Housing	8,345,228	8,029,528	8,102,428	8,195,328	8,292,928
158,453	Leader	184,953	152,853	157,253	161,753	166,453
(4,490,371)	Planning Regeneration Economic Development	(6,181,171)	(7,700,971)	(8,783,371)	(9,684,471)	(10,023,371)
22,289,434	Resources	24,177,734	23,993,734	25,836,134	26,523,534	27,140,434
16,443,707	Traffic & Transportation	16,469,507	16,242,107	16,350,707	16,429,007	17,522,507
199,400	Governance, Audit & Standards Committee	241,800	210,200	219,300	114,600	238,100
(222,795)	Licensing Committee	(223,895)	(228,095)	(230,795)	(233,895)	(237,595)
162,058,965	**Portfolio Expenditure**	**158,190,965**	**167,272,765**	**174,058,365**	**177,516,865**	**183,025,565**
	Other Expenditure					
0	Precepts	0	0	39,400	40,400	41,500
(150,000)	Portchester Crematorium - Share of Dividend	(150,000)	(160,000)	(150,000)	(150,000)	(150,000)
7,672,000	Pension Costs	7,241,200	8,018,900	8,352,900	8,698,300	9,106,100
6,384,000	Contingency Provision	10,179,500	9,489,000	4,713,500	4,713,500	4,713,500
10,344,500	Revenue Contributions to Capital Reserve	7,648,300	6,600,000	2,000,000	0	0
3,155,900	Transfer to / (from) Other Reserves	6,260,300	(570,600)	1,124,100	1,396,300	396,300
(27,225,965)	Treasury Management	(30,528,865)	(28,643,765)	(26,361,665)	(24,480,165)	(24,720,565)
2,536,600	Other Expenditure	5,611,600	2,995,700	1,628,400	2,161,800	2,695,600
2,717,035	**Other Expenditure**	**6,262,035**	**(2,270,765)**	**(8,653,365)**	**(7,619,865)**	**(7,917,565)**
164,776,000	**TOTAL NET EXPENDITURE**	**164,453,000**	**165,002,000**	**165,405,000**	**169,897,000**	**175,108,000**
	FINANCED BY:					
(304,260)	Contribution (to) from Balances and Reserves	(2,456,346)	(42,690)	2,260,355	4,363,197	7,068,038
0	Revenue Support Grant	0	0	0	0	0
73,567,319	Business Rates Retention	73,971,976	66,700,841	66,577,515	67,454,236	68,424,771
15,827,049	Other General Grants	17,251,478	17,054,314	15,264,935	15,159,284	15,044,859
75,685,892	Council Tax	75,685,892	81,289,535	81,302,195	82,920,283	84,570,332
164,776,000		**164,453,000**	**165,002,000**	**165,405,000**	**169,897,000**	**175,108,000**
	BALANCES & RESERVES					
20,645,474	Balance brought forward at 1 April	20,565,824	23,022,170	23,064,860	20,804,505	16,441,308
304,260	Deduct (Deficit) / Add Surplus for Year	2,456,346	42,690	(2,260,355)	(4,363,197)	(7,068,038)
20,949,734	**Balance carried forward at 31 March**	**23,022,170**	**23,064,860**	**20,804,505**	**16,441,308**	**9,373,270**
8,000,000	**Minimum Level of Balances**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**	**8,000,000**
(304,260)	**Underlying Budget Deficit / (Surplus)**	**(2,456,346)**	**(42,690)**	**2,260,355**	**4,363,197**	**7,068,038**

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Appendix 5
(to the minutes of 12 February 2019)

AGENDA ITEM 8 - Capital Programme 2018/19 to 2023/24

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Donna Jones

Signed ______________________________

Seconded by (Name) Councillor Luke Stubbs

Signed ______________________________

Amendment proposed by the Conservative Group

Capital Programme 2018/19 to 2023/24

That the recommendations of the Cabinet of 5th February 2019 (Minute 8/19) on "Capital Programme 2018/19 to 2023/24" be amended as follows:-

Recommendation 4) be amended to:

The following schemes as described in Section 9 and Appendix 2 be amended to include the following changes and be reflected within the recommended Capital Programme 2018/19 to 2023/24 (attached at Appendix 1) and be financed from the available capital resources:

Scheme Description - Additions (New)		Increase in Corporate Resources	Total Corporate Resources Allocated
		£	£
Additional Capital Scheme Proposals (New):			
	Design and implementation of a scheme to enable disabled access to the beach	100,000	100,000
	Pump Track at Eastney	100,000	100,000
	Dog Training Facility located at Cosham Park	150,000	150,000
	Planting of 600 trees around the City	100,000	100,000
	Installation of 25 Benches across the City	30,000	30,000
	Picnic Benches & Parasols - Paulsgrove Splashpool	10,000	10,000
	Capital grants to bowling clubs across the City with pavilion and green maintenance responsibilities	50,000	50,000
	Refurbishment of Eastney Swimming pool	150,000	150,000
	*Establishment of an indoor market located in a suitable building in the Commercial Road area which is currently vacant	250,000	250,000
	High Street Capital fund for Fratton, Cosham, Albert Road, Commercial Road & North End shopping areas	250,000	250,000
	Installation of Environmental Lighting in Guildhall Square	50,000	50,000
	Installation of 8 Toilet Pods around the City including: Paulsgrove Park; Bransbury Park and Tipner Lake	600,000	600,000
	Installation of Pedestrian Crossing in Paulsgrove	50,000	50,000
	Additional Cycle Routes around the City	200,000	200,000

Scheme Description - Additions (New)	Increase in Corporate Resources	Total Corporate Resources Allocated
	£	£
Total Overall Change	**2,090,000**	

***Subject to a financial appraisal that can satisfactorily demonstrate with good certainty that income will at least meet the running expenses of the indoor market**

SECTION 151 OFFICER'S COMMENTS

The proposals set out within this amendment are affordable within the overall capital resources available to the Council.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

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Appendix 6
(to the minutes of 12 February 2019)

AGENDA ITEM 8 - Capital Programme 2018/19 to 2023/24

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Stephen Morgan

Signed ______________________________________

Seconded by (Name) Councillor Judith Smyth

Signed ______________________________________

Amendment proposed by the Labour Group

Capital Programme 2018/19 to 2023/24

That the recommendations of the Cabinet of 5th February 2019 (Minute 8/19) on "Capital Programme 2018/19 to 2023/24" be amended as follows:-

Recommendation 4) be amended to:

The following schemes as described in Section 9 and Appendix 2 be amended to include the following changes and be reflected within the recommended Capital Programme 2018/19 to 2023/24 (attached at Appendix 1) and be financed from the available capital resources:

Scheme Description - Additions (New)		Increase in Corporate Resources	Total Corporate Resources Allocated
		£	£
Additional Capital Scheme Proposals (New):			
	*Rebuilding neighbourhood communities including small works in high streets and parks	1,500,000	1,500,000
	Additional research and development of smart integrated transport systems	1,000,000	1,000,000
Total Overall Change		**2,500,000**	

***up to the maximum amount of remaining capital resource available**

SECTION 151 OFFICER'S COMMENTS

The proposals set out within this amendment are affordable within the overall capital resources available to the Council.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

Appendix 7
(to the minutes of 12 February 2019)

AGENDA ITEM 8 - Capital Programme 2018/19 to 2023/24

Amendment to Cabinet recommendations attached.

Proposed by (Name) Councillor Darren Sanders

Signed ______________________________

Seconded by (Name) Councillor Jeanette Smith

Signed ______________________________

Amendment proposed by the Liberal Democrat Group

Capital Programme 2018/19 to 2023/24

That the recommendations of the Cabinet of 5th February 2019 (Minute 8/19) on "Capital Programme 2018/19 to 2023/24" be amended as follows:-

Recommendation 5) be amended:

To include the following additional Capital Scheme to be financed by Prudential Borrowing and be subject to a satisfactory financial appraisal approved by the Director of Finance & S151 Officer

	Total Prudential Borrowing £
New Car Park Facility - Southsea	1,800,000

Recommendation 14) be added:

In the event that the disposal of Victory Energy Supply Limited achieves a sale price of £1m, that the following additional Capital Schemes be reflected within the recommended Capital Programme 2018/19 to 2023/24 (attached at Appendix 1) and be funded from the proceeds of sale:

Scheme Description - Additions (New)		**Increase in Corporate Resources**	**Total Corporate Resources Allocated**
		£	**£**
Additional Capital Scheme Proposals (New):			
	Planting 100 trees to celebrate the great women of Portsmouth	17,000	17,000
	Tackling Financial Exclusion and Fuel Poverty	243,000	243,000
Total Overall Change		**260,000**	

SECTION 151 OFFICER'S COMMENTS

The proposals set out within this amendment will not form part of the proposed Capital Programme unless the disposal proceeds described above are achieved.

CITY SOLICITOR'S COMMENTS

The City Solicitor is satisfied that it is within the City Council's powers to approve the amendment as set out, and supports the advice of the Section 151 Officer given above.

Portsmouth CITY COUNCIL

Title of meeting: Cabinet Meeting

Date of meeting: Cabinet 26th February 2019 &
Full Council 19th March 2019

Subject: Ravelin Group of Companies

Report by: Tristan Samuels - Director of Regeneration

Wards affected: All

Key decision: Yes/~~No~~

Full Council decision: Yes/~~No~~

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1. Purpose of report

1.1. The decision to proceed with setting up the Ravelin Group of companies was taken by the Cabinet on the 9th June 2016, delegating responsibility to officers to carry out all necessary work to enable the companies to trade. This further Cabinet report ("the Report") builds on this previous decision and is focused on enabling Ravelin Group to commence trading.

1.2. Ravelin Group Limited ("Hold Co") the Council's holding development company and subsidiary Ravelin Property Limited ("Prop Co") have been established to support the delivery of Portsmouth City Council's corporate priorities and to help secure development in the City.

1.3. The Council's five corporate priorities have been set to be inclusive for all of the cities stakeholders. They seek to promote economic growth, inward investment and look to support the creation of balanced communities. These priorities are behind a raft of local plan policy documents and define the Councils vision for the future of Portsmouth. A golden strand that runs within all of these documents is the need for more affordable homes to meet the City's emerging housing need and supporting this will be one of Ravelin's priorities.

1.4. This Report sets out the purpose and key objectives for Hold Co and any incorporated subsidiaries (collectively referred to as the "Ravelin Group" within this report) within the appended business case (appendix A). This business case sets out how the Council will benefit from using the Ravelin Group, to deliver the

Council's own developments in line with the first five sites as agreed by Cabinet on 9th October 2018.

1.5. The Report asks members to consider the appointment of new directors to ensure that both company boards remain quorate.

1.6. The Report sets out how the Council as shareholder is able to exercise control over Hold Co who (via the business case) sets out how Hold Co's board will operate and manage Prop Co (and any future subsidiary companies).

2. Recommendations

That Cabinet approves the following recommendations:-

2.1. That the business case and purpose for Hold Co is approved, including delegating authority to the Director Regeneration and City Solicitor in consultation with the s.151 officer to create a new subsidiary company to support the delivery of HRA projects with development management and project management services.

2.2. To note that the need for the creation of a fit-for-purpose Board of Directors for each of the incorporated Ravelin companies based around an understanding of the skillsets required to support the company in both a commercial and local authority environment.

2.3. That new directors are appointed to Hold Co and Prop Co to ensure the companies can remain quorate and able to trade.

That Council approves the following recommendations:-

2.4. That authority is delegated to the Director of Finance and Section 151 Officer in consultation with the Leader of the Council, upon agreement of the business justification case's for each of the proposed development sites, to:-

2.4.1. make changes to the budgetary framework as necessary, and

2.4.2. To borrow as required for Ravelin Group development purposes, subject to a robust financial appraisal approved by the Director of Finance & S151 Officer that demonstrates the delivery of the best return to Portsmouth City Council and has proper regard to the following:

- The relevant capital and revenue costs and income resulting from the investment over the whole life of the development.

- The extent to which the investment is expected to deliver a secure ongoing income stream.

- The level of expected return on the investment.
- The payback period of the capital investment.
- The tax status and transactional tax events associated with any land transfers or activity of the companies.

3. Background

3.1. In 2016 the Council agreed to establish Ravelin Group Ltd with a range of subsidiary companies in order to deliver development for the Council. It was designed to be structured as a "contracting authority" as doing so allows the Council to awards a works or services contract to it without competition under the Public Contracts Regulations 2015 ("the Regulations"). Subsidiaries of Hold Co. may also be structured in such a way as to meet the so-called 'Teckal exemption' allowing Hold Co. to award works or services contracts directly to other subsidiaries.

3.2. The original decision was focused on Ravelin Group supporting the development of Dunsbury Park, however after further consultation with the executive team, this work was not required. The intention to use Ravelin Group for a variety of development work was always clear and it was noted that Ravelin Group had a place in supporting the Council's ambitious development programme.

3.3. Initial legal advice sought concludes the operating model for subsidiary companies can also be structured in such a way so as to avoid being a contracting authority under the Regulations. This would result in the company not being bound by the procurement rules contained in the Regulations and being a distinct entity from the Council therefore operating to its own objectives and producing its own annual business plan.

3.4. Hold Co's business case (appendix A) has been constructed to follow the council's priorities and to deliver good quality housing for both sale and rent that meets identified housing need of the City, through the development of council owned property. Ravelin Group will also generate additional revenue for the council which will support other under pressure frontline Council services.

3.5. The Cabinet report dated the 9th June 2016 delegated authority to the City Solicitor and the S151 Officer to take all the necessary steps to enable Hold Co and Prop Co to become an operational and viable commercial entity so that it can begin to develop and meet the needs of Portsmouth.

4. Ravelin's Purpose

4.1. Ravelin Group will deliver sustainable growth in a commercial manner through the development of Council owned (and other) lands. Through its development, it will prioritise the creation of balanced communities, delivering a range of homes people can afford (in line with City's housing need) and other products to enable economic growth in and around the City of Portsmouth.

4.2. All profits generated will be paid back to the Council as dividends.

4.2.1. Additional revenue produced from assets and services will be used to fund, sustain and improve council run services

4.2.2. Capital profits from development schemes will be paid as dividends to the Council to be invested into future projects, including building further homes that local people can afford.

5. Reasons for recommendations

5.1. Ravelin Group will work in line with the approved business case and by submitting annual business cases for approval in future years.

5.2. The business case will consider short, medium and long term objectives and where a clear commercial case can be demonstrated. The Business case objectives will include but not be limited to the following:

5.2.1. Ravelin Group recognises that the need for affordable sub-market rents will largely be met within the HRA and thus Ravelin Group will work with the HRA to support and deliver these new homes on behalf of the HRA, where appropriate.

5.2.2. The Council will expect Ravelin Group to develop new homes that people can afford to support low income working families, like homes for key workers to rent and shared ownership products to buy in and around Portsmouth, in line with the city's housing need.

5.2.3. Ravelin Group will support the Economic Growth and Inward investment ambitions of the city with its development pipeline. By creating new jobs in property development and offering apprenticeships and training opportunities all with the aim of deriving long term benefits for the City.

5.2.4. Work with Portsmouth City Council employees through Service Level Agreement (SLA) wherever possible.

5.2.5. Work with the Councils procurement, property and economic growth teams to support the delivery of a range of social value outcomes, as defined by the Council's policies.

6. GOVERNANCE

6.1. The Council is currently reviewing the overall governance arrangements for all of its wholly owned companies. The report will consider advice relating to best practice for the membership operation of company boards as well as political balance and representation on company boards ensuring that they are constructed in such a way that director's legal responsibilities for acting in the best interests of the company can be properly performed. Any recommendations flowing from that review will be reflected into the Ravelin Board structure in the future. Pending the outcome of that review, the current arrangements are described below.

The Shareholder

6.2. The Council is the sole shareholder of Hold Co, who in turn is the sole shareholder of Prop Co and any future property company's setup under Hold co - collectively ("Ravelin Group").

6.3. As such, the Council controls the Ravelin Group through the appointment and removal of directors and statutory rights. Details of the mechanism for such control, are expressed within the Shareholders Agreement.

6.4. The Shareholder has strategic control over the of Ravelin Group through the following:-

6.4.1. The right to approve business plan(s) for Ravelin Hold co.

6.4.2. The ability for certain express listed decision ("Reserved Matters[1]") which must be referred back to the Council acting as shareholder rather than the discretion of the board of directors.

6.5. The level of control attributed to Ravelin Property and future Ravelin subsidiary companies by the Council as shareholder will vary depending on how it is structured, details will be listed in the annual business cases for Ravelin Hold co.

6.6. In summary, the Cabinet approves the business plan and the board of directors have the remit to implement the business plan (subject to reserved matters).

[1] Reserved matters are located in schedule 1 of the shareholder agreement in appendix E.

6.7. There are a number of options for how the shareholder function can be exercised and these are to be explored in a separate governance paper to follow.

Current Board Structure

6.8. Upon incorporation of Ravelin Hold Co on 6 January 2017 and Ravelin Property on 9 January 2017 the following Directors were appointed and continue to hold appointment:-

6.8.1. Ravelin Hold Co

- Michael Lawther
- Cllr Luke Stubbs
- Julian Pike

6.8.2. Ravelin Property

- Owen Buckwell (no longer employed by PCC)
- Nick Haverly (no longer employed by PCC)
- Tom Southall

6.9. Legal advice (see confidential appendix C) concludes that in order to mitigate against conflicts of interest in respect of directors and statutory roles some changes should be considered and as such, when Cabinet is asked to consider new Directorship for all of the Ravelin companies it should firstly consider the below:-

- Michael Lawther (acting as Monitoring Offer for the Council) is conflicted and should resign from the directorship.

- Owen Buckwell and Nick Haverly are no longer employed by the Council and in line with the shareholders agreement are being removed from registration at Companies House.

6.10. While there is no set template for a new companies board composition, the Cabinet should consider the following when appointing new Directors to both the Ravelin Group Ltd and the Ravelin Property Ltd:-

- The separate objectives and functions of both companies.

- The appropriate size for each of the boards.

- The appropriate mix of skills and experience needed to lead a successful enterprise.

- The need to demonstrate sufficient control where this is required i.e. for Teckal compliance.

- The potential for conflicts which could hinder the effective operation of the board (or the Council).

7. Production of a Business case for Ravelin

7.1. All the necessary considerations in establishing and operating Ravelin Group and Ravelin Property will need to be set out in a sufficiently detailed business case.

7.2. This should assume the Council incurs additional capital expenditure in making loan advances to Ravelin Group and subsequently Ravelin Property by way of a loan facility agreement. The interest charges on the loan advances will need to be sufficient over the life of Ravelin's own business plans (and agreed loan period) to at least meet the Council's financing and administrative costs in borrowing money to make these advances.

7.3. The Council is able to loan sums to Ravelin provided they are compliant with State aid rules i.e. not using the provision of soft loans at less than the market value. There are a number of principles which can be applied to justify a transaction as not constituting unlawful aid. This includes the market economy operator principle. To meet this in relation to any loans - these must match the comparable rate. The loan facility agreement(s) should ensure that the level of protection afforded to the Council is the same as a private investor would demand. The alternative of directly sourcing external private finance would be significantly more challenging, time consuming and would pass significant influence and potentially control over Ravelin's business activities and decisions to the lenders.

7.4. Cabinet has agreed that the development of the first five development sites should consider the use of Ravelin either working with the HRA or as a developer of affordable housing to ensure that a range of housing products are delivered through its development pipeline.

8. Options Considered

8.1. The Council has considered a number of options to develop a mix of new affordable homes in the City. These include:-

Developing within the Housing Revenue Account

8.2. Previously the amount of money that could be borrowed by the HRA was restricted by Limit of Indebtedness this has now been rescinded which means the HRA can be more ambitious in its development plans. However it is constrained by the prudential code so any developments it is involved in must generate enough income for them to be Sustainable, Affordable and Prudent.

8.3. The Council could choose to carry out developments in the HRA using HRA borrowing and 1-for-1 receipts from Right-to-Buy sales however there are limitations to the type of homes it is allowed to deliver. The current law and Government policy does restricts the HRA to only hold homes that are defined as either provided at social rent or affordable rent pursuant to section 74(1) of the Local Government and Housing Act 1989.

8.4. There is a clear need for these property types and while the HRA could self-deliver there are benefits in the creation of mixed tenure developments and Ravelin can help support the HRA through the use of its development management services, smoother procurement and allow the HRA to benefit from the buying gain that come with a larger pipeline of projects. Receipts from sales would be recycled to generate additional affordable housing within the HRA and could support other services limited to those provided to HRA tenants.

Develop through the Council

8.5. The Council has the ability to build homes for sale on a commercial basis through powers given to it through the Localism Act. However the act states if it wishes to trade on a Commercial basis it must do this through a Company. The Council could therefore build social housing through the General fund but any properties built for commercial sale must be delivered through a Company.

8.6. When the Council develops through the Company it receives income via dividends which can be used for Revenue and Capital purposes which gives the Council the flexibility that it wouldn't have if it were to develop in its own right.

8.7. Developing in a Company also means that it may have the ability to do so outside of the procurement rules (if the company is structured as a 'Teckal' company') which the Council are legally bound to however the need for robust checks and balances and best value remain. Ravelin Group b(y procuring more commercially) y be able to benefit from some procurement and time savings as it can be more nimble and compete with the private sector, however no saving for this has been factored into the financial business case.

8.8. The company's board could in future appoint Non-Executive Directors with a housing development background with specialist knowledge to help maximise the returns of the company whilst also ensuring the amount of affordable housing is maximised, these are not skills that we currently have enough of in the Council. Any changes along this line would be considered in a separate review of governance paper to follow.

8.9. Any profits earned by the Company will be subject to Corporation Tax so careful tax planning will be required. Any profits generated by the Council would not be subject to Corporation Tax.

8.10. Developing through the Company would give the Council greater flexibility to invest the dividends it gets back from Ravelin Group in any Services and Capital Projects that it develops.

9. Equality impact assessment

9.1 The Council's Public Sector Equality Duty has been taken into account as part of the Council's proposals contained in this report, but it is considered that each development scheme proposed to be developed through the use of Ravelin Group Companies may require an individual Equality Impact Assessment ("EIA"). This report does not propose any particular scheme for a development and therefore an EIA is not required at this time.

10. Legal implications

10.1. Ravelin Hold Co and Ravelin Property have been incorporated pursuant to the decision of the Cabinet on the 9th June 2016. On the 9th October 2018, the Cabinet approved in principle the redevelopment of the first five sites for the purposes of housing delivery through Ravelin Group companies.

10.2. This report makes recommendations relating to the decision-making and management of Ravelin Group companies, based on external legal advice provided by Bevan Brittan, contained in the Appendix C and on a Counsel opinion, contained in appendix B which in summary is reflected in the main body of this report.

10.3. The report also seeks approval of the business case for Ravelin Hold Co, which raises a number of complex legal issues relating to the Council's housing development rights, its ability to trade on a commercial basis, as well as public procurement, state aid, companies, employment and pensions, and taxation. These issues have been advised on in detail by Bevan Brittan. The Council has also obtained a Counsel opinion on the specific issue of the Council's housing development powers. The proposed business case contained at Appendix A fully reflects that legal advice. The main legal points relevant to the matters covered within the business case are set out briefly below.

10.4. The Council possesses the power to carry out development activity directly, without the need to do so through a company. The rationale for using a separate wholly owned vehicle for the development is for that activity to be undertaken on a commercial basis by a private entity, which could be structured as a 'non-contracting' authority and therefore not be subject to the public procurement law. Where the purpose of the development activity is to trade and make profit, there is a legal requirement to do so through a company.

10.5. Pursuant to Part 2 of the Housing Act 1985, the Council has the power in respect of the provision of housing, either through construction or conversion. And by virtue of section 9(3)(a) of the Housing Act 1985, the Council possess a power to develop housing for sale or rental. This is not confined to the land the Council already own. Section 17(1) gives the Council a power to acquire land (including houses and other buildings) with the intention of developing housing.

10.6. However, the Council's disposal of housing outside of the HRA is limited to a conveyance of a freehold or the grant of a lease for a term of more than 21 years (section 74(5) of the Local Government and Housing Act 1989 and section 115 of the Housing Act 1985). Such disposal would not require consent of the Secretary of State if it is "for a consideration equal to its market value" (The General Housing Consents 2013).

10.7. The Council does not however possess a power to let housing on periodic tenancies for terms of less than 21 years outside of the Housing Revenue Account ("HRA").

10.8. The Council, through the use of its investment power or general competence power (in the Localism Act 2011) may provide private housing (i.e. non-social) housing outside of the HRA and the provisions of the Housing Act 1985. However, again, the use of a company to hold stock for non-social rent would enable the Council to operate and to manage such non-social housing stock on a commercial basis, including the ability to offer assured short hold tenancies outside of the HRA, and would enable the Council to trade for profit.

10.9. As referred to within the main body of the report, the Council may structure its subsidiary companies to satisfy the so-called 'Teckal' exemption from having to comply with the Public Contracts Regulations 2015, which require public works or services contracts above relevant EU thresholds are subject to strict advertising and competitive procurement process. This would permit the Council to awards public contracts for services or works directly to its subsidiary companies that are so-structured. Equally, the Council may also decide to structure any of its subsidiary companies as a 'non-contracting' authority allowing any such companies to operate outside of the public procurement law.

10.10. In order to comply with the state aid rules, the Council must ensure that any investment it makes into its Ravelin subsidiary companies is strictly on market terms, including loans offered to Ravelin companies, as well as the support services that it will need to provide to them. Disposal (whether through sale or long term leases) are also required to be on market terms to mitigate contravention of state aid rules and for the Council to satisfy its duty to obtain best value on land disposals (pursuant to section 123(1), Local Government Act 1972).

11. Director of Finance's comments

11.1. The Director of Finance Comments are included within the Business Case in appendix A.

………………………………………………
Signed by:

Appendices:

Appendix A - Business Case for Ravelin Holdings Ltd
Appendix B - Confidential - Counsel Opinion
Appendix C - Confidential - Legal Advice from Bevan Brittan - Board Composition

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ……………………………… on ………………………………

………………………………………………
Signed by:

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Appendix A - Financial Business Case Ravelin Property Limited

1. Background

1.1 The City Council are looking to set up an arms-length development company that will deliver housing within the City and surrounding areas.

1.2. Ravelin Group will deliver sustainable growth in a commercial manner through the development of Council owned (and other) lands. Through its development, it will prioritise the creation of balanced communities, delivering a range of homes people can afford (in line with City's housing need) and other products to enable economic growth in and around the City of Portsmouth.

1.3. All profits generated will be paid back to the Council in the form of Dividends.

1.3.1. The revenue income source will be used to fund, sustain and improve council run services.

1.3.2. Capital profits from development schemes could be paid as dividends to the Council to be invested into future projects, including building further homes that local people can afford by Ravelin.

1.4. The Business case objectives will include but not be limited to the following:

1.4.1. Ravelin Group recognises that the need for affordable sub-market rents will largely be met within the HRA and thus Ravelin Group will work with the HRA to support and deliver these new homes on behalf of the HRA, where appropriate.

1.4.2. The Council will expect Ravelin Group to develop new homes that people can afford to support low income working families, like homes for key workers to rent and shared ownership products to buy in and around Portsmouth, in line with the city's housing need.

1.4.3. Ravelin Group will support the Economic Growth and Inward investment ambitions of the city with its development pipeline. By creating new jobs in property development and offering apprenticeships and training opportunities all with the aim of deriving long term benefits for the City.

1.4.4. Work with Portsmouth City Council employees through Service Level Agreement (SLA) wherever possible.

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1.4.5. Work with the Councils procurement, property and economic growth teams to support the delivery of a range of social value outcomes, as defined by the Council's policies.

1.5. The Council, through its Strategic Development Team (but not limited to) will identify land within the Council ownership and consider options for development that will be tested through the Councils current cross directorate clearance process Development Programme Enabling Board (DPEB)to identify if any alternative land uses should be considered .

1.6. The Strategic Development team will work with relevant Council departments and members to design developments that meet the Council core principles and accommodation strategies.

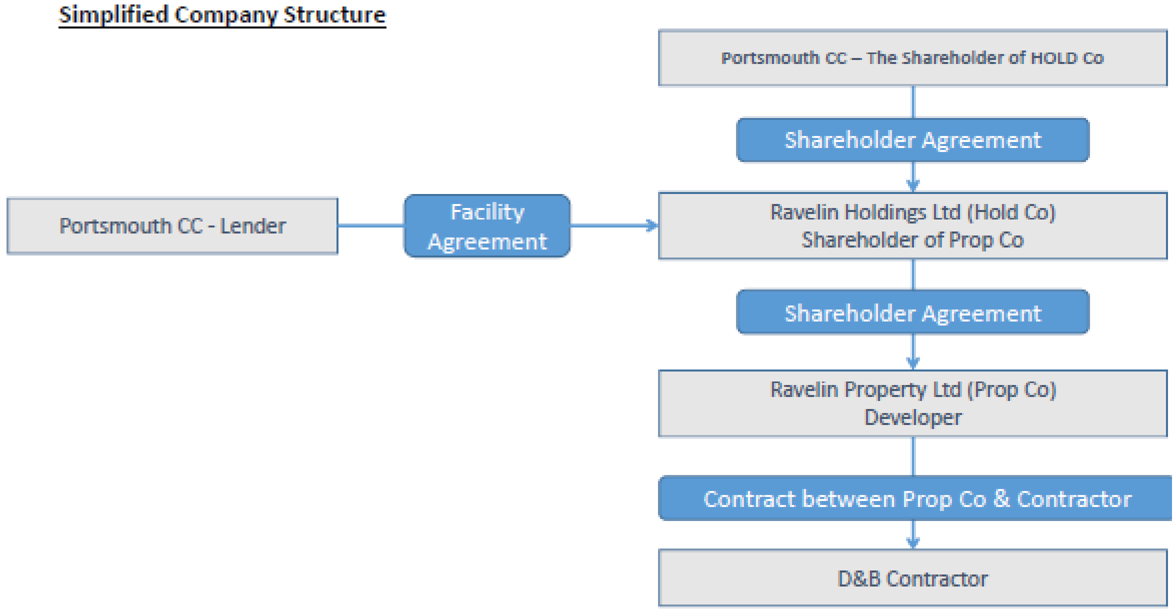
1.7. Once agreed by DPEB and with Cabinet member support the Council will commission Ravelin to deliver these developments in a staged manner as noted in appendix D.

2. Structure and Roles

2.1 The Diagram below sets out the proposed company structure for the Development Company.

Figure 1 - Outline Structure

Simplified Company Structure



2.2 The Council has two main role's within the delivery structure both allow it control the vehicle:

2.2.1 the first is as the 100% shareholder, this relationship will be governed by a shareholders agreement that allows the Council to set out any reserved matters that will allow the Council to exercise a certain amount of Control of the company, this could be linked to future lending and the type and nature of future developments, and the distribution or reinvestment of profits.

2.2.2 The other role the Council will have is as the primary lender to Ravelin via a facility agreement. Within this agreement the Council can attach conditions to any lending that it may give to Ravelin. This could be in its simplest form that no lending will be granted until a business justification case is presented to the Council. This will ensure that the Council's risk is kept to a minimum.

2.3 Ravelin Holdings Ltd will be the Company that has legal title of the land and properties built by its subordinate Company Ravelin Property Ltd. It will be responsible for all land assembly and sales, where required.

2.4 Ravelin Property Ltd will be the company that contracts with companies to carry out works, to deliver new homes and will be responsible for the delivery of developments. Ravelin Property Ltd will invoice its Parent company whilst delivering the developments.

2.5 Subject to independent legal advice, Hold Co may see fit to setup a further subsidiary Prop Co or DevMan Co specifically to provide to Development Management service to the HRA on sites like Southsea Community Centre where no land transfer is required.

3. Taxation

3.1 As Ravelin will be trading as a Commercial entity it will need to bear in mind the taxation regime within the UK, something that the City Council has previously not had to consider. The main issues are of Corporation Tax and Value Added Tax (VAT).

Corporation Tax

3.2 Any profits made by the Company will be subject to Corporation tax at 19% (Reducing to 17% from April 2020). The Council will need to ensure that it plans its operations so that it is most tax effective. The Council may need to seek specialist advice before it starts trading as this experience is not held currently within the Council.

VAT

3.3 The Council will seek specialist taxation advice as part of the due diligence process prior to trading.

3.4 In order for the Ravelin to be able to recover VAT that it incurs on its expenditure it will need to ensure that it registers for VAT. The sale of new homes is zero rated which means that it should be able to recover 100% of its VAT on purchases.

Income Tax

3.5 Ravelin will operate in a way that any employees that it has are employed on a Service Level agreement between the Council and the Company and therefore will be employed by the City Council, no Income tax will be paid by the Company itself. However the supply of staff by the Council will be a vatable supply of staff and therefore VAT will be payable on this supply.

4. Working Capital

4.1 The Council will need to ensure that the Company has enough Working Capital to operate. This could mean that a mixture of equity and debt funding is required in the early part of the company's history is required. The Company will not start to see any income until it starts to sell properties. This could mean that the Council will need to lend for a year or more before Ravelin is able to repay its loans. As soon as the company starts to borrow from the Council it will need to be able to pay the interest Payments on this, this could mean that initially the Council needs to invest equity finance in the company to ensure that it can meet it borrowing requirement and other out goings initially.

4.2 A Cash flow forecast will need to constructed to ensure that this initial equity investment is enough for the company to be able to meet its working capital obligations, whilst also ensuring that the Council are not tying up money that could be used elsewhere earning a higher return.

5. Operating Costs

5.1 The Ravelin Board will primarily be made up of a mixture of Council employees and other external property specialists. To this aim the company will not require its own premises but the cost of premises will be charged to it via an agreed hourly rate for Council employees through a Service level agreement with the Company.

5.2 The Company is likely to require support primarily from Finance, Legal and Procurement and a large amount of support from the Strategic Projects team will be required. It will also require support from Architects and planning consultants.

5.3 These costs will be dependent on the level of activity carried out by it.

6. Board Composition

6.1 Refer to the main paper and cost

6.2 The Council will need to recruit 2 to 3 non-executive directors who have experience of delivering housing so as to ensure that the board has a sufficient level of skill in order to be able to deliver viable schemes, this could cost up to £30,000 per annum.

7. PCC Support

7.1 Legal

7.1.1 The initial support from legal will be in incorporating the company and setting up the various legal instruments as set out but not limited to figure 1 above in the company structure.

7.1.2 Much of this advice will need to be commissioned from specialist companies in the first year and could cost as much as £150,000.

7.1.3 Ongoing support will be required to support the contract between Ravelin Property Ltd and the construction companies, the land assembly for various developments and for the sales of the units built amongst other things. This support could cost £100,000 ongoing.

7.2 Finance

7.2.1 Finance support will be required in the form of preparing the initial business case for developments and the initial business case for incorporation.

7.2.2 Ongoing the Council will provide transactional accounting services for Ravelin as well as Payroll. The Council will also prepare the companies statutory return and accounts. The Council will also file all Corporation Tax and VAT returns.

7.2.3 There may also be other advice from a cash flow and taxation point of view, this could cost as much as £75,000 per annum.

7.3 Procurement

7.3.1 It is envisaged that after incorporation the Council will offer Procurement and Commercial advice and support to the company when engaging with construction companies as well as other strategic advice. This is envisaged to cost around £50,000 per annum but is dependent on the number and size of developments.

7.4 Strategic Developments Team

7.4.1 The Strategic Developments team will work with Ravelin to identify potential development sites and will assist with the design of schemes on behalf of Ravelin, as well as facilitating the relationship between Ravelin and the support services, this could cost around £250,000 per annum however this rather depends on the number of schemes that come forward.

8. Relationship with the Housing Revenue Account

8.1 The budget delivered by the Government in the autumn of 2018 came with an announcement that the borrowing cap that was previously in place for the HRA had been abolished. That meant that Councils are now able to borrow in line with the prudential code, which ensures that any borrowing should be affordable, sustainable and prudent.

8.2 This means that if that the Council must ensure that any borrowing it takes on will generate a revenue stream that will meet the ongoing cost of servicing its debt and maintaining the asset, that the scheme is viable. A viability assessment this is backed up by a set of assumptions which are not always predictable i.e. the Governments policy to freeze rents[1] in social housing.

[1] The HRA is now in the final year of the Welfare reform act that mandated that the Council had to reduce all housing rents by 1% a year for four years. The latest guidance is that once this ends the HRA will be able to set rents at CPI +1% for the following five years. What happens to rental growth after that time period is uncertain.

8.3 The Council also needs to consider the effect the reinvigoration of the right to buy scheme and how the receipts could be used by Ravelin.

8.4 It also is worth bearing in mind that Ravelin would not have the benefit of using 1-for-1 receipts if it were to build Social Housing and therefore this is another reason why the Council may wish to consider a commercial arrangement with the HRA to enable the delivery of both social rented and private for sale housing on HRA land.

8.5 It is noted that the HRA can deliver private housing so long as any proceeds are then reinvested into the HRA. The HRA however are unable to provide products such as part rent part buy which would fall into the suite of affordable products based on the Governments definition.[2]

8.6 Any transfer of HRA land will be based on a current use and follow the principles of a Red Book valuation.

9. The Developments

9.1 Initially Ravelin will be working on the first five development sites in their role as a developer, partner and/or development manager with the HRA.

9.2 For the purposes of this first financial business case to establish the budgets for Ravelin, the size of development and mix of tenure to be developed is as set out in the previous Cabinet report for the Five Sites. This report was heard in October 2018 and contained indicative unit numbers which will change once the team has completed the detailed design and the schemes have been considered and agreed by the planning committee.

9.3 Based on these development sizes and the proposed tenure mix the overall return on investment is around 15% (or £4.8m), excluding operating costs and Corporation Tax. This return does not include the cost of operating costs and Corporation Tax once these are taken into account the return is around 5% (or £1.7m) as a proportion of Gross Sales (see table 1 below).

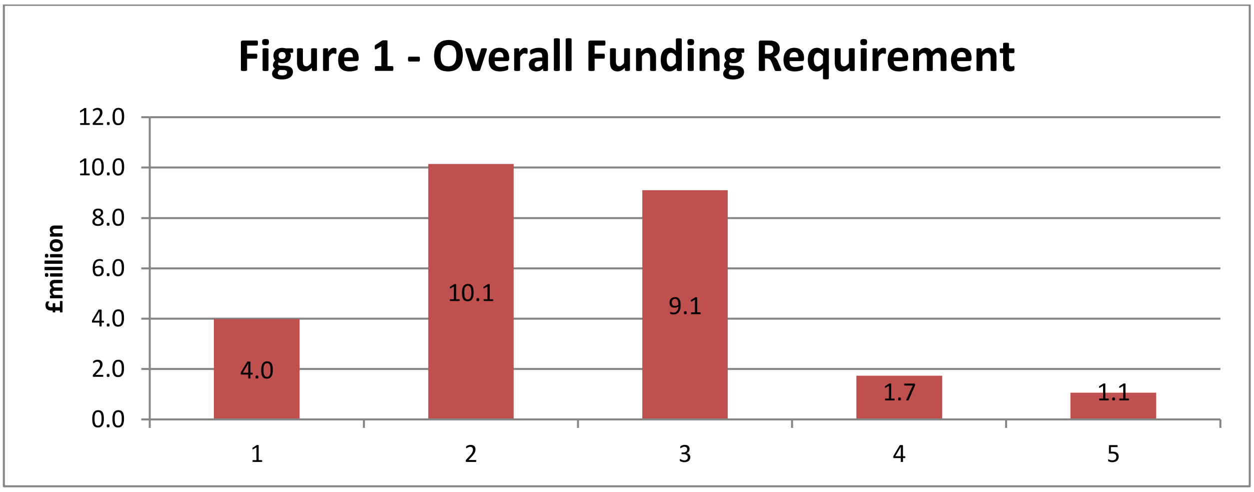
[2] See legal advice

Table 1 - Return on Development Investment

Activity	Planned Expenditure	% Return
Land Costs	£1,837,000	
Construction Costs	£22,319,000	
Interest on Borrowing	£3,664,000	
Property Sales	(£32,674,000)	
Development Profit	**(£4,854,000)**	**15%**
Operating Costs	£2,500,000	
Corporation Tax	£660,000	
Total Return	**(£1,694,000)**	**5%**

9.4 As stated in paragraph 1.3 all profits generated are paid back to the Council as dividends to support Council run services or reinvested into future capital projects.

9.5 For the purpose of budget modelling the business case assumes that all of the developments in this appraisal will be built within the first three years with completed units being sold within a year of completion of construction. This means that the Ravelin will have a £4m cash funding requirement in year 1, £10.1m in year two and £9.1m in year 3. This includes the cost of construction, operating costs and borrowing.



9.6 Ravelin would hope to start selling private properties off plan but for the purpose of this financial business it has been assumed that receipts will not be received until after completion. This suggests that average borrowing requirement will be £4.3m in year 1, £13.2m in year 2 and £14.2m in year 3. In reality the company would seek to reduce its reliance on borrowing by maximising its working capital management.

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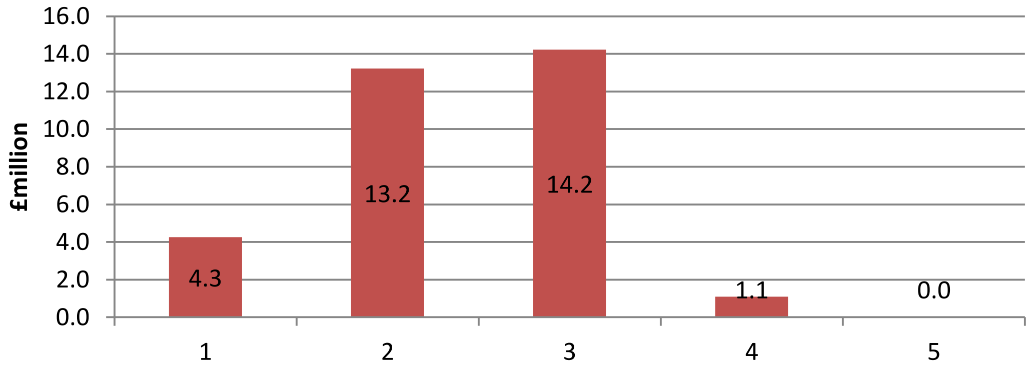
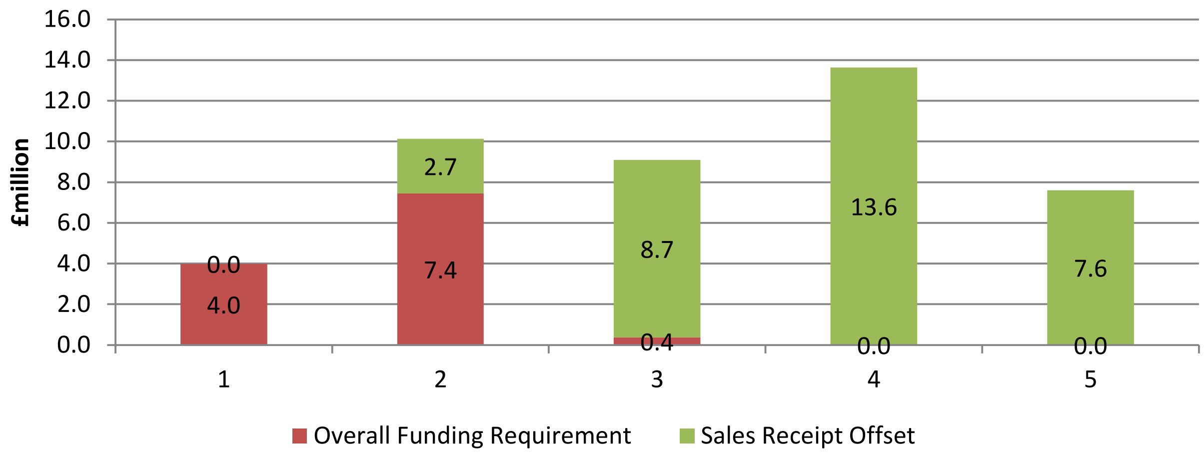
Figure 2 - Cumulative Level of Borrowing



9.7 The maximum amount the Council would need to lend Ravelin in a year would be somewhere around £14m, this lending would be secured against the Land and Work in progress and would be dependent on the size and phasing of developments.

9.8 Figure 3 below shows the net cash flows for years 1 - 5 and shows that year's one and two are where the Companies net outflows are greater than their income.

Figure 3 - Overall Funding Offset by Sales Receipts



10. Profit and Loss Account

10.1 Based on the 5 development sites a forecast profit and loss account has been constructed for the first 5 years of operation. This shows that Ravelin could make a profit of £3.5m after taking account of all borrowing costs, operating costs and taxation. Loss relief from Corporation Tax has not been taken into account at this time and is subject to independent tax advice.

Table 2 - Forecast Profit and Loss Account

Ravelin Forecast Profit & Loss Account Years 1-5			Year			
	1	2	3	4	5	Total
Sales of Property	£0	(£2,695,000)	(£8,729,400)	(£13,642,000)	(£7,607,600)	(£32,674,000)
Income from Building Operations	£0	£0	£0	£0	£0	£0
Cost of Sales						
Construction Costs	£1,923,075	£11,159,715	£9,236,640	£0	£0	£22,319,431
Operating Costs	£500,000	£500,000	£500,000	£500,000	£500,000	£2,500,000
Impairment	£0	£0	£0	£0	£0	£0
Interest Borrowing	£216,854	£810,333	£1,305,928	£1,331,378	£0	£3,664,494
Total Costs	£2,639,929	£12,470,049	£11,042,569	£1,831,378	£500,000	£28,483,925
Gross Margin (positive)/negative	**£1,923,075**	**£8,464,715**	**£507,240**	**(£13,642,000)**	**(£7,607,600)**	**(£10,354,569)**
Net Margin Before Tax (positive)/negative	**£2,639,929**	**£9,775,049**	**£2,313,169**	**(£11,810,622)**	**(£7,107,600)**	**(£4,190,075)**
Cumulative Deficit / (Surplus)	£2,639,929	£12,414,978	£14,728,146	£2,917,525	(£4,190,075)	
Taxation (19% - reducing to 17% 2020)	£0	£0	£0	£0	£659,514	£659,514
Net Margin After Tax (positive)/negative	**£2,639,929**	**£9,775,049**	**£2,313,169**	**(£11,810,622)**	**(£6,448,086)**	**(£3,530,561)**

10.2 The exact amount of operating costs is also not yet known and more work would need to be done to ensure that this is properly quantified. The majority of this cost is actually in the form of recharges back to the local authority as detailed earlier in the report.

11. Financial Impact to the Council

Land Holdings

11.1 The Council is a significant land owner and has, in the past, moth balled sites that were not financially viable because they were looked at as community or social housing projects. The use of the Ravelin will give the Council the ability to offer homes for sale.

11.2 The Council has land holdings in both the GF and the HRA, with a mix of both considered in this report. For the purpose of this business case and in line with current Council financial guidance, it has been assumed that the capital receipts from any land transfers will be held centrally by the Council. The use of these receipts will be decided by the S151 officer.

11.3 Any land disposed of to Ravelin must be transferred at the current market value. Valuations are carried out based on current use and in line with the principles of a Red Book Valuation and not at a discount that would give it an advantage over the market.

11.4 In the cases where a development is via a joint venture (or similar commercial structure) between the HRA and Ravelin. Ravelin will pay a residual land value which will be a proportion of the land based on the mix of tenure within that development. As a rough example, in the case where a development has 30% affordable Housing, Ravelin will pay a land value for the 70% that contains the Market sale units. If applicable the HRA would pay a value in line with the 30% but only in the instances where it is not already the land owner.

11.5 The developments considered in this business case would provide the Council with a capital receipt of nearly £2m, however a formal valuation of the land involved needs to be undertaken prior to any sale to Ravelin.

Income from Lending

11.6 The facility agreement that governs how the Council lends money to Ravelin and on what terms is a key document that supports the financial case for setting Ravelin up.

11.7 Under the proposed model, in this business case, the Council will lend Ravelin money at a Commercial rate of 5.09% at the time of writing this report, whilst the cost of City Council borrowing will is around 2.57%, this means that the Council will benefit from an income stream from the Company.

11.8 Based on the developments in this report the Council would generate £1.3m in net interest earned on lending to Ravelin over the next two years. The income has the effect of reducing the amount of corporation tax that the Ravelin needs to pay as well as giving the Council a return on its investment prior to any sales.

Table 3 - Income from Lending

	Borrowing Cost	Income from Ravelin	Net Income from Lending Activities
Arundel Street	£176,628	(£349,820)	(£173,192)
Hambrook Street	£118,661	(£235,013)	(£116,352)
Doyle Avenue	£165,539	(£327,858)	(£162,319)
Museum Road	£865,138	(£1,713,444)	(£848,306)
Total	£1,325,966	(£2,276,316)	(£1,300,169)

11.9 Initially the Company will need to be able to service this debt through some form of working capital loan or equity investment. The exact amount is not yet known and this rather depends on the speed at which the operations of the company start. This will need to be modelled in detail so as to optimise the amount of equity funding required to meet these obligations.

12. How will Projects be brought forward?

12.1 On a project by project basis Ravelin Property (or any further company subsidiary incorporated) will submit a business justification case (BJC) in 3 key stages. This allows the S151 officer to scrutinise and review these BJC's as the project develops to better manage the risks and ensure the direction of travel remains within the agreed Ravelin Group business case as signed off by Cabinet.

12.2 This approach allows the S151 officer to fund progress with the early feasibility works in a controlled manner and ensures that capital funding and land only pass to Ravelin at the appropriate time with some conditionality and claw back in place.

12.3 Ravelin Property will be funded in the form of a commercial loan in line with state aid rules and the land offered for development under a long lease or agreement to lease.

Example:-

<u>Stage 0 (Options)</u>

- Officers from Strategic Developments (or other departments) will identify land within the Council ownership and consider options for development.
- Options for development will be tested through the Councils current cross directorate clearance process Development Programme Enabling Board (DPEB) to identify if any alternative land uses should be considered.

- Following approval by DPEB and agreement with the relevant Cabinet Member, Ravelin can be instructed to take forward a specific project.
- Note there is an option for Ravelin to be instructed to bring options forward to DPEB but this will be on client request only.

Stage 1 (Concept & early design - RIBA 1-2)

- Ravelin applies to the Council to bring forward a project (or group of projects) and it is agreed that these will be funded.
- Ravelin application to include - high level costings for this stage of work.
- Project Board & S151 officer review - if in agreement a loan on commercial terms to support the design and feasibility work (stage 1) is approved.
- Ravelin proceeds to complete stage 1.
- Once Stage 1 is complete Ravelin presents to the client project board & S151 officer.
- The Board needs to formally agree that Stage 1 is accepted and that Ravelin should progress to stage 2.

Stage 2 (Planning & Design development, procurement soft marketing - Riba 3-4)

- Ravelin applies stage 2 costs and an agreement to lease the land subject to conditions including the planning decision.
- Ravelin confirms costs for stage 2 and reviews estimates costs for the whole development project, including land transfer costs etc.
- Council agrees loan on commercial terms to support stage 2.
- Council agrees conditional Agreement to Lease.
- Ravelin secures planning and demonstrates preferred procurement route.
- Council confirms that it is supportive of the approved planning.
- Council confirms that the conditionality of the AFL has been met and the land can transfer (note this stage can take place later but prior to construction is preferred).

Stage 3 (delivery)

- Council agrees loan on commercial terms to support the projects delivery as per the approved planning.
- Conditionality is cleared and the transfer of land to Ravelin is completed to facilitate the development.
- Ravelin completes the project.

From CABINET held on 26 February 2019

Council Agenda Item 8 (Minute No 21)

Ravelin Group of Companies

RECOMMENDED that authority is delegated to the Director of Finance and Section 151 Officer in consultation with the Leader of the Council, upon agreement of the business justification case's for each of the proposed development sites, to:-

(i) make changes to the budgetary framework as necessary

(ii) To borrow as required for Ravelin Group development purposes, subject to a robust financial appraisal approved by the Director of Finance & S151 Officer that demonstrates the delivery of the best return to Portsmouth City Council and has proper regard to the following:

- **The relevant capital and revenue costs and income resulting from the investment over the whole life of the development.**

- **The extent to which the investment is expected to deliver a secure ongoing income stream.**

- **The level of expected return on the investment.**

- **The payback period of the capital investment.**

The tax status and transactional tax events associated with any land transfers or activity of the companies.

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Title of meeting:	Full Council Meeting
Date of meeting:	19th March 2019
Subject:	Capital Strategy 2019/20 - 2028/29
Report by:	Director of Finance and Information Technology & Section 151 Officer
Wards affected:	All
Key decision:	Yes
Full Council decision:	Yes

1. Executive Summary

This report outlines the Council's capital strategy for the next 10 years, starting 2019/20. The Capital Strategy is dynamic and will be updated annually as capital investment plans mature.

The Capital Strategy sets out the overarching capital aspirations how both capital expenditure and investment decisions are made, whilst taking into consideration risks and rewards. There is a presumption that Capital investment will be targeted towards income generation and economic growth, once the Council's statutory obligations have been met, enabling the delivery of the regeneration of the City Economy, provision of affordable Housing and direct investment into Portsmouth based commercial ventures. There are 2 parts to the Capital Strategy

<u>1.1 Part I - Capital Expenditure and Aspirations</u>

The Chartered Institute of Public Finance and Accountancy (CIPFA) describes the capital strategy as "the long-term strategy for investment in assets and for obtaining the resources required for that investment". When a capital scheme is approved by Members, it is at that point in time that a decision is made how to finance the scheme. If the scheme generates either sufficient income or savings, it can be financed from borrowing so long as either the income or savings can adequately service the debt.

At the time of scheme approval, should the Council have surplus cash, it may choose to fund capital expenditure financed by borrowing from its surplus cash in the short-term, and delay going out to the market to physically borrow the required cash for the capital scheme. Prior to any borrowing a full business case and financial appraisal is prepared that can satisfactorily demonstrate with good certainty that cost savings / additional income or value uplift of the development which will accrue directly to the Council will at least cover the cost of that borrowing on a sustained basis over the lifetime of the borrowing undertaken.

Whether to take long term borrowing, or use surplus cash in the short-term and delay a decision to take longer term borrowing forms part of the Treasury Management Policy and is not considered here.

The Capital Strategy seeks to provide the catalyst to unlock the economic potential of the City by encouraging the regeneration built around the City's thriving culture and making Portsmouth a great place to live, work and visit. As part of this Regeneration, the planned cruise and terminal development at the Port will grow the city's visitor economy. Investment in affordable housing will make sure that there are more good quality homes that local people can afford, including more council homes.

1.2 Part II - Borrowing and Investing in Property

Part II considers the implications of the Council's future capital expenditure plans on borrowing and investing.

Making Provision for the Repayment of Debt

Repayment of borrowing must be provided for upon completion of General Fund schemes financed by borrowing, it is the Council's policy to provide for the repayment of the debt over the asset's useful economic life not exceeding 50 years. This is known as the **Minimum Revenue Provision (MRP)** and is based on an annuity method. This methodology results in a lower MRP for new assets in the early years presenting the council with the opportunity to build income streams and build savings over this period. However, MRP will increase year on year, but not necessarily in real terms after inflation is taken into account.

Timing of Borrowing

In contrast, when the Council has surplus cash, instead of investing that surplus cash through the Treasury Management Policy it can use it in the short term to meet the cost of capital expenditure. The resulting loss of interest earnt on investing surplus cash can be more cost effective than borrowing the required funds straight away. However, this only delays the taking of external borrowing rather than avoiding the need to borrow completely.

Investments in Property

According to CIPFA Treasury Management Code, **Investment in Commercial Properties Acquired through the Capital Programme** are also regarded as investments in addition to **Investments of Surplus Cash**

As at 31 March 2018 the Council had invested £128m in commercial properties with plans to further invest £55m in commercial properties from borrowing that was secured in 2016/17. The Government issued revised statutory guidance on local government investments early in 2018, effective from 1st April 2018. The guidance no longer permits Councils to borrow in order to acquire investment property portfolios outside the economic area to generate a surplus. The Council had previously borrowed funds to enable the purchase of a £183m investment property portfolio. At the time the Government issued its revised guidance £128m had already been invested in commercial properties with £55m remaining to be used. Having had regard to this guidance, the Council intends to invest the residual £55m into commercial properties (in Portsmouth and elsewhere) as planned. The key reasons for continuing to pursue such a strategy are:

- Funds have already been borrowed and will need to be invested with lower returns if the Council does not pursue its strategy to acquire investment properties

- Not completing the strategy to acquire the complete portfolio would result in risk being spread over a smaller number of properties and leave the portfolio inadequately diversified across locations and economic sectors
- The Council has strict criteria for the acquisition of properties which are designed with the primary objective of protecting the capital sum invested
- The commercial property investment portfolio is an integral part of the Council's overall medium term financial strategy

To ensure that the Council does not become over reliant on Investment income, a number of indicators are calculated in accordance with government guidance. These are included in Part II Appendix D.

Skills and Knowledge of Staff

Treasury Management and Capital accounting requirements are complex and heavily regulated. As a consequence, staff are provided with adequate training so that they have sufficient **skills and knowledge**, assisted by Link Asset Services, to undertake the treasury management function in house.

Treasury Management Reporting

The Council's strategy for borrowing and investing surplus cash is contained in its Treasury Management Policy which is not considered here. All **Treasury Management Policies** are considered by the Cabinet and approved by the City Council on an annual basis. All reports on treasury management including monitoring reports are scrutinised by the Governance and Audit and Standards Committee.

2. Purpose of Report

The purpose of this report is to:

- enable the City Council to adopt a long term Capital Strategy from 2019/20 onwards
- inform members and the wider community of the Council's Capital Strategy
- ensure that Members are aware of the overall strategy, governance procedures and risk appetite
- highlight the business planning inter-relationship between the Capital Strategy, capital programme, the Revenue budget, the Medium Term Financial Strategy and Treasury Management

Simple Business Planning Model

Link Asset Services

- ensure the council has sufficient liquidity to meet the cashflow arising from the capital programme

3. Recommendations

3.1 That Part I of the Capital Strategy (Capital Expenditure and Aspirations) be approved including:

a) The Short to Medium Term Capital Aspirations set out in Appendix B

b) The Long Term Capital Aspirations set out in Appendix C

3.2 That Part II of the Capital Strategy (Borrowing and Investing in Property) be approved including:

a) The Minimum Revenue Provision (MRP) for Debt Repayment Policy (Part II, (paragraph 1.5)

b) That the risk appetite statement for borrowing as set out in Part II, paragraph 1.6

c) That the risk appetite statement for investing surplus cash as set out in Part II, paragraph 1.13

d) The investment indicators in Part II - Appendix D (part II, paragraph 2.3)

e) That the Director of Finance and Information Technology (Section 151 Officer) will bring a report to the next Cabinet and City Council if (part II, paragraph 4.1):

(i) The Council's gross General Fund (GF) debt exceeds 319% of GF net service expenditure or;
(ii) Overall investment income from investment properties and long term treasury management investments exceeds 9.5% of GF net service expenditure

4. Background

On the 4th February 2009, the City Council approved the Capital Strategy 2008-2018. On 24th January 2012 the city Council approved the "Capital Investment Aspirations and Priorities 211/12 and the Future".

The Capital Strategy establishes the approach to both capital expenditure and investment decisions.

This report outlines the Council's Capital Strategy and aspirations for the next 10 years, starting from 2019/20. The Capital Strategy is dynamic and will be updated annually as capital investment plans mature. The Capital Programme and "new starts" (including the Housing Investment Capital Programme) is approved each year by Full Council, in accordance with the Capital Strategy.

The Capital Strategy fulfils the requirements of the revised Prudential Code for Capital Finance in Local Authorities 2017.

5. Reasons for Recommendations

Adopting a Capital Strategy will enable a longer term view to be taken of capital expenditure, borrowing and investment. The Capital Strategy is also intended to facilitate integration between the Council's aspirations, its capital programme and its Treasury Management Strategy.

6. Equality Impact Assessment (EIA)

This Capital Strategy identifies capital schemes that may be included in future capital programmes. Sums are not earmarked for capital schemes until they are included in the capital programme. Prior to the commencement of any capital scheme, a report and financial appraisal on that scheme will be approved either by the Portfolio Holder, the Cabinet or the City Council and at that time an Equalities Impact Assessment will be undertaken.

7. Legal Implications - Pending Legal

7.1 The Government Guidance referred to in the body of this report is the Statutory Guidance on Local Government Investments (3rd Edition) issued by the Secretary of State under Section15(1) of the *Local Government Act 2003*. Section 15(1) places local authorities under a statutory duty to *have regard to* such guidance.

7.2 Accordingly, whilst the guidance does not have mandatory effect, if and to the extent that the Council does not follow this guidance (having had due regard to it) the Council's reasons for so doing must be clear, rational and cogently explained.

7.3 Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain guidance on borrowing and investment and complement the central government guidance. These publications are:

• *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*

• *The Prudential Code for Capital Finance in Local Authorities*

7.4 Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the *Local Authorities* (*Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended.*

8. Director of Finance and Information Technology (Section 151 Officer) comments

All financial considerations are contained within the body of the report and the attached appendix.

………………………………………………………………………………..

Signed by Director of Finance and Information Technology (Section 151 Officer)

Appendices:

Part I Capital Expenditure and Aspirations

Sub Appendices:

Appendix A Contextual Background to Portsmouth

Appendix B Short to Medium Term Capital Aspirations

Appendix C Long Term Capital Aspirations

Part II Borrowing and Investment including Investment Indicators

Sub Appendices:

Appendix D Investment Indicators

Glossary

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document		**Location**
1	Information pertaining to the Capital Strategy	Financial Services

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Portsmouth
CITY COUNCIL

CAPITAL STRATEGY 2019/20 - 2028/29

"Working Together: putting people at the heart"

Part I Capital Expenditure and Aspirations

CONTENTS

1. **Definition, Purpose & Scope**

Definition

a. Capital expenditure is the expenditure that is incurred primarily on buying, constructing or improving physical assets, such as:

- Buildings (including schools, houses, libraries and museums)
- Land for development, roads, playing fields; and
- Vehicles, plant and machinery (including street lighting and road signs)

Capital expenditure also includes grants and advances made to the public or private sector for capital purposes, such as advances to Registered Social Landlords to provide adaptions to houses meet the needs of vulnerable people

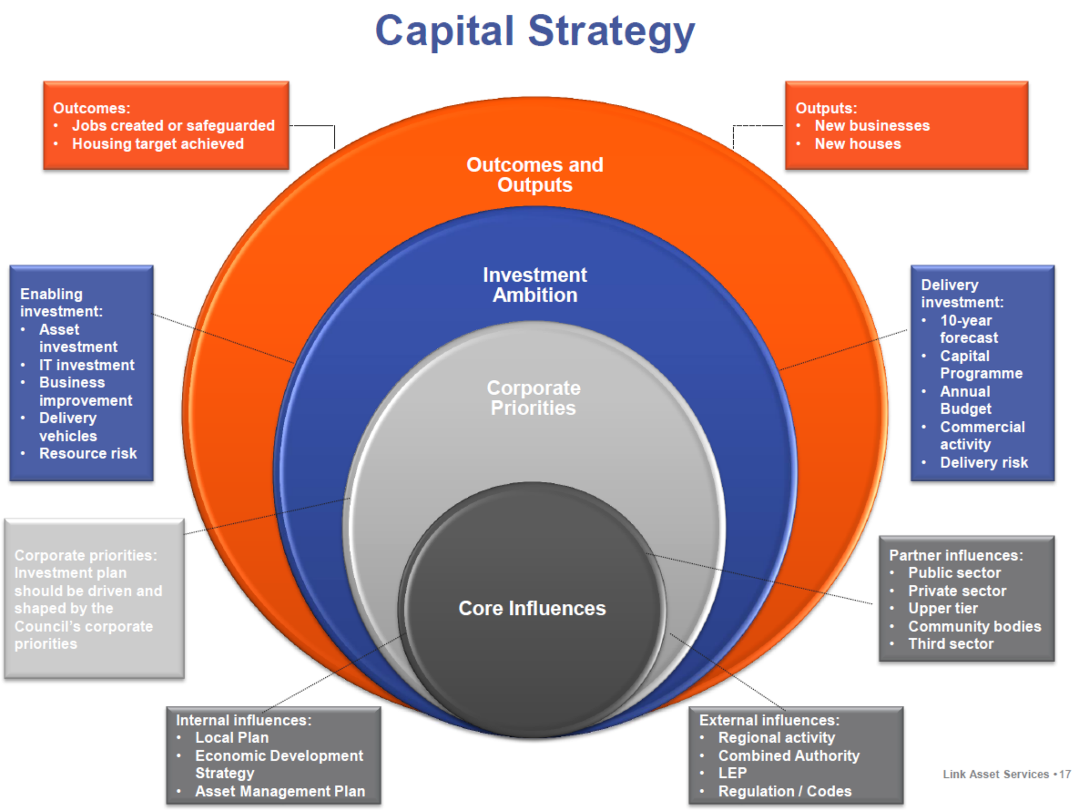
b. The Capital Strategy is a high level plan that sets out the Council's approach to Capital expenditure over the short, medium and long term.

c. The Capital Strategy takes both a "bottom up" and "top down" approach to the identification of the Council's Capital expenditure requirements. It takes a 10 year time horizon and considers:

- What are the short term **needs** of the existing capital assets of the City Council, which of them will be required for future service delivery and what capital expenditure will be needed to sustain them both now and in the future ("Bottom Up" approach)

- What are the Council's medium term **priorities** for service delivery and what capital expenditure will be needed to help deliver those priorities ("Top Down" and "Bottom Up" approach)

- What are the Council's long term **aspirations** for the City of Portsmouth and what capital expenditure will be needed to deliver those aspirations ("Top Down" approach)



<u>Purpose</u>

d. The purpose of the Capital Strategy is to set out a plan and a supporting financial framework to assist in the delivery of the Council's needs, priorities & aspirations. That plan describes what will be achieved, by when with key milestones and how it could be funded.

e. The Capital Strategy is intended to be a robust vehicle with sufficient guiding principles to achieve the Council's stated vision and priorities but flexible enough to be able to respond to the emerging local priorities that will inevitably arise.

f. The Capital Strategy is not intended to be static, it is a dynamic plan that will change and evolve continually over time. The Capital Strategy needs to be flexible to respond to emerging national and local priorities. In particular, the nature of the Central Government Capital Financing system is such that many national priorities for Capital expenditure will be cascaded and "drip fed" to Local Authorities over time and will be accompanied by the external funding to support them. These will be incorporated into the Council's Capital expenditure Plans as they arise. The Strategy will however, be robust and will include local priorities and aspirations that the Council aims to fund from the Council's own capital resources

g. Following the December 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities' regulations guidance, there is also a new requirement for full Council to approve a combined annual Capital Strategy and Treasury Management Strategy. Being aligned with one another, they will generate and create value for the Council by optimising the Council's liquidity; having a framework in place to prioritise capital expenditure and safeguarding against risk of either project overspend or non-delivery and by limiting the uncertainty of its returns.

Scope

h. The City Council's Capital Strategy encompasses all areas of the Council's activities including some of the traditionally more autonomous service areas such as Housing Revenue Account and the Commercial Port.

i. The body that approves the budget for PCC is the Full Council. The responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with the Full Council.

j. New Capital Expenditure will be targeted towards income generation and economic growth whilst ensuring the Council's statutory obligations are also met, (e.g. school places). The priority of new capital expenditure will be assessed in accordance with the following capital expenditure criteria:

    i. Essential to maintain operational effectiveness - including statutory responsibilities

    ii. Continued drive towards the regeneration of the City - by increasing prosperity through employment and reducing the extent to which the population needs Council services

    iii. Income Generation - reducing dependency on central government grants

    iv. Invest to Save - increasing the efficiency and effectiveness of the Council's activity

2. **Portsmouth Vision & Corporate Plan – "Strategic Fit**

a. The Vision for Portsmouth is:

"Make Portsmouth a place that is fairer for everyone: a city where the Council works together with thriving communities to put people at the heart of everything we do".

In order to deliver this vision, the City's priorities are to:

- Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives
- Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit
- Make our city cleaner, safer and greener
- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures
- Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do

b. The Regeneration priority to "encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit" articulates the vision for the city to become a globally competitive economy supporting local economic growth, innovation and enterprise and enhancing the competitiveness of Portsmouth. The aim of the priority is to ensure local people are able to get those jobs and benefit from regeneration programme. By having a "Portsmouth first" approach to property investment, income generation will maintain services and enable more affordable good quality homes to be built.

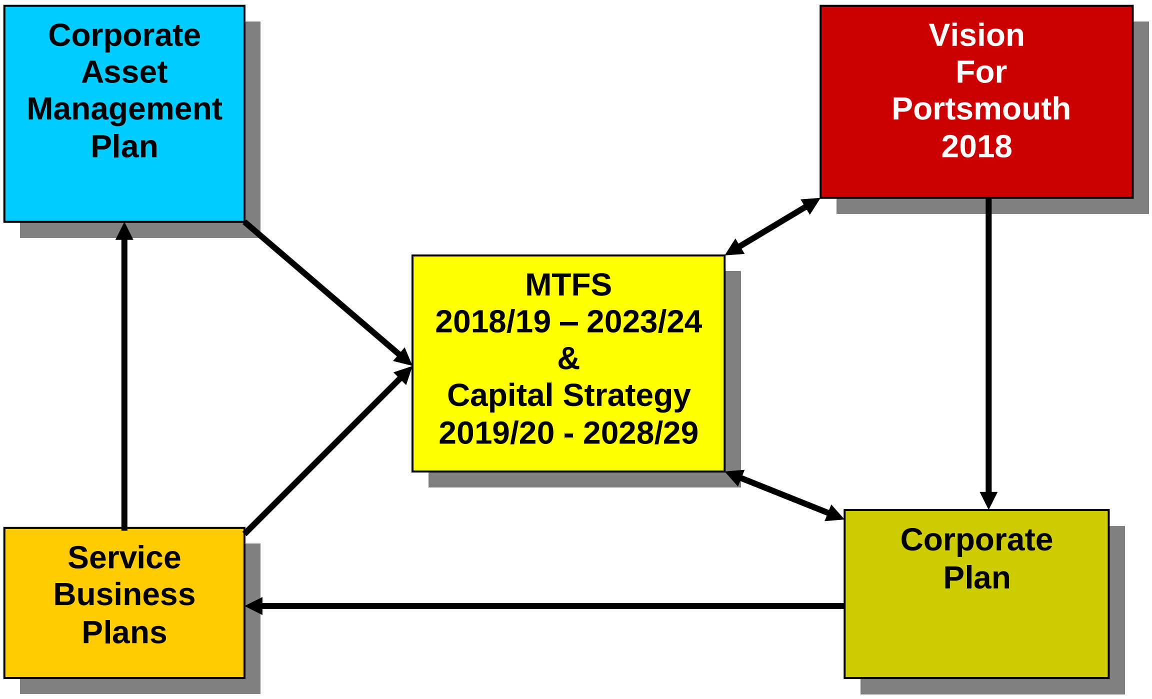
c. The Medium Term Financial Strategy (MTFS) and the Capital Strategy (CS) set out the Revenue Spending plans and the Capital expenditure plans respectively that deliver the longer term aspirational Vision for Portsmouth and the medium term Priorities for the City Council. Both of these strategies set out the financial frameworks that exist to support the achievement of the vision and priorities.

d. Whilst there is a technical distinction between Revenue and Capital, the focus of attention for the Council is not whether it is Capital or Revenue, but whether the desired outcome is achieved. In this respect, the strategy for capital expenditure is of equal importance to the strategy for revenue spending.

e. Whilst the MTFS and CS are designed to support the delivery of the day to day revenue and ongoing capital expenditure needs, priorities and aspirations of the Council, those needs, priorities and aspirations are also constrained by the revenue and capital resources available. These strategies therefore introduce criteria based processes to assist the Council in making informed spending decisions that will optimise the outcomes from the resources available.

f. The MTFS and CS are driven by the Vision for Portsmouth and the Corporate Plan both directly in terms of medium to longer term priorities and ambitions of the Council and via Service Business Plans and the Corporate Asset Management Plan in terms of the short and medium term needs and priorities of the Council. This is illustrated pictorially below:

STRATEGIC FIT



g. The Corporate Asset Management Plan and Service Business Plans are the more immediate “needs analysis” and “bottom up” drivers that feed the MTFS and CS. Service Business Plans set out all spending plans of the service in order to deliver priority outcomes. Service Business Plans also feed the Corporate Asset Management Plan (CAMP) which seeks to align the Council's asset base with our corporate plans and objectives. The CAMP identifies current and future needs and priorities of services and seeks to provide a series of actions to ensure the Council has the right assets, in the right condition and in the right location

h. A core feature of this Capital Strategy is assist in the delivery of the Vision and the Corporate Plan. There is a presumption that Capital expenditure will be targeted towards income generation and economic growth whilst ensuring the Council's statutory obligations are also met. The emphasis is therefore on entrepreneurial and regeneration activities.

3. **Key Capital Expenditure Principles**

a. In order to determine which current, or future assets, should be either maintained or invested in the following principles will be adopted when consideration is given to capital expenditure decisions:

b.

<u>Principle 1 – Contribution to Council Plan / Priorities</u>

For the Council’s non-commercial activities, Capital expenditure will be made where there is a clear and demonstrable contribution to the priorities contained within the Corporate Plan or the aspirations contained within the Portsmouth Vision.

For the Council’s commercial activities (such as the Port and Investment Property Portfolio), Capital expenditure will be based on the commercial principles of achieving a specified rate of return and payback through surpluses over a reasonable time period.

Principle 2 - Statutory Obligations

There must be clarity about the details of immediate obligations and the extent to which the current statutory obligation is being met.

Principle 3 – Financial Appraisal

The City Council will only embark on new capital expenditure where that capital expenditure is fully funded and the source of funding in terms of both timing and value can be relied upon with a high degree of confidence. The timing and accessibility of funds to PCC must be considered.

Prior to any Capital expenditure decision being made, the whole life cost of the proposal will be estimated and the Council will satisfy itself that those costs can be accommodated with the council's overall budget. Capital Expenditure must also take into consideration the impact on both existing revenue and capital budgets and future forecasts. This will include both the maintenance and any lifecycle replacement of components required over the estimated useful life of the asset.

Principle 5 – Option Appraisal

Any new capital expenditure decision is to follow a full and proper options appraisal that considers the following for each reasonable alternative:

- Suitability – the extent to which each option makes a contribution to the needs, priorities and aspirations of the Council as defined within the CAMP, Corporate Plan and Vision for Portsmouth

- Feasibility – the capital cost and whole lifecycle cost plus the practical ease of implementing the scheme

- Acceptability – the extent to which the scheme is acceptable to Members of the City Council and the residents of Portsmouth

Principle 6 - Risk

The Capital expenditure should not place the Council in a position where the risks associated with the Capital expenditure exceed the benefits of undertaking that investment. Neither, should the Council enter into any Capital expenditure where the risks associated with that investment cannot be managed effectively. Such risks may include (but will not be exclusive to) having insufficient resources generally or project management resources in particular to be able to effectively deliver a capital scheme.

<u>Principle 7 – Approved Schemes in Progress (overspends)</u>

The first consideration before any new Capital Expenditure is to ensure that the existing approved capital programme is fully and properly funded. Except in exceptional circumstances, the first call on available capital resources will be to fund any overspendings on approved schemes which are contractually committed. An approved scheme that is in progress will only be cancelled when the Value for Money of that scheme becomes unviable. (I.e. the additional costs and risks outweigh the potential future benefits)

4. Short & Medium Term Capital Expenditure Needs & Priorities

a. The short and medium term Capital expenditure needs of the Council will be driven by the Corporate Plan and be identified in Service Business Plans and the Corporate Asset Management Plan. (CAMP).

b. The CAMP is a consolidation of all existing Capital expenditure needs and priorities drawing on Service Asset Management Plans and other Corporate Priorities. It is both a “bottom up approach” (i.e. needs led) drawing upon changing demographics, changing demand and changing expectations of residents as well as a “top down” approach (i.e. priority led) based on the future direction of the Council set out in the Corporate Plan.

c. In summary, the CAMP will identify:

- The assets needed to deliver current and future services
- The condition and sufficiency of those assets
- The capital expenditure required to maintain and / or adapt those assets to ensure that they are “fit for purpose”
- Unsuitable and surplus assets that are not required for the delivery of the Council’s services and could either be:
    - Re-used for another purpose
    - Re-developed or “mothballed” for future re-development
    - Transferred for Community or other Public Use
    - Disposed of via sale.

d. The City Council has a wide range of service responsibilities, both statutory and non-statutory. In determining the needs and priorities for new Capital expenditure, a balanced approach will be taken to ensure that the needs and priorities of all service areas are considered including taking into account, the capital intensive nature of some services

e. The Capital Strategy is dynamic and whilst the priorities and aspirations of the Council will remain broadly constant, the Capital expenditure to achieve those priorities may change. The Capital expenditure plans of the Council will be updated continuously and added to the Council’s Capital Programme following the proper approvals in accordance with the Council’s Constitution and Financial Rules. The Capital Planning process is described as part of the Financial Framework supporting the Delivery of the Capital Strategy in Section 7.

f. The current key short and medium term Capital expenditure priorities for the Council are set out in Appendix B and cover the period 2019/20 to 2029/30.

5. **Long Term Capital Expenditure Aspirations**

a) It is recommended that the City Council endorses the short to medium and long-term aspirations of the Capital Strategy, as set out in appendices 2 and 3

b) The longer term aspirations that the Council has for the City are ambitious and rely on the Council applying the resources at its disposal in ways which deliver the greatest impact. Those resources include Capital Resources which will be targeted at Capital expenditure that has the greatest prospect of delivering the Council's aspirations.

c) The Council has developed a wide range of longer term Capital expenditure proposals aimed at meeting the "Vision for Portsmouth", some of which have some or partially funding but the majority of which, the Council wishes to pursue but which are, as yet, unfunded. Section 7 (Appendices B & C) of this Strategy sets out the way in which these unfunded Capital expenditure plans could be achieved.

d) The Council's key longer term Capital expenditure plans and aspirations aimed at delivering the Vision for Portsmouth are set out in Appendix 3.

6. **Summary**

This strategy sets out the key capital expenditure priorities over the short, medium and longer term.

Whilst the capital resources available are currently insufficient to meet all the capital expenditure Priorities of the Council, the financial framework set out in this strategy will provide the best opportunity for maximising resources and the best opportunity for applying those resources to that Capital expenditure which will make the greatest contribution to the Council's needs, priorities and aspirations.

Inevitably plans to achieve the Council's objectives over the short, medium and long term will change as will the capital resources available. This strategy has been designed to be flexible enough to accommodate any such changes whilst being robust enough to enable the Council's core objectives to be achieved.

7. Appendices

A - Contextual Background to Portsmouth

Portsmouth is the UK's only island city, with Portsea Island accounting for 62% of the city's land mass. Portsmouth is the most densely populated area in the UK outside London, with an estimated population of 215,000 residing within 15.5 square miles.

Portsmouth is ranked 63rd most deprived out of 326 local authorities in England (where 1 is the most deprived), with 15% of the city's population experiencing income deprivation. Charles Dickens ward tends to be the most deprived ward in the city. 22% of all dependent children in the city are living in relative poverty (which is above the England average) and in some areas this rate is twice the national average (Charles Dickens). The percentage of children in the city known to be eligible for and claiming free school meals is higher than the national average, reflecting low incomes in the city.

The city is becoming more ethnically diverse. 16% of the City's overall population are not of White British ethnic origin, and this rises to 20% of school-age children. Over 100 languages are spoken by pupils attending Portsmouth schools.

There are approximately 88,000 dwellings in Portsmouth. Private stock accounts for nearly 81% of the dwellings in Portsmouth, with the remainder divided between the local authority (13%) and registered social landlords (6%). Nearly half of the private sector housing stock was built before 1919, which is more than twice the English average. In terms of dwelling type, 63% of Portsmouth's private dwellings are terraced houses, again twice the English average (29%).

Portsmouth performs a key role as an employment hub for its suburban hinterland, most notably the Boroughs of Fareham, Gosport and Havant which supply 24% of the city's workforce. Unemployment in the city is typically on a par with the average for Great Britain, but around 1% higher than the South East region's average. An estimated 4.9% of the city's 16 - 18 year olds are NEET (not in education, employment or training). This is lower than both the England average and the south east regional average, and is reducing. Adults in Portsmouth have lower than average levels of skills and qualifications, with approximately 27% of the working age population having no or low qualifications (NVQ1 equivalent). We know that local resident earnings are significantly lower than local workplace salaries, suggesting that many of the higher level jobs are filled by people commuting into the city.

Portsmouth is well connected with strategic road and rail routes as well as domestic and international ferry routes to a range of destinations. There are five train stations in the city, with the railway line running through the heart of the city, north to south. However, intercity rail journeys from and to Portsmouth are relatively slow. The opening of the Hindhead Tunnel has significantly improved road access to London, shortening journey times by 20mins. Consultation with residents suggests that affordability of public transport – especially bus fares – is a major issue. We also have limited road capacity due to the "island" nature of the city, and only three road routes off Portsea Island, although congestion measures compare well with other cities. We were the first 20mph city in the country.

To put the City Council's financial capacity into context, the Council owns over £1.5bn of capital assets and incurs capital expenditure on the enhancement and acquisition of new capital assets. As at 31st March 2018, the number of assets in various categories was as follows:

Asset Type	**Numbers of Asset**
Council Houses (Flats & Houses)	14,700
Investment Properties	270
Heritage Assets	87
Libraries (7 Standalone / 1 mobile / 1 toy library / 1 Community centre)	10
Schools	22
Community Centres	16

Effective asset management plays a major role in delivering better outcomes for residents. As at 31st March 2018, the City Council has over £1.5bn of assets under its ownership as follows:

Asset Description	£m
Council Dwellings	632
Other Land & Buildings	288
Vehicles, Plant & Equipment	32
Infrastructure Assets (e.g. Sea Defences, Roads & Footways)	197
Community Assets (e.g. Parks, Guildhall and Civic regalia)	3
Investment Properties (Offices & Shops leased)	163
Surplus Assets (Assets being prepared for sale)	2
Assets under Construction	96
Intangible	1
Heritage	74
Total Assets' Value	**1,488**

In addition, the City Council has transferred the majority of its highways network to a commercial company to manage and maintain under the Highways PFI contract and this has a value of approximately £110m. At the end of this contract in 2029, the road network will be transferred back to the City Council.

When set against the context of available capital resources, providing the necessary investment in Capital Assets to deliver the most important needs, priorities and aspirations of the City Council will be extremely challenging. To achieve the vision for the City of Portsmouth, the Council will need to be selective in the assets that it retains, maintains and invests in as well as any new assets that it acquires or builds.

B - Short to Medium Term Capital Aspirations

KEY SHORT & MEDIUM TERM CAPITAL INVESTMENT NEEDS & PRIORITIES – 2019/20 to 2025/26

Corporate Plan	Nature of Capital Investment	Source of Funding: Total Capital Cost £'000s	Borrowing Requirement £'000s	Other Funding	Expected Outcome	Target Completion Date
Encourage regeneration built around our city's thriving culture						
	Cultural Investment	2,000		2,000	A city with a distinctive culture established as a national and international destination	2025/26
	Port Investment	2,000		2,000	Increasing income to both the council and the city	2025/26
	Cruise & Terminal Development	54,200	54,200		Increasing income to both the council and the city	2025/26
	Berth 2 Investment	4,550	4,550		Increasing income to both the council and the city	2025/26
	Ferry Port Infrastructure Investment	7,800		7,800	Protecting the land for port employment	2025/26
	Container Park Resurfacing	4,000	4,000		Protecting the land for port employment	2025/26
	Crane Replacement	8,800	8,800		Investing in major infrastructure to unlock the city's potential	2025/26
	Passengar Access	9,500	9,500		Investing in major infrastructure to unlock the city's potential	2025/26
Make our city cleaner, safer and greener						
	Air Quality	1,300		1,300	Improving air quality by tackling congestion and parking issues	2022/23
	Investment in Green Energy	1,400		1,400	Improving air quality by tackling congestion and parking issues	2022/23
	Utilities & Energy Management	6,000		6,000	Making sure there are more good quality homes that local people can afford, including more council homes	2025/26
	Local Transport Plan	18,200		18,200	Improving road safety across Portsmouth	On-going
	City Centre Development	85,000		85,000	Focusing on sustainable growth and communities	On-going
	Seafront Development	2,000		2,000	Working together to secure the future of Southsea from coastal flooding, whilst providing the opportunity for further development and use of the seafront	2025/26
	Waste Facilities	8,963	8,963		Reduce Waste and Improve recycling	2022/23
Make Portsmouth a city that works together						
	Capital Maintenance & Renewal of City Wide Leisure Facilities	4,000		4,000	To create a high quality urban environment to regenerate our city and spaces, encouraging sustainable development and stimulating economic growth	2022/23
	Extra Care Living	9,700	9,700		Protecting, supporting and safeguarding the most vulnerable children and adults in our communities	2024/25
	Tipner Country Park	1,500		1,500	A city where all residents and visitors have opportunities to enhance their health and well-being and to be involved in building happier and healthier local communities	
Make Portsmouth a great place to live, learn and play			-	-		
	Capital Maintenance & Renewal of City Wide Leisure Facilities	1,050		1,050	A city where all residents and visitors have opportunities to enhance their health and well-being and to be involved in building happier and healthier local communities	On-going
	Critical Education IT System Upgrade	750		750	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents	
	General Housing Investment	9,000	9,000		Support and Sustain Local Authority Housing and Private Sector Housing	2025/26
	HRA Investment	110,000		110,000	Maintain and improve PCC Assets	On-going
	Landlord's Maintenance	27,000		27,000	Maintain and improve PCC Assets	On-going
	Local Amenities' Investment	200		200	A city where all residents and visitors have opportunities to enhance their health and well-being	2020/21
	School Places	29,000		29,000	Investing in school buildings to create additional places and provide learning environments that meet the needs of all children	2025/26
Make sure our council is a caring, competent and collaborative organisation						
	Critical Back Office IT System Upgrade	2,350		2,350	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents	
	IT Infrastructure	4,000		4,000	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide	2020/21
	Voluntary Sector Investment	275		275	Developing community response to significant issues in the City	2022/23
Grand Total		**414,538**	**108,713**	**305,825**		

C - Long Term Capital Aspirations

KEY LONG TERM CAPITAL INVESTMENT ASPIRATIONS – 2019/20 to 2029/30						
Corporate Plan	**Nature of Capital Investment**	**Source of Funding**			**Expected Outcome**	**Target Completion Date**
		Total Capital Cost £'000s	**Borrowing Requirement £'000s**	**Other Funding**		
Encourage regeneration built around our city's thriving culture						
	HRA Investment	30.0	30.0		Maintain and improve PCC Assets	2029/30 & Beyond
	Port - Berth Enhancements	28.5	28.5		Investing in major infrastructure to unlock the city's potential	2026/29
	Regeneration of Key Sites	150.0		150.0	Focusing on sustainable growth and communities	On-going
	Tipner West (Super Peninsular)	unknown	unknown	unknown	Regeneration of Tipner West to provide both housing and employment	Early stages of development
Make Portsmouth a city that works together						
	Capital Maintenance & Renewal of City Wide Leisure Facilities	7.0		7.0	To create a high quality urban environment to regenerate our city and spaces, encouraging sustainable development and stimulating economic growth	2029/30 & Beyond
	Sea Defences	25.0		25.0	To create a high quality urban environment to regenerate our city and spaces, encouraging sustainable development and stimulating economic growth	2029/30 & Beyond
Make Portsmouth a great place to live, learn and play						
	Capital Maintenance & Renewal of City Wide Leisure Facilities	1.5		1.5	To create a high quality urban environment to regenerate our city and spaces, encouraging sustainable development and stimulating economic growth	2026/29
		3.0		3.0	A city where all residents and visitors have opportunities to enhance their health and well-being and to be involved in building happier and healthier local communities	2026/29
	Regeneration of Housing Stock Including Leamington and Horatia Houses)	unknown	unknown	unknown	Support and Sustain Local Authority Housing and Private Sector Housing	Early stages of development
	School Places	10.0		10.0	Investing in school buildings to create additional places and provide learning environments that meet the needs of all children	2026/29
Make sure our council is a caring, competent and collaborative organisation						
	Critical Backoffice System Upgrade	2.0		2.0	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents	2026/29
Grand Total		**257.0**	**58.5**	**198.5**		

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Part II Borrowing and Investment

CONTENTS

PART II Borrowing and Investing

A key activity is to know when and how much to borrow when the Council requires additional cash, and investing when the Council has surplus cash. In this way, it manages the Council's cashflows. This activity is known as treasury management.

1. Borrowing and Investing

1.1 Borrowing

The principle source of borrowing is from the Public Works Loan Board, (PWLB) which is operated by HM Treasury. The PWLB offers a range of loan durations and principal repayment methods to Local Authorities. The PWLB represents a competitive source of borrowing for the Council.

Part I of this Capital Strategy identifies capital aspirations that may be included in future capital programmes. Prior to funding a scheme from borrowing, a full business case and financial appraisal is prepared that can satisfactorily demonstrate with good certainty that cost savings / additional income or value uplift of the development which will accrue directly the Council, will at least cover the cost of that borrowing on a sustained basis over the lifetime of the borrowing undertaken.

Outstanding long-term debt is reviewed regularly with a view to early redemption and rescheduling; premiums would be payable to the lender and consequently early redemption and rescheduling is rarely financially beneficial to the Council.

1.2 Affordability of Borrowing

In order to ensure future revenue budgets remain affordable, with the exception of debt repaid using capital receipts, the Council needs to be aware that capital expenditure financed from prudential borrowing incurs both interest costs and a **Minimum Revenue Provision (MRP)** for the repayment of debt. The Council has a policy of calculating MRP on an annuity basis. This means that MRP will start at a relatively low level but require increasing amounts of MRP to be set aside year on year, especially for assets with long useful economic lives. This creates a period of relatively low MRP during the early years when either income can be generated or savings can accrue.

Based on the current approved capital programme, it is estimated that the MRP will increase to the following amounts in the short-term.

2019/20	£1.1m
2020/21	£1.5m
2021/22	£1.6m

The inclusion of any further schemes in the capital programme financed by prudential borrowing will further increase the MRP.

1.3 Key Risks

There are risks with borrowing more than the Council can afford. In order to mitigate these risks, the **Chartered Institute of Public Finance and Accountancy (CIPFA)** has produced the **Prudential Code** for Capital Finance in Local Authorities, which is a statutory code governing local authority borrowing. The Prudential Code requires the Council to establish various indicators over a minimum of 3 years to demonstrate that its capital programme is both affordable and prudent. The Council publishes its **Prudential Indicators**, over a 5 year period, within its capital programme and the Council then reports its position against the prudential indicators at the end of each financial year.

In order to ensure that the borrowing required to finance the capital programme is affordable, the Council:

- estimates the ratio of its financing costs to its net revenue stream

In order to ensure that the Council's capital programme is prudent, the Council:

- publishes a capital programme which includes estimates of its underlying need to borrow as measured by its capital financing requirement
- is required to approve an **Authorised Limit** for external debt and an **Operational Boundary** when it approves its capital programme.

The **Authorised Limit** for external debt, as set by the City Council, is the maximum amount of debt which the authority may legally have outstanding at any time. The authorised limit includes headroom to enable the Council to undertake borrowing to take advantage of unexpected movements in interest rates and to accommodate any short-term debt or unusual cash movements that could arise during the year

Whilst the **Authorised Limit** cannot be breached, the **Operational Boundary** is based on the probable external debt during the course of the year. It is not a limit, but acts as a warning mechanism to prevent the authorised limit (above) being breached.

1.4 Sensitivity Analysis

The Council's gross debt at 31 March 2018 was as follows:

	£m	£m
Fixed Rate Borrowing	479	
Finance Leases	1	
Private Finance Initiative (PFI) Schemes	68	
Sub Total - Fixed Rate Debt		548
Lenders Option Borrowers Option (LOBO) Loan	11	
Retail Price Index (RPI) linked loan	71	
Sub Total - Variable Rate Debt		82
Total Gross Borrowing		**630**

87% of the Council's borrowing has a fixed interest rate, but the Council does have two variable rate loans:

- The lender of the LOBO loan has an option to increase the interest rate every two years. The lenders next option is on 19 March 2019. If the lender does increase the interest rate the Council then has the option to repay the loan.
- The Council has £71m outstanding on a loan which links the instalments payable by the Council to the RPI. The Council has leased the Isle of Wight Ferry Terminal in White Heart Road to Wightlink on an RPI linked rent that mirrors the instalments payable on this loan mitigating the consequences of increases in RPI.

1.5 Minimum Revenue Provision (MRP) for Debt Repayment

Early in 2018 the Government issued revised statutory guidance on MRP requiring the repayment of all General Fund prudential borrowing to be provided for within 50 years. The following MRP policies (applied to calculating the MRP) are set out in the table below and are fully compliant with this policy. It is recommended the City Council approves the Annual Minimum Revenue Provision (MRP) for Debt Repayment Policies set out in the table below **(Recommendation 3.2(a))**.

Borrowing	MRP Methodology
General Fund Borrowing:	
Supported borrowing other than finance leases and service concessions including private finance initiative schemes #	50 year annuity
Finance leases and service concessions including private finance initiative schemes *	MRP equals the principal repayments made to lessors and PFI operators
Prudential borrowing excluding borrowing to fund long term debtors (including finance leases), investment properties and equity shares purchased in pursuit of policy objectives	Annuity over life of asset
Prudential borrowing to fund long term debtors	The repayments of principal are set aside to repay the borrowing that financed the original advance
Prudential borrowing to fund finance leases	The principal element of the rent receivable be set aside to repay the borrowing that financed these assets
Prudential borrowing to fund investment properties (under 50 years)	The repayment of unsupported borrowing will be provided for by setting aside the capital receipt when the property is disposed of unless the carrying (market) value of the property falls below the amount of unsupported borrowing. If this happens MRP will be made for the shortfall over the residual life of the property
Prudential borrowing to fund investment properties (over 50 years)	If holding period is over 50 years, the MRP will be on an annuity basis over the remaining period
Prudential borrowing to fund equity shares purchased in pursuit of policy objectives	25 year annuity
Housing Revenue Account (HRA)	No MRP debt will be provided in 2019 / 20. From 2020/21 it will be provided again for the HRA Self Financing Payment in equal instalments over 30 years. MRP is not provided for other HRA debt.

 # The Council applied the last of its supported borrowing 2011/12

** If transactions that take the legal form of finance leases but in substance amount to borrowing, the MRP policy relating to self - financed borrowing will be adopted. An example of when this could happen would be when the Council grants a head lease to an institution in return for an upfront premium and leases the asset back from the same institution in return for a rent.*

The Council revised its MRP policy in 2016/17. As a consequence, it highlighted that the previous methods used in the past have resulted in substantial over provisions of MRP from 2008/09 to 2015/16. The Director of Finance and Information Technology (Section 151 Officer) will release the over provision of MRP back into General Fund balances over a prudent period by reducing the MRP in future years under delegated authority. It is not considered prudent to release the over provision of MRP back into the General Fund balances in a single year.

1.6 Risk Appetite for Borrowing

It is often possible to borrow money short term at lower rates than it is possible to borrow long term. This often leaves the Council with two choices:

- Borrowing at either short term or variable interest rates. This would often enable the Council to borrow relatively cheaply, but the Council would need to accept that its borrowing costs may be volatile, as it exposes the Council to the benefits and dis-benefits of interest rate movements that can give rise to budget variances. This is a major risk when interest rates are expected to increase.
- Borrowing long term at fixed rates. This provides stable and predictable revenue costs of borrowing. Fixed interest rates avoid the risk of budget variances caused by interest rate movements but prevent the council from benefiting from falling interest rates on its borrowing. There is a risk that the Council could become locked into relatively high rates of interest if interest rates fall.

Due to the fact that debt servicing represents a significant proportion (13%) of the Council's net revenue budget, the Council attaches a high priority to a stable and predictable revenue cost of borrowing in the long term.

The Council's objective in relation to debt is as follows:

- To borrow as cheaply as possible for the long-term at a fixed rate

This means that the Council is not totally risk averse, and the Council may borrow either short term or at variable rates if there is a reasonable likelihood that long-term interest rates will fall or remain stable.

Treasury management staff will act flexibly to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

1.7 Timing of Borrowing

When the Council has surplus cash, this can be used to fund capital expenditure financed by borrowing in the short to medium term. This will result in a reduction in interest earned through the investment of surplus cash, but this can be more cost effective than borrowing the required funds straight away, as investment income earned is often less than the interest payable on borrowing. However, at a point in the future there will no longer be surplus cash and borrowing will need to be undertaken. In deciding when to borrow externally, forecast changes to interest rates will be taken into account.

A forecast of how the Council's surplus cash is anticipated to reduce over the next 20 years, is shown in Graph 1 below.

1.8 Net Loans Requirement

The net loans requirement is the Council's **underlying need to borrow** less its surplus cash. This would give a neutral Treasury Management position.

The Council's surplus cash is presented on the Council's balance sheet at 31 March 2018 as follows:

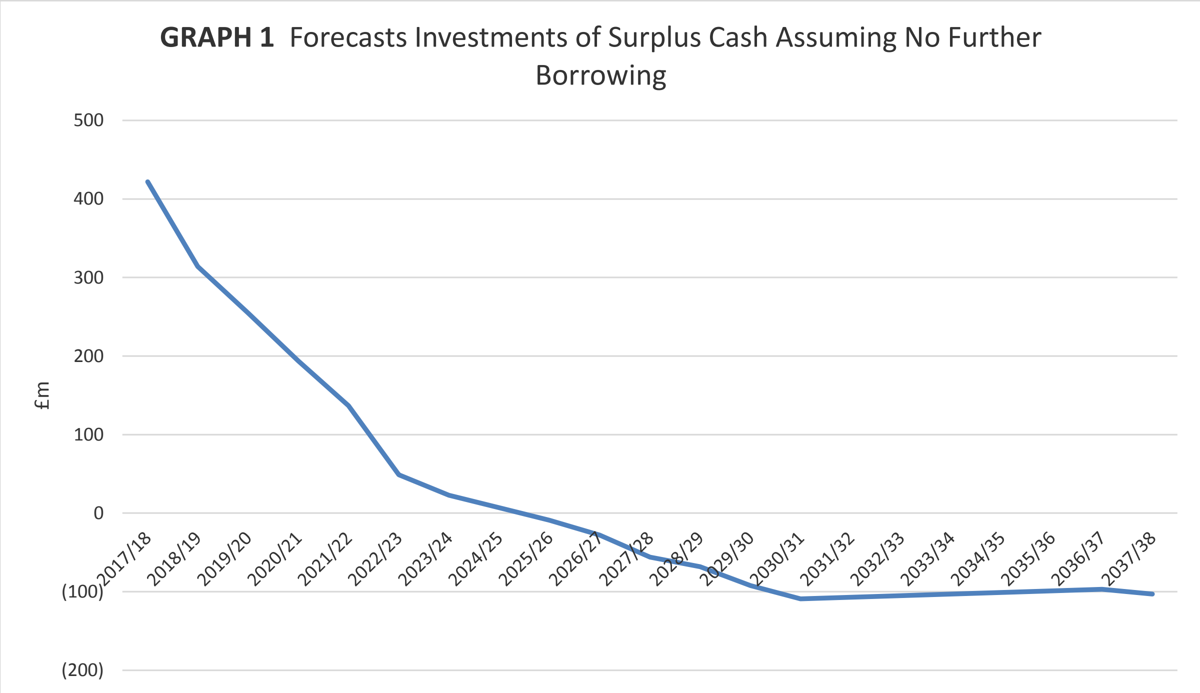
	£m
General Reserves (unallocated funds belonging to the General Fund and the Housing Revenue Account (HRA)	50
Capital Grants	85
Capital Receipts	13
Earmarked Revenue Reserves	154
Over Borrowing	55
Excess of Creditors over Debtors	21
MRP	44
Total	**422**

Most of the Council's cash flows are broadly stable with two notable exceptions.

To take advantage of exceptionally low interest rates, the Council has borrowed early to finance its future approved capital expenditure within the capital programme. Some of these borrowings have not yet been used to finance capital expenditure, already approved within the capital programme and the Council is therefore currently "over" borrowed. The Council is forecast to become under borrowed by 31 March 2019 and the amount of under borrowing is forecast to increase in future years. The rate of increase in the Council's under borrowing in future years will be dependent on the amount of borrowing required to finance the capital programme.

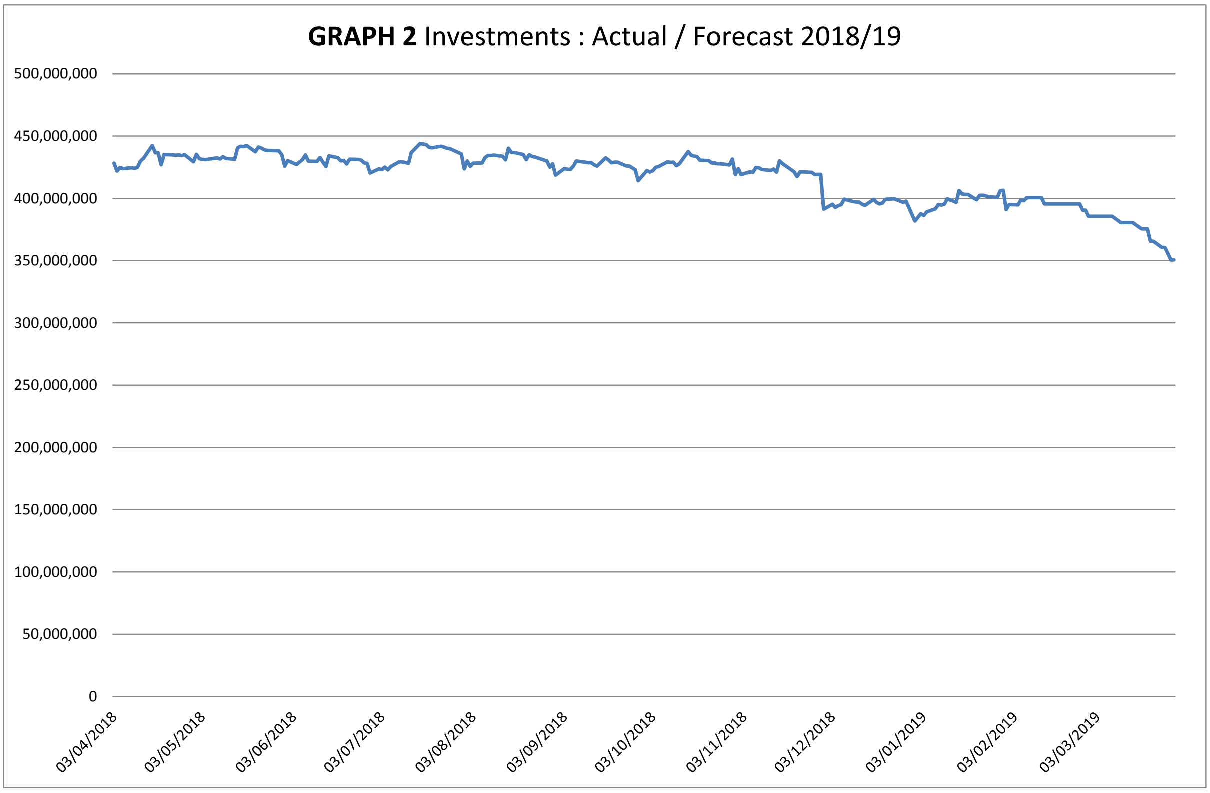
During the summer of 2018, an exercise was undertaken to identify the potential capital requirements over the next 10 years. This identified that there is likely to be a substantial borrowing requirement in future years.

Graph 1 below shows the Council's forecast investments of surplus cash assuming no further borrowing to fund the capital programme.



1.9 Core Cash

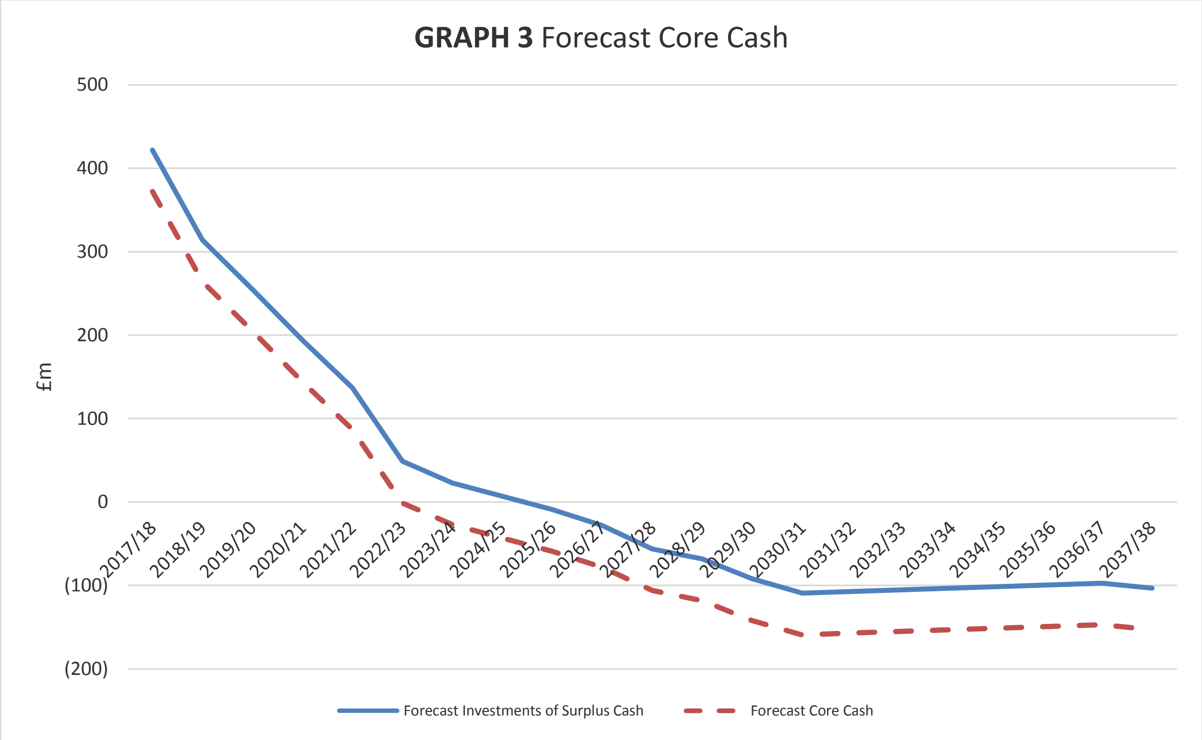
It can be seen from the graph 2 below that there have been significant variations in the amounts of cash invested, generally with a reduction in investments of cash towards the end of the financial year. In order to ensure that there is sufficient cash to fund variations in income and expenditure through the year it is necessary to hold a liquidity allowance. As the available cash balance falls over the medium term - as per Graph 1, maintaining the Council's liquidity level is critical. Graph 2 shows that the Council's liquidity levels should be set between £0m and £75m and so a minimum liquidity level of £50m is recommended.



Although there is volatility in the Council's investments of surplus cash, as shown in graph 2, much of the surplus cash will remain into the medium term, and this is known as **core cash**.

Only the **core cash** can be used to fund capital expenditure financed by borrowing in the medium term or placed in medium to long term investments. This is shown in graph 3 below.

The upper line in graph 3 below is the forecast reduction in **surplus cash** assuming no further borrowing as shown in Graph 1. The lower line is the forecast core cash, and is the amount of surplus cash expected to be available that could be used either to fund capital expenditure financed from borrowing or to invest using treasury management powers in the medium term. The difference between the 2 lines is the fluctuation in liquidity shown in graph 2 above.



If the Council uses its surplus cash to meet the cost of its capital programme, the Council will have an underlying need to borrow to replace that cash in the future. This is known as the **Capital Financing Requirement (CFR)**. The CFR increases when capital expenditure is financed by borrowing and reduces when funds are set aside to repay debt (known as MRP).

1.10 Capital Financing Requirement (CFR)

As at 31 March 2018, the Council's CFR was £575m.

The Council has 4 categories of borrowing:

- lenders
- leases
- private finance initiative (PFI) schemes
- debt administered by Hampshire County Council (HCC) following the transfer of functions to the City Council.

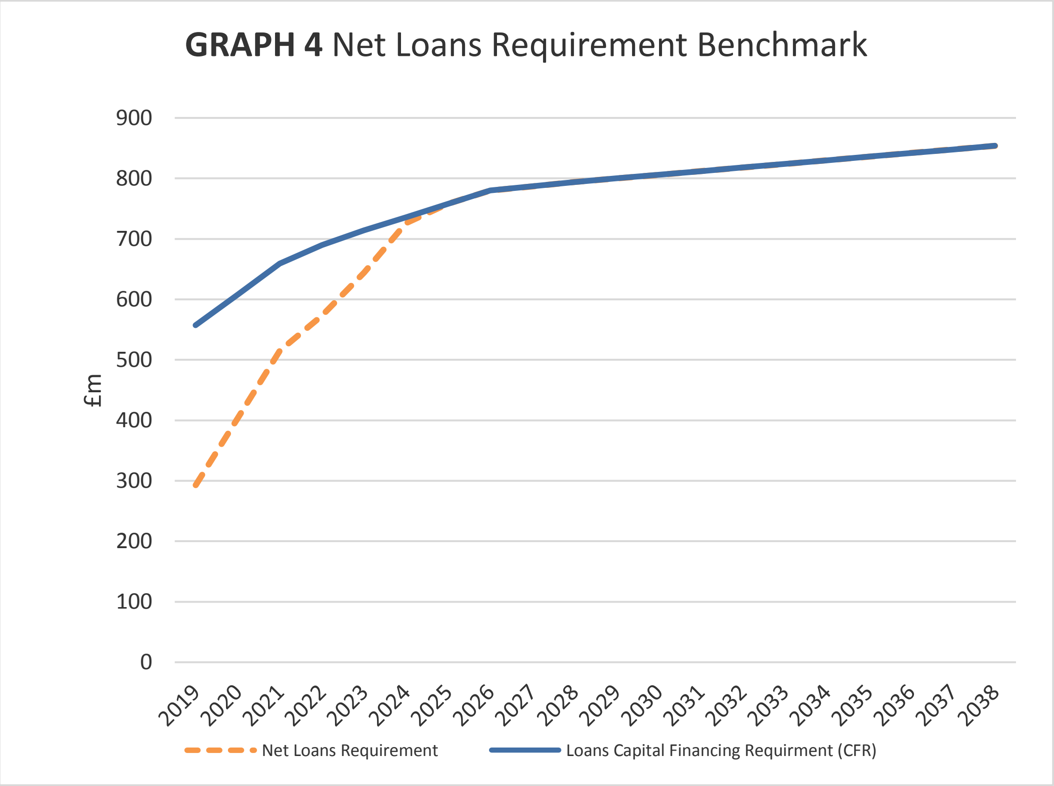
At 31 March 2018, £82m of the Council's current borrowings had been undertaken by third parties indirectly through finance leases, private finance initiative (PFI) schemes and debt administered by HCC following the transfer of functions to the City Council.

In order to measure the Council's CFR for Treasury Management decisions, it is necessary to deduct the £82m of borrowing that was undertaken by third parties on the Council's behalf. This is known as the **Loans CFR**. The Council's **Loans CFR** at 31 March 2018 was £493m.

1.11 Net Loans Requirement to fund the Capital Programme, (excludes PFI schemes and leases)

The Council's net loans requirement is effectively its underlying need to borrow as measured by its loans CFR less its forecast core cash. This is shown in the graph 4 below.

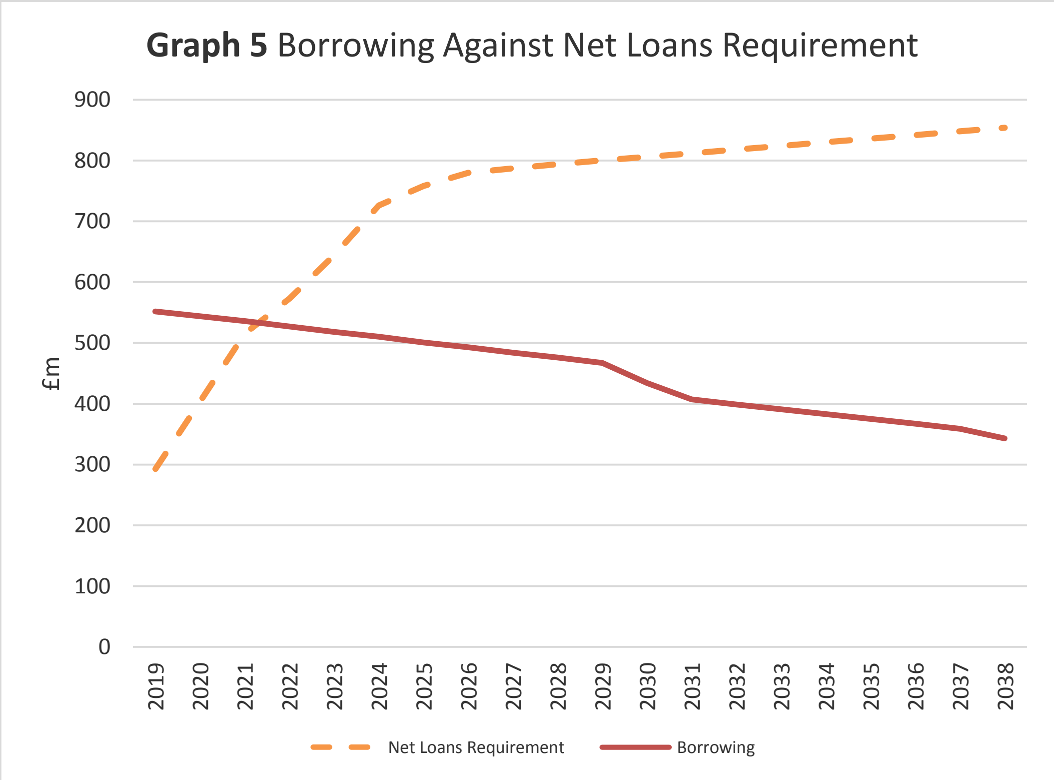
The 2 lines merge together on Graph 4 as core cash is spent. At this point the net loans requirement becomes the CFR.



The gap between the CFR and the net loans requirement is the Council's forecast core cash which could be used to finance capital expenditure that would otherwise have been financed from external borrowing (in the short to medium term). This is often referred to as **internal borrowing** as the Council would effectively be borrowing cash from its own reserves until the Council's cash flow position required it to borrow externally.

The Council will use the net loans requirement in graph 4 as a neutral position to measure against its actual borrowing. This does not mean that the Council's actual borrowing will be the same as the benchmark. The Council needs to be monitoring the economic cycle 5-6 years in advance / over the medium term - as decisions regarding the optimum time to borrow will also be informed by economic circumstances. There might be sound treasury management reasons to borrow more than the neutral position such as securing low interest rates or reasons to borrow less than the neutral position such as an expectation that interest rates will fall in the future.

It can be seen in the graph 5 below that the Council's existing borrowing exceeds its net loans requirement in 2018/19. If the Council does not undertake further external borrowing, actual borrowing will fall below the net loans requirement benchmark in 2021/22.



The Government's statutory guidance requires a minimum revenue provision (MRP) to be charged to the General Fund revenue account for internal borrowing as well as external borrowing.

1.12 Investment of Surplus Cash

All council cash investments have been in accordance with the council's Treasury Management Policy, approved by Full Council in March 2018.

The Council is forecast to have a significant amount of core surplus cash after internal borrowing has been taken into account until 2021/22. The Council expects to be able to invest some of its cash long term (in excess of 365 days). The Council expects to make a 1.70% return on these investments in 2019/20. This is forecast to increase in future years with expected movements in interest rates. The income from long term investments of cash will contribute 2.4% of the funding for the estimated net cost of the Council's General Fund (GF) services in 2019/20. It is recommended that the Council limits the amount of net services expenditure that it funds from long term investment income to 3.6%**.** The contribution that long term investments make to funding the Council's GF services is forecast to reduce to nil in 2023/24 as the Council's cash balances reduce.

1.13 Risk Appetite Statement for Investing Surplus Cash

The Council's objectives in relation to investment can accordingly be stated as follows:

*Sums are invested with a diversified range of counter parties using the maximum range of financial instruments (*footnote) consistent with a low risk of the capital sum being diminished through movements in market prices.*

* Financial instruments include term deposits, certificates of deposits, corporate bonds, money market funds, structured notes

This means that the Council is not totally risk averse. Treasury management staff have the capability to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

In particular when investing surplus cash, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities, but may invest in other bodies including unrated building societies, **Registered Social Landlords (RSLs)**, universities and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos. The duration of such investments will be limited so that they do not have to be sold (although they may be) prior to maturity thus avoiding the risk of the capital sum being diminished through movements in prices.

The Council will invest its surplus cash to provide sufficient liquidity to meet its cash flow needs, but is mindful that the value of its investments will fall in real terms unless investment returns are at least equal to inflation. In order to earn investment returns in excess of inflation on as much of its surplus cash as possible, the Council will invest as much as it can in longer term higher yielding investments whilst maintaining sufficient liquidity to meet its cash flow needs.

The Council may invest in lower risk structured investment products that follow the developed equity markets where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long term investments.

The Council may invest in externally managed pooled investment vehicles such as corporate bond funds, equity funds, property funds and multi asset funds, if the Council has cash for a term that is sufficient to cover cyclical movements in prices. The Government has made regulations that will prevent fluctuations on the capital value of these funds from impacting on the General Fund prior to disposal for at least 5 years. Fluctuations in the capital value of these funds will impact on the General Fund in 5 years' time unless the regulations are extended.

1.14 Due Diligence

The Council initially identifies suitable investments using credit ratings from Fitch, Moody's, and Standard and Poor. Where possible, credit ratings are compared to insurance premiums against a counter party defaulting. Insurance premiums against a counter party defaulting can be compared to a widely used index of the market (ITRAAX). If the market has concerns about a borrower, it should be reflected in a higher insurance premium. Although credit ratings are supported by an in depth analysis of the borrower, insurance premiums provide a more up to date indicator of a borrower's credit worthiness. Prior to making investments, any news relating to the borrower is also taken into account.

Other sources of information that is relevant to particular sectors is also taken into account either as a substitute for credit ratings and insurance premiums in sectors where these are not available or to supplement credit ratings and insurance premiums. Examples of this are the viability ratings assigned to larger registered social landlords (RSLs) by the Homes and Communities Agency (HCA), and data sets published by the Building Societies Association

For further detail on the Council's investment criteria, see the Treasury Management Policy.

2. Investment in Commercial Properties Acquired Through the Capital Programme

According to the CIPFA Treasury Management Code, commercial properties acquired through the capital programme are regarded as investments in addition to investments of surplus cash

2.1 Statutory Guidance

The Government issued revised statutory guidance on local government investments early in 2018 coming into effect from 1st April 2018. The guidance requires Councils not to borrow to acquire investment property portfolios outside their economic area in order to generate profits.

The Government's revised statutory guidance also requires local authorities to present a range of indicators to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. It is recommended that the indicators contained in Appendix D be approved. The Government's statutory guidance requires the Council to consider the long term sustainability risk implicit in becoming too dependent on commercial income or in taking out too much debt relative to net service expenditure. In particular, the Government's statutory guidance requires the City Council to set limits that cannot be exceeded for gross debt compared to net service expenditure, and for commercial income as a percentage of net service expenditure. It is recommended that if these limits are exceeded, the Director of Finance and Information Technology (Section 151 Officer) bring a report to the Cabinet and City Council.

2.2 Activity in the Investment Property Market

Prior to this guidance coming into effect, as at 31 March 2018, the Council has spent £116.8m on acquiring commercial properties outside the Portsmouth economic area solely to generate income to support the services that the Council provides. The acquisition of these investment properties was financed from borrowing at an annual cost of £2.3m. These properties generate a gross income of £6.7m per annum before interest costs equivalent to 5% of the Council's net General Fund expenditure.

The Council's capital programme provided for £182.9m for the acquisition of commercial properties.

a. £128.0m of this budget was spent by 31st March 2018
    I. £11.2m on Portsmouth Retail Park and
    II. £116.8m outside the Portsmouth economic area, leaving
b. £54.9m to be spent in 2018/19 and subsequent years.

In 2016/17, the Council borrowed to take advantage of available cheap borrowing with a view to acquiring a £182.9m commercial property portfolio. Having regard to the guidance, the Council has taken a risk based proportionate decision to continue with its proposals for commercial property investment (but only up to the borrowing limit approved prior to the introduction of the guidance - see below) where those investments meet very specific criteria. The key reasons for continuing to pursue such a strategy are:

- The Council had previously approved and borrowed funds for its existing properties and to enable further acquisitions of investment properties to create a £183m portfolio.

- Its acquisitions to date were predicated on a whole portfolio amounting to £183m. Should the Council cease its investment plans, the Council would be left with an investment portfolio that was not appropriately balanced in terms of the value of the assets held (ie. too large in relation to the size of the overall portfolio) and not adequately risk diversified across geography or economic sector
- The approved strategy included strict criteria to be used when deciding the property to acquire and included the following:
  - To provide long term rental returns and growth
  - To acquire the best property for the sector in an ideal location with long term income from high quality tenants
  - All investments must initially provide income equal to or above the Council's required rate of return
  - Prioritising properties that yield optimal rental growth and stable income
  - Protect capital invested in acquired properties
- The commercial property investment portfolio is an integral part of the overall medium term financial strategy to deliver £7.5m of savings over the next 3 years, without the investment income further service reductions will be necessary
- The Council does not intend to increase the size of its commercial property investment portfolio beyond £183m
- An earmarked reserve exists to guard against any reduction in the fair value of property assets
- The Council maintains general reserves at levels that have been based on all known and expected financial risks and their likelihood of occurrence

All such acquisitions require a business case and full financial appraisal. All previous acquisitions were approved by the Director of Property and the Section 151 Officer in consultation with the Leader of the City Council and the Cabinet Member for PRED.

A detailed business case and financial appraisal including building surveys, environmental surveys and a formal independent Red Book valuation are conducted prior to purchase. In addition, properties are independently revalued on an annual basis.

The Commercial Property Portfolio is managed by an in house fund manager and his team, all of whom are qualified members of the Royal Institute of Chartered Surveyors.

An annual report on the Property Investment Fund is prepared for the Cabinet and City Council by the Assistant Director for Property and Investment. This report covers the composition of the fund, rental income, acquisitions, current strategy, and capital growth.

2.3 Investment Indicators

<u>Gross General Fund (GF) Debt to GF Net Service Expenditure</u>

The Councils GF borrowing is forecast to be 2.6 times its GF net service expenditure in 2019/20. It is recommended that GF borrowing be limited to 3.2 times GF net service expenditure in 2019/20. This will allow further borrowing to be undertaken if it is financially advantageous.

<u>Income from Investment Properties to General Fund (GF) Net Service Expenditure</u>

The Council will depend on Income from investment properties to fund 5.5% of its estimated GF net service expenditure in 2019/20. In order to ensure that the Council does not become over dependent on income from investment properties it is recommended that no more than 5.9% of GF net service expenditure will be funded from income from investment properties.

Interest Cover

The Council's investment property portfolio has been financed from borrowing. There is therefore a risk that income from investment properties may be insufficient to pay the interest incurred on the associated debt. However, the net income from the investment property portfolio exceeds the cost of the associated interest 2.8 times. The interest cover is greater than this in other years. Interest cover dips in 2019/20 due to costs associated with refurbishing one of the properties.

Loan to Value Ratio

The Council's investment property portfolio has only recently been acquired, but the market value of the properties is thought to be just sufficient to repay the borrowing that financed their acquisition.

Forecast Income Returns

The investment property portfolio is expected to make a net return of 3.3% against the value of the properties in 2019/20. There is a dip in the net income from the investment property portfolio in 2019/20 due to one of the properties being refurbished.

Gross and Net Income from Investment Properties

The investment property portfolio is expected to generate a retained income of £5.7m in 2019/20. There is a dip in the retained income from the investment property portfolio in 2019/20 due to one of the properties being refurbished.

External Operating Costs

External operating costs are higher in 2019/20 due to costs being incurred to refurbish one of the properties.

3. Skills and Knowledge

The issues covered by this report are in their nature complex so all the Council's senior finance staff are chartered accountants. Where the Council does not have the necessary in-house skills and services, it employs Link Asset Services to provide interest rate and economic forecasts, and counter party information.

The Finance Manager (Technical and Financial Planning) who manages the treasury function also holds the Association of Corporate Treasurers Certificate in Treasury Management. The Finance Manager (Technical & Financial Planning) is assisted by the Treasury Manager who is a qualified Chartered Certified Accountant and also holds the Association of Corporate Treasurers Certificate in Treasury Management.

At 31 March 2018 £36,910,000 of the Council's investments of surplus cash were being managed externally consisting of £29,060.000 invested in instant access money market funds and £7,850,000 invested in corporate bonds that were being externally managed.

The City Council is also a member of Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Network which provides training events throughout the year. Some training is also provided by Link Asset Services. Additional training for investment staff is provided as required.

Councillors are offered training by an external consultant to provide them with an over view of treasury management after the local government elections.

4. Treasury Management Reporting

Treasury management has been defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as "the management of an organisations borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". Put simply, the Council's approach to cash flow includes:

- borrowing when the Council requires more cash
- Investing when the Council has surplus cash

In addition to the Capital strategy, the Council also has a Treasury Management strategy. The Treasury Management Strategy contains:

- the Treasury Management Indicators that set the boundaries within which treasury management activities will be undertaken and
- an Annual Investment Strategy that specifies how surplus cash will be invested

To demonstrate good governance, all treasury management reports are taken to the Governance and Audit and Standards Committee and all Treasury management reports requiring policy decisions are taken to the Cabinet and the City Council.

Report	Reporting of Compliance & Performance in Previous Period	Policy Changes	Audience
Treasury Management Policy		Yes	G&A&S Committee Cabinet City Council
Treasury Management Quarter 1 Monitoring	Yes		G&A&S Committee
Treasury Management Mid-Year Review	Yes	Yes	G&A&S Committee Cabinet City Council
Treasury Management Quarter 3 Monitoring	Yes		G&A&S Committee
Treasury Management Outturn	Yes		G&A&S Committee

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INVESTMENT INDICATORS

Gross General Fund (GF) Debt to GF Net Service Expenditure						
This provides an indication of the Council's financial strength and its ability to repay its debts. Statutory government guidance						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Forecast	266%	258%	248%	236%	228%	219%
Recommended Limit	319%	319%	317%	312%	299%	292%

Forecast Investment Income to General Fund Net Service Expenditure						
This provides an indication of how dependent the Council is on commercial income and other long term investments to fund its						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	5.5%	5.5%	5.8%	5.7%	5.5%	5.4%
Long Term Treasury Management Investments	1.8%	2.4%	1.8%	1.5%	0.5%	0.0%
Overall Investment Income	**7.3%**	**7.9%**	**7.6%**	**7.2%**	**6.0%**	**5.4%**

Limit on Investment Income to General Fund Net Service Expenditure						
Statutory government guidance requires a limit to be placed on the Council's dependence on commercial income and other long						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	6.0%	5.9%	6.4%	6.2%	6.0%	5.9%
Long Term Treasury Management Investments	2.6%	3.6%	2.7%	2.2%	0.8%	0.0%
Overall Investment Income	**8.6%**	**9.5%**	**9.1%**	**8.4%**	**6.8%**	**5.9%**

Interest Cover						
This provides a measure of the risk that net income from investment properties will be insufficient to pay the interest on the debt						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	285%	279%	299%	298%	301%	300%

Loan to Value Ratio						
This indicator shows whether the market value of the investment properties is likely to be sufficient to repay the debt that financed						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	1.0	1.0	1.0	1.0	1.0	1.0

Forecast Income Returns						
This is a measure of the achievement of the portfolio of properties.						
	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	3.97%	3.32%	3.70%	3.67%	3.72%	3.72%
Long Term Treasury Management Investments	1.32%	1.70%	1.70%	2.18%	2.13%	1.65%

Gross and Net Income from Investment Properties						
This indicator shows how much of the gross income is being retained by the Council.						
	2018/19 Estimate £'000s	**2019/20 Estimate £'000s**	**2020/21 Estimate £'000s**	**2021/22 Estimate £'000s**	**2022/23 Estimate £'000s**	**2023/24 Estimate £'000s**
Gross Income	9,151,854	9,151,854	9,576,854	9,576,854	9,576,854	9,576,854
Net Income	5,887,976	5,708,976	6,346,976	6,303,976	6,392,976	6,382,976

External Operating Costs						
This indicator shows the trend in operating costs over time, as the portfolio expands.						
	2018/19 Estimate £'000s	**2019/20 Estimate £'000s**	**2020/21 Estimate £'000s**	**2021/22 Estimate £'000s**	**2022/23 Estimate £'000s**	**2023/24 Estimate £'000s**
Investment Properties	80,000	259,000	46,000	89,000	-	10,000

Term/Abbreviation	Definition/Description
Annuity Method	A fixed sum of money paid each year
Asset	An item of value to the City Council, in monetary terms, from which economic benefits are expected to flow. Current assets are expected to be consumed within the current financial year, for example cash or stock, whereas non-current assets provide a benefit to the City Council for longer than the current financial year, for example a building.
Asset Strategy	The long-term strategy for moving towards the optimal asset portfolio, which includes strategies for: purchasing and constructing new assets / investing in and replacing existing assets / transferring assets to other organisations / disposing of assets that are surplus to requirements
Auditors	External auditors; EY (formerly known as Ernst & Young). Main contacts are: David White and Jack Dunkley. For contact details please ask TFP.
Authorised Limit	
Balance Sheet	Summary of the value of financial assets, liabilities and reserves held by the City Council, as at a single point in time (in our case 31st March).
Borrowing in Advance of Need	Borrowing in excess of the underlying need to borrow
Capital	Term used in relation to assets held for the long term (greater than 1 year).
Capital Aspirations	Potential capital schemes that have yet to be included in the Capital Programme and have resources earmarked to them
Capital Expenditure	Expenditure used for capital purposes. Includes the acquisition, construction, replacement or enhancement of for example; land, buildings, plant & machinery, and vehicles.
Capital Financing	Funds used to pay for capital expenditure. Includes; borrowing, direct revenue financing, capital receipts, capital grants, and reserves.
Capital Financing Requirement (CFR)	A measure of the Council's underlying need to borrow.
Capital Grants	A sum of money given by a government to an organisation to either acquire or enhance assets. Some of which are ring-fenced for particular activities or are dependent on meeting certain conditions
Capital Receipts	A non-recurring incoming cash flow originating from one of the following: the disposal of a fixed asset; cash from the sale of shares in a business, or cash from the issuance of a debt instrument
Capital Programme	A set of capital projects that an organisation plans to undertaken within a specified timescale, typically 3 to 5 years
Capital Strategy	The Capital Strategy is a high level plan that sets out the Council's approach to capital expenditure over the short, medium to long term.
CIES	Comprehensive Income & Expenditure Statement - This is the revenue account for the City Council which shows the accounting cost in the year of providing services along with how this is financed. Equivalent to a profit & loss account in the private sector.
CIPFA	The Chartered Institute of Public Finance and Accountancy - is the leading accountancy body for the public services providing education and training in accountancy and financial management
Code	The Code of Practice on Local Authority Accounting in the UK. This has been prepared based on International Financial Reporting Standards, International Public Sector Accounting Standards and UK Accounting Standards, adapted for use in local government. Under the Local Government Act 2003 the Code constitutes proper accounting practice which we are required to follow.
Commercial Properties	Properties from which businesses are conducted. The Council may acquire these properties as investments to generate income.
Core Cash	The minimum amount of cash that the Council expects to have in the medium term after allowing for daily fluctuations in cash balances due to the timing of receipts and payments.
Corporate Asset Management Plan	identifies current and future needs and priorities of services and seeks

	to provide a series of actions to ensure the Council has the right assets, in the right condition and in the right location
Cost of Carry	
Corporate Asset Management Plan	Seeks to align the asset portfolio with the needs of the council. The assets required to deliver the Council's objectives should be expressed in a medium /long term plan
Creditors	Amounts owed by the City Council to other bodies for goods and services received in the current financial year but which were not paid in the current financial year.
Debtors	Amounts owed to the City Council from other bodies for goods and services provided in the current financial year but which were not paid for in the current financial year.
Earmarked Revenue Reserves	Set aside for a certain stated purpose
External Operating Costs	The cost of services acquired externally to operate the investment property portfolio.
Financial Year	1st April to the 31st March
Financial Appraisal	Assess the viability of capital expenditure based on the direct effects of the Council's cash flow.
FY Report	Financial Year Report - previously run to provide net requirement portfolio and SERCOP entries.
General Reserves	General reserves can be applied to fund either revenue or capital expenditure and are held for two main purposes. Firstly, they act as a general contingency against unanticipated expenditure and the potential to fall into deficit. Secondly, as a means of "smoothing out" any shortfalls between the overall amounts of funding that the City Council receives against the costs of delivering stable service levels.
Governance and Audit and Standards Committee	Council committee to oversee, maintain and strengthen high standards of conduct in public office
GL	General Ledger - module of the EBS Oracle system for recording accounting entries relating to the City Council's assets, liabilities, reserves, revenue and expenses.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standard - Accounting standards prepared by the International Accounting Standards Board which apply to the City Council, albeit via the Code.
Income Generation Strategy	The Income Generation Strategy is designed to both increase income to the Council as well as increase funding from Council Tax, Business Rates and Government Grants.
Interest Cover	The number of times net income from the investment property portfolio exceeds the interest payable on the borrowing used to acquire those properties.
Invest to Save	Investing money in the early years of a scheme to save money in future years
Internal Borrowing	Using the Council's cash backed reserves, such as general balances and earmarked reserves, to finance capital expenditure in the short to medium term; effectively borrowing from those reserves until externally borrowing is undertaken to finance that capital expenditure
Loan to Value Ratio	The number of times the market value of an investment property exceeds the outstanding loan debt that financed the acquisition of the property
Long term borrowing	Borrowing for a term in excess of a year
Liquidity	Funds available to meet the Council's commitments
Liquidity Allowance	An allowance to provide for fluctuations in the Council's cash balances caused by the timing of receipts and payments. A liquidity allowance is deducted from the Council's cash balances to derive the Council's core cash that can be used to either fund capital expenditure in the short term to medium term or to invest in the medium term.

Loans Capital Financing Requirement (CFR)	The Council's underlying need to borrow as measured by its CFR excluding debt financed through finance leases and private finance initiative (PFI) schemes, and debt administered by Hampshire County Council following the transfer of services under local government reorganisation. The loans CFR is thus the underlying need to borrow that the Council must finance itself by undertaking long term borrowing, either now or at some time in the future.
Materiality	Accounting concept relating to the threshold after which financial information becomes relevant to decision making needs of users, such that the omission or misstatement of the information could influence users' decisions.
Medium Term Strategy (MTS)	Sets out the revenue spending plans that deliver the longer term vision and shorter term priorities of the Council
Mid Term Report	Treasury Management report containing core quarterly information and policy changes shared with Cabinet & Council
Minimum Revenue Provision (MRP)	Cash set aside for the repayment of long term debt
Net Loans Requirement	The net loans requirement is the Council's underlying need to borrow as measured by its loans capital financing requirement (CFR) less its core cash.
Neutral Treasury Management	This is measured by the net loans requirement and is a target amount of external borrowing prior to taking account of other factors such as interest rate expectations.
Operational Boundary	The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit, but acts as a warning mechanism to prevent the authorised limit (above) being breached.
Options Appraisal	Reviews options and analysis of their relative costs and benefits. It should help develop a value for money solution that meets the objectives of the projects.
Out Term Report	Year End Treasury Management report containing core quarterly and capital financing information, shared with Cabinet & Council
Over Borrowing	When the Council has borrowed in advance of incurring capital expenditure to be financed by borrowing
Payable	IFRS term for creditor.
Provision	Amounts potentially owing to a third party due to a known past event but where the existence of the obligation is dependent on the occurrence of uncertain future events and a reliable estimate can be made of the value of the potential obligation. Recognised in the balance sheet as a future liability.
Prudential Code	The Prudential Code for Capital Finance in Local Authorities. This is statutory guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) which governs borrowing by local authorities
Prudential Indicators	These are limits set by the Council which set the boundaries within which the Council will undertake its capital financing activities.
Public Works Loan Board (PWLB)	This is an executive agency of the Government that lends to local authorities at below market interest rates.
Quarterly Reporting	Treasury Management report containing core quarterly information shared with Governance & Audit
Receipts in Advance	Amounts from customers that have been received in advance of the financial year to which the amount relates to. Recognised in the balance sheet as a future liability.
Receivable	IFRS term for debtor.
Revenue	Income received in the course of normal City Council activities.
SERCOP	Service Reporting Code of Practice.
Surplus Cash	Cash that has been received but not yet spent.
Treasury Management Strategy	Sets out the boundaries within which the treasury management activities will operate. Treasury management is the management of the Council's cashflow and either borrowing when more cash is required or investing when the Council has surplus cash
TFP	Technical & Financial Planning.
Under Borrowing	When the Council has borrowed less than its underlying need to borrow as measured by its capital financing requirement CFR. When the Council does

	this, it is financing capital expenditure in the short to medium term from its cash backed balances. This is known as internal borrowing.
Underlying need to borrow	The Council's underlying need to borrow is its capital expenditure that has not been charged to revenue balances, or provided for by applying capital grants and contributions or capital receipts. As such the Council's underlying need to borrow increases when capital expenditure is financed by borrowing and decreases when cash or capital receipts are set aside to repay debt. The Council's underlying need to borrow is measured by its capital financing requirement (CFR)
WGA	Whole of Government Accounts - A single set of accounts consolidating the financial activities of the UK public sector (approximately 3800 organisations).

Title of meeting:	Governance and Audit and Standards Committee Cabinet City Council
Date of meeting:	8 March 2019 (Governance and Audit and Standards Committee) 12 March 2019 (Cabinet) 19 March 2019 (City Council)
Subject:	Treasury Management Policy 2019/20
Report by:	Chris Ward, Director of Finance and Information Technology (Section 151 Officer)
Wards affected:	All
Key decision:	Yes
Full Council decision:	Yes

1. Executive Summary of the Treasury Management Policy Statement

Treasury Management Policy

The attached Treasury Management Policy sets out the Council's policies on borrowing and investing surplus cash for 2019/20.

The Treasury Management Policy for 2019/20 differs from previous years in order to reflect revised Government guidance on investments and the revised Prudential Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The revised Prudential Code requires the City Council to approve a Capital Strategy providing an overview of the Council's plans for capital expenditure, its borrowing and its investments. Some aspects of the Council's financial management that were previously approved as part of the Treasury Management Policy, including risk appetite and minimum revenue provision (MRP) for debt repayments, will now be considered by the Cabinet and City Council as part of the Capital Strategy.

The Treasury Management Policy also sets a number of treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in Appendix D.

Annual Investment Strategy

The Treasury Management Policy includes the strategy for the investment of surplus cash, known as the Annual Investment Strategy, which establishes the types of investment, investment counter parties and investment durations that the Council will operate within.

Banks and building societies currently meeting the Council's credit criteria are listed in Appendix F. There are too many corporate bond, registered social landlords (RSLs) and universities to include in the appendix.

2. Purpose of report

The purpose of this report is to obtain the Council's approval of the updated Treasury Management Policy Statement (attached) which includes the Annual Investment Strategy.

3. Recommendations

3.1a that the treasury management indicators contained in Appendix D be approved;

3.1b that the attached Treasury Management Policy Statement including the Treasury Management Strategy, and Annual Investment Strategy for 2019/20 be approved;

3.1c that the following changes compared to the previous Annual Investment Strategy be noted:

(i) That a new category of non-specified investments be added to permit investment in pooled investment vehicles including equity funds, property funds, supply chain finance funds and multi asset funds with a limit of £50m per fund

(ii) That the maximum limit of an investment in a subsidiary company be increased from £20m to £30m

3.1d the Director of Finance and Information Technology (Section 151 Officer) and officers nominated by him have delegated authority to (paragraph 3.2 of Treasury Management Policy Statement):

(i) invest surplus funds in accordance with the approved Annual Investment Strategy;

(ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £737m approved by the City Council on 12 February 2019;

(iii) reschedule debt in order to even the maturity profile or to achieve revenue savings;

(iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.

3.1e that the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 17.1 of Treasury Management Policy Statement)

4. Background

The Council's treasury management operations cover the following:

- Cash flow forecasting (both daily balances and longer term forecasting)
- Investing surplus funds in approved investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)
- Interest rate exposure management
- Hedging foreign exchange rate risks

The key risks associated with the Council's treasury management operations are:

- Credit risk - ie. that the Council is not repaid, with due interest in full, on the day repayment is due

- Liquidity risk - ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted
- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.
- Inflation risk, ie. the chance that cash flows from an investment won't be worth as much in future because of changes in purchasing power due to inflation.
- Maturity (or refinancing risk) - this relates to the Council's borrowing or capital financing activities, and is the risk that the Council is unable to repay or replace its maturing funding arrangements on appropriate terms
- Procedures (or systems) risk - ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error or corruption

The total borrowings of the Council at 1 April 2019 are estimated to be £619m. The Council's investments at 1 April 2019 are estimated to be £326m. The cost of the Council's borrowings and the income derived from the Council's investments are included within the Council's treasury management budget of £24.8m per annum. The Council's treasury management activities account for a significant proportion of the Council's overall budget. As a consequence the Council's Treasury Management Policy aims to manage risk while optimising costs and returns. The Council will monitor and measure its treasury management position against the indicators contained in the Treasury Management Policy.

The City Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice. The Code of Practice requires the City Council to approve a Treasury Management Strategy before the start of the financial year.

In addition the Government has issued statutory guidance that requires the Council to approve an Annual Investment Strategy before the start of the financial year.

The Treasury Management Strategy, and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

5. Reasons for recommendations

The recommendations within the attached Treasury Management Policy Statement reflect the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice and have regard to statutory guidance issued by the Government. These are designed to:

- Enable the Council to borrow funds as part of managing its cash flow or to fund capital expenditure in a way that minimises risk and costs
- Provide for the repayment of borrowing
- Ensure that the Council's investments are secure
- Ensure that the Council maintains sufficient liquidity
- Maximise the yield on investments in a way that is commensurate with maintaining the security and liquidity of the investment portfolio

The Treasury Management Policy also sets a number of treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in Appendix D **(Recommendation 3.1a)**.

Recommendation 3.1(b) seeks the Council's approval to adopt the Treasury Management Policy Statement for 2019/20.

Recommendation 3.1(c)(i) seeks to allow a new category of non-specified investments to encompass pooled investment vehicles including equity funds, property funds, supply chain finance funds and multi asset funds. The Council is likely to have substantial cash balances in the medium term and these investment vehicles have the potential to generate returns in excess of inflation, and thus maintain the value of the principal invested in real terms. These investment vehicles often have entry and exit fees and are subject to cyclical changes in capital value. Therefore these investment vehicles are only suitable for cash which will be held at least into the medium term.

Recommendation 3.1(c)(ii) seeks to increase the maximum sum that can be invested in a subsidiary company from £20m to £30m to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.

Recommendation 3.1(d) seeks delegated authority for the Director of Finance and Information Technology (Section 151 Officer) and officers nominated by him to execute the Council's Treasury Management Policy.

Recommendation 3.1(e) seeks the Councils approval for the proposed actions to report any variances from the Treasury Management Policy.

6. Equality impact assessment (EIA)

The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

7. Legal Implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance and Information Technology (Section 151 Officer)'s comments

All financial considerations are contained within the body of the report and the attached appendices

……………………………………………
Signed by Director of Finance and Information Technology (Section 151 Officer)

Appendix: Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy 2019/20

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document		**Location**
1	Information pertaining to the Treasury Management Strategy	Financial Services

TREASURY MANAGEMENT POLICY STATEMENT INCLUDING:

- **TREASURY MANAGEMENT STRATEGY**
- **ANNUAL INVESTMENT STRATEGY 2019/20**

Portsmouth City Council
Director of Finance and Information Technology (Section 151 Officer)

TREASURY MANAGEMENT POLICY STATEMENT 2018/19

1 BACKGROUND

1.1 This Council defines its Treasury Management activities as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

1.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

1.4 The City Council's treasury management activities are governed by various codes of practice and guidance that the Council must have regard to under the Local Government Act 2003. The main codes and guidance that the Council must have regard to are:

- Treasury Management in the Public Services Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA) which sets out the key principles and practices to be followed.

- The Prudential Code for Capital Finance in Local Authorities published by CIPFA which governs borrowing by local authorities.

- The Guidance on Local Government Investments published by the Ministry of Housing Communities and Local Government which governs local authorities investment activities and stipulates that investment priorities should be security (protecting the capital sum from loss) and liquidity (keeping money readily available for expenditure when needed), rather than yield.

2 REPORTING ARRANGEMENTS

2.1 General Background

The Council has a duty to prepare 3 interrelated but distinct strategies as follows:

- Capital Strategy - covering future capital expenditure, and its implications for borrowing, providing for the repayment of debt and investing
- Treasury Management Strategy - covering how borrowing and investments are to be organised and setting boundaries within which these activities will be undertaken
- Annual Investment Strategy - covering the types of cash investments that the Council may enter into including limits on activity

This Treasury Management Policy deals with the Treasury Management Strategy and the Annual Investment Strategy. The Capital Strategy will be reported separately.

2.2 Capital Strategy

The Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report providing a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, and an overview of how the associated risk is managed

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (minimum revenue provision (MRP) policy for debt repayment);
- The risks associated with each activity (see Appendix A)

If any non-treasury investment sustains a loss in a financial year , the strategy and revenue implications will be reported through the same procedure as the capital strategy.

2.2 Treasury Management Strategy

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

a. **Treasury management policy statement** (this report) - The first, and most important report is forward looking and covers:

- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the current position, amending prudential indicators and policies as necessary.

c. **An annual treasury management outturn report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit and Standards Committee. The Governance and Audit and Standards Committee also receives quarterly treasury management monitoring reports.

3 CAPITAL EXPENDITURE, BORROWING LIMITS AND THE PRUDENTIAL CODE

3.1 Capital Expenditure

The capital programme approved by the City Council on 12th February 2019 can be summarised in table A as follows:

Table A	**2017/18 Actual** £m	**2018/19 Revised Estimate** £m	**2019/20 Estimate** £m	**2020/21 Estimate** £m	**2021/22 Estimate** £m	**2022/23 Estimate** £m	**2023/24 Estimate** £m
Investment Properties	13	32	23	-	-	-	-
Other Non - Housing Revenue Account (HRA)	71	100	169	123	29	23	18
Sub - Total	**84**	**132**	**192**	**123**	**29**	**23**	**18**
Housing Revenue Account (HRA)	38	35	33	33	28	30	32
Total	**122**	**167**	**225**	**156**	**57**	**53**	**50**
Element financed from borrowing	**53**	**66**	**53**	**28**	**9**	**2**	**-**

Capital expenditure on commercial activities / non-financial investments including investment properties is entirely financed from borrowing.

3.2 Borrowing Limits

The Prudential Code requires the City Council to approve an authorised limit and an operational boundary for external debt together with other prudential indicators designed to ensure that the capital investment plans are affordable, prudent and sustainable. These were approved by the City Council on 12th February 2019.

i) Authorised Limit

The authorised limit for external debt is the maximum amount of debt which the authority may legally have outstanding at any time. The Authorised Limit includes headroom to enable the Council to take advantage of unexpected movements in interest rates and to accommodate any short-term debt or unusual cash movements that could arise during the year

	£m
Borrowing	675
Other Long Term Credit Liabilities	62
	737

ii) Operational Boundary

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit, but acts as a warning mechanism to prevent the authorised limit (above) being breached.

	£m
Borrowing	645
Other Long Term Credit Liabilities	62
	707

3.3 Ratio of Financing Costs to Net Revenue Stream

Financing costs are largely fixed. Therefore the higher the ratio of financing costs to net revenue stream, the less flexibility there is to amend the Council's overall budgets.

Table B	**2017/18 Actual**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Non - Housing Revenue Account (HRA)	12.4%	10.9%	12.3%	14.1%	15.1%	14.7%	13.4%
Housing Revenue Account (HRA)	7.2%	7.2%	7.6%	7.5%	7.3%	7.0%	6.7%

The ratio of financing costs to net revenue stream for non-Housing Revenue Account (HRA) activity includes Investment Properties that have the following ratios representing the proportion of income from the investment properties that is required to cover the associated debt financing costs.

Table C	**2017/18 Actual**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Investment Properties	34.1%	34.8%	34.8%	33.2%	33.2%	33.2%	33.2%

3.4 The Council's Underlying Borrowing Need (Capital Financing Requirement)

The capital financing requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £68m of such schemes within the CFR.

Table D	**2017/18** £m	**2018/19** £m	**2019/20** £m	**2020/21** £m	**2021/22** £m	**2022/23** £m	**2023/24** £m
Commercial activities / non-financial investments including investment properties	117	149	172	172	172	172	172
Non - Housing Revenue Account (HRA)	291	314	333	352	356	353	350
Sub - Total	**408**	**463**	**505**	**524**	**528**	**525**	**522**
Housing Revenue Account (HRA)	167	174	180	183	180	177	174
Total Capital Financing Requirement (CFR)	**575**	**637**	**685**	**707**	**708**	**702**	**696**
Movement	**48**	**62**	**48**	**22**	**1**	**(6)**	**(6)**

The movement in the CFR is analysed in the table below.

Table E	**2017/18** £m	**2018/19** £m	**2019/20** £m	**2020/21** £m	**2021/22** £m	**2022/23** £m	**2023/24** £m
Capital expenditure financed by borrowing from table above	53	66	53	28	9	2	-
Less Minimum revenue provision (MRP)	(5)	(4)	(5)	(6)	(8)	(8)	(6)
Movement in CFR	**48**	**62**	**48**	**22**	**1**	**(6)**	**(6)**

3.5 Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term, debt will only be for a capital purpose, CIPFA's Prudential Code which the City Council is legally obliged to have regard to requires the City Council to ensure that debt does not, except in the short term, exceed the total of capital financing requirement (CFR). The CFR measures the Council's underlying need to borrow. If in any year there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for the comparison with gross external debt. The Council's forecast gross debt is shown in the table below.

Table F	**2018/19** £m	**2019/20** £m	**2020/21** £m	**2021/22** £m	**2022/23** £m	**2023/24** £m
Borrowing	553	544	536	528	520	512
Finance leases	1	1	1	1	1	1
Service Concessions (including Private Finance Initiative schemes)	65	62	56	50	45	42
Total Gross debt	**619**	**607**	**593**	**579**	**566**	**555**
Capital Financing Requirement (CFR):						
Opening CFR in 2018/19	575					
Change in CFR in 2018/19	62					
Closing CFR in 2018/19	637					
Cumulative increase in CFR in future years		48	70	71	71	71
Closing CFR	**637**	**685**	**707**	**708**	**708**	**708**
Borrowing Under / (Over) the CFR	**18**	**78**	**114**	**129**	**142**	**153**

The Council's gross debt exceeded its estimated CFR, ie. it was over borrowed, in 2017/18 by £55m. This is primarily due taking advantage of low interest rates in 2016/17 and also to less commercial property being acquired in 2016/17 than had been anticipated. It is planned to finance £66m of capital expenditure from borrowing in 2018/19 including the purchase of £32m of commercial property. This should leave the Council under borrowed by £18m at the end of 2018/19.

4 TREASURY MANAGEMENT POLICY STATEMENT

4.1 The prime objective of the Treasury Management function is the effective management and control of risk associated with the activities described in paragraph 1.1. The key risks associated with the Council's treasury management operations are:

- Credit risk – ie. that the local authority is not repaid, with due interest in full, on the day repayment is due.

- Liquidity risk – ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs.

- Interest rate risk – ie. that the authority fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the authority has budgeted.

- Inflation risk, ie. the chance that cash flows from an investment won't be worth as much in future because of changes in purchasing power due to inflation.

- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

- Maturity (or refinancing risk) – This relates to the authority’s borrowing or capital financing activities, and is the risk that the authority is unable to repay or replace its maturing funding arrangements on appropriate terms.

- Procedures (or systems) risk – ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error or corruption.

4.2 It is recommended that the Director of Finance and Information Technology (Section 151 Officer) and officers nominated by him have delegated authority to (**recommendation 3.1c)**:

(i) invest surplus funds in accordance with the approved Annual Investment Strategy;

(ii) borrow to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt of £737m approved by the City Council on 12 February 2019;

(iii) Release the over provision of MRP back into General Fund balances over a prudent period by reducing the MRP in future years;

(v) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.

5 TREASURY MANAGEMENT STRATEGY FOR 2019/20

5.1 <u>Objectives</u>

The budget for net interest and debt repayment costs for 2019/20 is £24.8m. The Treasury Management policy will therefore form a cornerstone of the Medium Term Resource Strategy.

Risk appetite statements are contained in the Capital Strategy. Lending and Borrowing will be undertaken in line with these risk appetite statements which are reproduced in Appendix A.

Specific objectives to be achieved in 2019/20 are:

(a) Borrowing

- To minimise the revenue costs of debt
- To manage the City Council's debt maturity profile to ensure that no single financial year exposes the authority to a substantial borrowing requirement when interest rates may be relatively high
- To match the City Council's debt maturity profile to the provision of funds to repay debt if this can be achieved without significant cost
- To effect funding in any one year at the cheapest long term cost commensurate with future risk
- To forecast future interest rates and borrow accordingly (i.e. short term and/or variable when rates are 'high', long term and fixed when rates are 'low').
- To monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movements
- To reschedule debt in order to take advantage of potential savings as interest rates change or to even the maturity profile.

(b) Lending

- To ensure the security of lending (the maximisation of returns remains a secondary consideration)
- To make returns in excess of inflation on the Council's long term core cash
- To maintain £10m in instant access accounts
- To make funds available to Council's subsidiaries
- To make funds available for the provision of housing in the greater Portsmouth area on a commercial basis
- To make funds available for the regeneration of Hampshire on a commercial basis
- To manage the Council's investment maturity profile to ensure that no single month exposes the authority to a substantial re-investment requirement when interest rates may be relatively low to the extent that this can be managed without compromising the security of lending.

5.2 Gross and Net Debt

5.2.1 The borrowing and investment projections for the Council are as follows:

Table G	**2017/18** £m	**2018/19** £m	**2019/20** £m	**2020/21** £m	**2021/22** £m	**2022/23** £m	**2023/24** £m
Gross Debt at 31 March*	561	553	544	536	528	520	512
Investments at 31 March	(419)	(326)	(255)	(194)	(137)	(49)	(23)
Estimated Net Debt	**142**	**227**	**289**	**342**	**391**	**471**	**489**

***** The gross debt shown above includes the following amounts relating to commercial activities / non-financial investments:

Table H	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
External debt for Investment Properties							
Gross Debt at 31 March	£117m	£149m	£172m	£172m	£172m	£172m	£172m
Percentage of total external debt	21%	27%	32%	32%	33%	33%	34%

5.2.2 The current high level of investments has arisen from the Council's earmarked reserves and borrowing in advance of need to take advantage of low borrowing rates thus securing cheap funding for the Council's capital programme. The current high level of investments does increase the Council’s exposure to credit risk, ie. the risk that an approved borrower defaults on the Council’s investment. In the interim period when investments are high in advance of capital expenditure being incurred, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. However the Council's treasury management investments are expected to decline in 2019/20 as funds are used to invest in commercial properties and other capital schemes.

5.3 Interest Rates

5.3.1 Interest Rate Forecasts

No treasury consultants are currently employed by the City Council to advise on the borrowing strategy. However, the City Council does employ Link Asset Services to provide an economic and interest rate forecasting service and maintains daily contact with the London Money Market.

Table I

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

2018 was a year which started with weak growth of only +0.1% in quarter 1. However, quarter 2 rebounded to +0.4% followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit issues are resolved.

The above forecasts are based on a major assumption that Parliament and the EU agree an orderly Brexit, either by 29 March or soon after. At their 7 February meeting, the Monetary Policy Committee (MPC) of the Bank of England repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the financial crash; indeed they have given a figure for this of around 2.5% in ten years' time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Federal Reserve has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, US 10 year bond yields have subsequently fallen back on fears that the Federal Reserve could be too aggressive in raising interest rates and was going to cause a recession. More recent comments by the Federal Reserve have indicated that the chances of more than one further increase after the December increase have considerably diminished and that there is some doubt around even one more increase. Equity prices have been very volatile on alternating good and bad news over this period.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore Public Works Loans Board (PWLB) rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Further background information and risks to the interest rate forecasts are contained in Appendix B.

5.3.2 Borrowing Rates

Borrowing interest rates have been volatile so far in 2018/19 and while they were on a rising trend during the first half of the year, they have fallen significantly since then.

There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.3.3 Borrowing Strategy

The Council has established a net borrowing requirement in its capital strategy. This is the Council's underlying need to borrow as measured by its Capital Financing Requirement (CFR) less its cash back reserves which could be used to internally fund capital expenditure financed from borrowing for a limited period. This is considered to represent a neutral treasury management position and is shown below.

Table J	**2018/19** £m	**2019/20** £m	**2020/21** £m	**2021/22** £m
Net Loans Requirement	293	403	515	573
Borrowing (excluding finance leases, PFI schemes & transferred debt)	552	544	536	527
Amount of Borrowing (Over) / Under Net Loans Requirement	(259)	(141)	(21)	46

The Council may undertake borrowing in 2019/20 in order to full fill its net loans requirement in future years, but borrowing is not expected to exceed the CFR. This is particularly likely if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks. Regard would also be given to the possibility that interest rates may not increase as forecast in the longer term.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

5.3.3 Investment Rates

Investment returns are likely to remain low during 2019/20 but are expected to be on a gently rising trend over the next few years.

5.4 Volatility of Budgets

The budget for interest payments and receipts is based on both the level of cash balances available and the interest rate forecasts contained in paragraph 4.3. Any deviation of interest rates from these forecasts will give rise to budget variances.

The Council is exposed to interest rate fluctuations through the need to invest up to £147m of surplus cash in the short term.

The Council currently has substantial sums of cash invested in the short term, and if interest rates fall below the budget forecast, investment income will be less than that budgeted. For example, if short-term interest rates fall to 0.5% below the budget forecast, the income from the Council's investments will be £0.7m below budget in 2019/20. Conversely, if short-term interest rates rise to 0.5% above the budget forecast, income from the Council's investments will exceed the budget by £0.7m in 2019/20.

5.5 Limits on total principal sums invested for periods longer than 365 days

Under the Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. investments exceeding 365 days that have maturities beyond year end.

Investing long term at fixed rates provides certainty of income and reduces the risk of interest rates falling. At the current time, investing long term allows higher yields to be obtained, although it would be prudent to maintain opportunities to invest when interest rates are higher. There are regular fluctuations in the Council's cash balances which can amount to £75m. In addition cash balances are expected to be at their lowest at the end of the financial year as tax receipts are lower in March. On this basis the following limits will be placed on total principal sums invested for periods longer than 365 days:

31/3/2019 = £264m
31/3/2020 = £205m
31/3/2021 = £144m
31/3/2022 = £117m

5.6 Limits for the maturity structure of borrowing

The Government has issued guidance on making provision for the repayment of General Fund debt which the Council is legally obliged to have regard to. The City Council is required to begin to make provision for the repayment of debt in advance of most of the Council's debt falling due for repayment. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in the table below. This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see paragraph 3.1). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders (see paragraph 4.11).

CIPFA's Treasury Management in the Public Services Code of Practice which the City Council is legally obliged to have regard to requires local authorities to set upper and lower limits for the maturity structure of their borrowing.

It is recommended that the upper limit should be set high enough to allow for debt to be rescheduled into earlier years and for any new borrowing to mature over a shorter period than that taken out in the past. The high upper limit for debt maturing in over 40 years' time reflects existing borrowing as the upper limit cannot be set lower than the existing maturity profile.

It is recommended that the lower limit be set at 0%.

85% of the Council's borrowing is fixed rate with the remaining 15% borrowed at variable rates. In order to ensure a reasonably even maturity profile (paragraph 4.1(a)), it is recommended that the council will set upper and lower limits for the maturity structure of its borrowings as follows.

Amount of fixed rate borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate.

Table K	**Weighted Average Interest Rate**	**Loan Debt Maturity 31 March 2019**	**Underlying Loans Minimum Revenue Provision (MRP)**	**% By Which Loan Debt Maturity is Over / (Under) Loans MRP**	**Lower limit**	**Upper limit**
Under 12 months	3.24%	1%	1%	0%	0%	10%
12 months and within 24 months	3.24%	1%	2%	(1%)	0%	10%
24 months and within 5 years	3.24%	4%	8%	(4%)	0%	10%
5 years and within 10 years	3.22%	7%	13%	(6%)	0%	20%
10 years and within 20 years	3.25%	24%	27%	(3%)	0%	30%
20 years and within 30 years	3.75%	7%	27%	(20%)	0%	30%
30 years and within 40 years	4.48%	31%	22%	9%	0%	40%
40 years and within 50 years	3.32%	25%	0%	25%	0%	40%

Amount of variable rate borrowing maturing in each period as a percentage of total projected borrowing that is variable rate.

Table L	**Weighted Average Interest Rate**	**Loan Debt Maturity 31 March 2019**	**Underlying Loans Minimum Revenue Provision (MRP)**	**% By Which Loan Debt Maturity is Over / (Under) Loans MRP**	**Lower limit**	**Upper limit**
Under 12 months	1.05%	2%	1%	1%	0%	10%
12 months and within 24 months	1.05%	2%	2%	0%	0%	10%
24 months and within 5 years	1.05%	6%	8%	(2%)	0%	10%
5 years and within 10 years	1.05%	10%	13%	(3%)	0%	20%
10 years and within 20 years	1.05%	22%	27%	(5%)	0%	30%
20 years and within 30 years	1.05%	23%	27%	(4%)	0%	30%
30 years and within 40 years	1.05%	21%	22%	(1%)	0%	30%
40 years and within 50 years	4.65%	14%	0%	14%	0%	30%

The current maturity pattern contained in Appendix C is well within these limits.

5.7 Debt Rescheduling

5.7.1 Most of the City Council's long term external debt has been borrowed at fixed interest rates ranging from 1.97% to 5.01%. 56% of the Council's fixed rate debt matures in over 30 years' time. Appendix C shows the long term loans maturity pattern. Therefore debt rescheduling could be beneficial in evening out the debt maturity profile.

5.7.2 In the event that it were decided to further reschedule debt, account will need to be taken of premium payments to the Public Works Loans Board (PWLB). These are payments to compensate the PWLB for any losses that they may incur.

5.7.3 The Housing Revenue Account (HRA) will be responsible for its proportion of the premium due for early redemption of debt, based on the percentage of debt attributable to the HRA at the start of the financial year. The premiums would be charged to the General Fund and the HRA. Regulations allow the City Council to spread the cost of the premiums over a number of years, during which the accounts would benefit from reduced external interest rates.

4.7.4 The Director of Finance and Information Technology (Section 151 Officer) will continue to monitor the Council's debt and will undertake further rescheduling if it would be beneficial.

5.8 Treasury Management Indicators

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice requires the Council to approve a number of treasury management indicators which set the limits within which the Council's treasury management activities will be undertaken. These are contained in the Treasury Management Strategy above and are summarised in Appendix D (**Recommendation 3.1a)**

6 APPROVED METHODS OF RAISING CAPITAL FINANCE

6.1 The following list specifies the various types of borrowing instruments which are available: -

	Variable	Fixed
PWLB	Y	Y
Market Long-term	Y	Y
Municipal Bonds Agency		Y
Market Temporary	Y	Y
Overdraft	Y	
Negotiable Bonds	Y	
Internal (capital receipts & revenue balances)	Y	Y
Commercial Paper	Y	Y
Medium Term Notes	Y	Y
Leasing	Y	Y
Bills & Local Bonds	Y	Y

6.2 The main methods of raising capital finance used by the City Council are discussed in greater detail within Section 6 of this policy. Other methods are not generally used because of the perceived risk or because administrative costs are high, such as in the case of Local Bonds.

6.3 Local authorities are not required to conform to the Money Laundering Regulations stipulated in the Financial Services Acts. However, these principles where practical will be applied when arranging future money market borrowing to ensure that funds are not obtained from potentially unscrupulous sources.

7 APPROVED SOURCES OF BORROWING

7.1 Further information on some of the main borrowing instruments used by the City Council is set out below: -

(a) Public Works Loans Board (PWLB)

The main source of longer term borrowing for the City Council for many years has been from the Government through the Public Works Loans Board. The PWLB offers fixed rate loans from 1 year to 50 years at varying rates with different methods of repayment.

Alternatively the PWLB offers variable rate loans for 1 to 10 years, where the interest rate varies at 1, 3 or 6 month intervals. These loans can be replaced by fixed rate loans before maturity at an opportune time to the authority.

(b) Money Market Loans – Long Term

Loans for 1 to 70 years are available through the London Money Market although, depending of the type of loan being arranged, the rates of interest offered may not match those available from the PWLB, especially for Equal Instalment of Principal loans (E.I.P. loans). Any loans to be taken are evaluated to ensure that the interest rate is the lowest the City Council could obtain.

Loans offered by the money market are often LOBO (Lenders Option, Borrowers Option) loans. This enables the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force. At the time when the interest rate becomes variable, the lender has the option to increase the rate charged every 6 months (or any other agreed review period). The borrower has the option to repay the loan with no penalties if the interest rate is increased on any of the review dates.

(c) Bonds

Bonds may be suitable for raising sums in excess of around £150m. The interest payable on bonds may be less than that charged by the PWLB, but considerable upfront fees would be incurred. To obtain the best interest rate, the Council would need to obtain a credit rating which would need to be maintained. This would incur a further upfront fee and an annual maintenance fee.

Because such a large amount needs to be borrowed to attract investors and also to reduce the upfront fees and negate the need for an individual credit rating a pooled issuance with other local authorities may be more viable.

(d) Municipal Bonds Agency (MBA)

A municipal bonds agency has been established by the Local Government Association (LGA) to enable local authorities to undertake long term borrowing at lower rates than those offered by the PWLB. The MBA is expected to issue its first bond and advance its first loans to local authorities. The MBA has yet to issue its first bond. Loans will be advanced on fixed dates determined by the municipal bonds agency. Loans will be repayable at maturity with the duration of the loan being fixed by the MBA.

(e) Money Market Loans – Temporary (Loans up to 365 days)

The use of temporary borrowing through the London Money Market forms an important part of the strategy. The authorised limit for external debt in 2019/20 of £737m set by the City Council on 12 February 2019 must not be exceeded. It is not anticipated that the City Council will need to use the temporary borrowing facility in 2018/19.

(f) Overdraft

An overdraft limit of £2m has been agreed with the Barclays Bank plc. Interest on the overdraft is charged at 1% above base rate. The City Council does not anticipate that short-term borrowing will generally be necessary during 2019/20 as it currently holds sufficient funds to enable the authority's cash flow to be managed without the need to borrow. However, the overdraft facility may be used when there are unforeseen payments and funds placed on temporary deposit cannot be called back in time.

(g) Internal Funds

Internal funds include all revenue reserves and other specific reserves maintained by the City Council, including the minimum revenue provision which is available to either repay debt or to be used instead of new borrowing. The cash held in respect of internal funds such as earmarked reserves can be borrowed in the short term to finance capital expenditure or the repayment of debt, thus delaying the need to borrow externally.

8. APPORTIONMENT OF BORROWING COSTS TO THE HOUSING REVENUE ACCOUNT (HRA)

8.1 The Council will continue to operate with a single loans pool and apportion costs according to locally established principles. The principles upon which the apportionment of borrowing costs should be based are as follows:

- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;
- The loans portfolio is managed in the best interests of the whole authority;
- The costs and benefits of over and under borrowing above or below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA.

9 ANNUAL INVESTMENT STRATEGY

9.1 The Government has also issued guidance on investments. The guidance requires the City Council to adopt an Annual Investment Strategy. This is contained within paragraphs 10 to 16 below. The requirements of the Ministry of Housing, Communities and Local Government are in addition to the requirements of the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice.

9.2 During the year the Council may be asked to approve a revised strategy if there are investment issues which the full Council might wish to have brought to their attention.

9.3 The guidance defines a prudent policy as having two objectives:

- achieving first of all security (protecting the capital sum from loss);
- liquidity (keeping the money readily available for expenditure when needed).

Only when proper levels of security and liquidity have been secured should yield be taken into account.

9.4 Investment activities will also take account of the risk appetite statement contained in the Capital Strategy approved by the Cabinet and City Council (reproduced in Appendix A).

9.5 Investment strategies usually rely on credit ratings and both the current and recommended Investment Strategies are based on credit ratings. Although the recommended Investment Strategy is based on credit ratings other sources of information will be taken into account prior to placing deposits such as information in the quality financial press and credit default swaps (CDS) prices.

9.6 CDS are a financial instrument for swapping the risk of debt default. The buyer of a credit default swap pays a premium for effectively insuring against a debt default. He receives a lump sum payment if the debt instrument is defaulted. The seller of a credit default swap receives monthly payments from the buyer. If the debt instrument defaults they have to pay an agreed amount to the buyer of the credit default swap.

9.7 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short and medium term interest rates (i.e. rates for investments up to 6 years). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. As a general rule:

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

9.8 The Council is forecast to have at least £87m of core surplus cash after internal borrowing has been taken into account until 2021/22. The Council must be mindful that some of this principal could be lost in real terms if investment returns do not exceed inflation. It is proposed that this cash be placed in long term investments that carry greater risk than the Council's shorter term investments.

9.9 The Council may invest these sums in:

- subsidiary companies;
- companies that support the local economy such as Hampshire Community Bnk;
- pooled investment vehicles such as corporate bond funds, equity funds, property funds, and multi asset funds

9.10 Some of these funds may be externally managed.

9.11 The Council may also invest in lower risk structured investment products that follow financial markets, such as equity markets, where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long term investments.

9.12 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting requires movements in the market value of pooled investments and some structured investment products to be charged to General Fund balances. The Government has made regulations to mitigate the effect of movements in the market value of pooled investments for at least five years, but there are no mitigating regulations for movements in the market value of structured products. This means that there will be less money to fund the Council's services in the event of the market value of some structured investments diminishing.

10. INVESTMENT CONSULTANTS

10.1 The City Council currently employs consultants to provide the following information:

- Interest rate forecasts
- Credit ratings
- CDS prices

11. SPECIFIED INVESTMENTS

11.1 The Government requires the Council to identify investments offering high security and high liquidity. These are the most secure investments and there is no overall limit on the amount that can be held. Specified investments will be made with the minimum of procedural formalities. They must be made in sterling and have a maximum duration of 365 days. Specified investments must not involve the acquisition of share capital in any corporate body.

11.2 Credit rating information is available to the financial market through three main credit rating bodies ie. Moody's, Fitch, and Standard and Poor. Short and long term credit ratings are provided by all three agencies. Long term credit ratings are explained in Appendix E.

11.3 The grades of short and long term credit rating are as follows with the best credit ratings at the top. The credit ratings that meet the City Council's investment criteria for specified investments are shaded.

Fitch		Moody's		Standard & Poor's	
Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
F1+	AAA	P-1	Aaa	A-1+	AAA
	AA+		Aa1		AA+
	AA		Aa2		AA
	AA-		Aa3		AA-
F1	A+		A1	A-1	A+
	A	P-2	A2		A
	A-		A3	A-2	A-
F2	BBB+	P-3	Baa1	A3	BBB+
	BBB		Baa2		BBB
F3	BBB-		Baa3		BBB-

11.4 It is recommended that specified investments should only be placed with institutions that have a long term credit rating of at least A- from at least two rating agencies except enhanced money market funds and registered social landlords for which a single credit rating will be required.

11.5 Industry practice is for enhanced money market funds to have a single credit rating, but such funds are well diversified. The Council will only invest in enhanced money market funds with a credit rating of at least AA-. These funds will be treated as category 6 (A+) (see paragraph 10.17) investments to reflect the increased risk of relying on a single credit rating (as opposed to category 4 if two ratings had been obtained).

11.6 Most registered social landlords (RSLs) are only rated by a single agency. However RSLs are regulated by the Homes and Communities Agency (HCA) which rates the financial viability of RSLs. Investments will only be placed with RSLs that have a financial viability rating of V1 from the HCA.

11.7 In addition to rating financial institutions the rating agencies also rate governments. These are known as sovereign credit ratings. The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process with the new regulatory environment attempting to break the link between sovereign support and domestic financial institutions. However sovereign credit ratings are also dependent on a government's ability to raise taxes and thus also give an indication of the state of a nation's general economy. Investments will only be placed with institutions based in either the United Kingdom or states with an AA credit rating.

11.8 When an institution or state has differing ratings from different agencies, the average rating will be used to assess its suitability. Those institutions that have not been rated by a particular agency will not be discarded because of the lack of ratings.

11.9 It is proposed that investments be allowed in government bodies, banks including supranational banks, building societies, money market funds, enhanced money market funds, RSLs, universities and corporate bonds that meet the Council's investment criteria.

11.10 Money market funds are well diversified funds that invest in high quality very short term instruments enabling investors to have instant access to their funds. These funds do have a low level of volatility in their net asset value which could theoretically result in a small loss of capital. Enhanced money market funds, also known as short dated investment funds, are also well diversified funds investing in high quality counter parties, but for longer periods, and require a few days' notice of withdrawals. Industry practice is for enhanced money market funds to have a single credit rating. Although there may be small variations in the net asset value, the Government has made regulations that prevent variations in the value of pooled funds, including money market funds, from being charged to revenue prior to such investments being disposed of.

11.11 Corporate bonds are tradable loan instruments issued by commercial companies. Credit ratings measure the risk of default, ie. the risk of not receiving principal and interest when it is due, across these institutions in a way that allows them to be compared. However, other measures of credit risk such as CDS prices are not available for all institutions including most building societies, RSLs, universities and commercial companies.

11.12 There are over 30 registered social landlords (RSLs) with a single or double A credit rating. RSLs often have a single credit rating from one agency, but are subject to Government regulation. The Homes and Communities Agency (HCA) assigns a viability rating to larger RSLs with in excess of 1,000 dwellings as follows:

V1 - the RSL meets the HCA's financial viability standard and has the capacity to mitigate its exposures effectively

V2 - the RSL meets the HCA's viability requirements but need to manage material financial exposures to support continued compliance

V3 - the RSL does not meet the HCA's viability requirements. There are issues of serious regulatory concern and in agreement with the HCA; the RSL is working to improve its position

V4 - the RSL does not meet the HCA's viability requirements. There are issues of serious regulatory concern and the RSL is subject to regulatory intervention or enforcement action

However an RSL's debts are not guaranteed by the Government.

11.13 Building societies also operate under a separate legal regime to banks, which limits the amount of lending not secured on residential property and limits the amount of wholesale funding. When a building society has got into financial difficulties in the past it has always been taken over by another building society without its creditors losing any of their money. For these reasons building societies are placed in a category one notch above other institutions with the same credit rating.

11.14 Lending to universities will be permitted**.** A number of universities have credit ratings and are as secure as a commercial company with a similar credit rating.

11.15 The Council's direct investments will be limited to senior debt. Subordinated corporate bonds are sometimes issued by financial institutions and commercial companies. Subordinated corporate bonds offer higher yields, but in the event of an institution defaulting, senior debtors are repaid before subordinated debtors. Because of this, subordinated bonds often have a lower credit rating than senior debt issued by the same institution.

11.16 There are structured investment products available that pay enhanced returns provided that neither of the specified stock market indices such as the FTSE 100 and Eurostoxx 50 decline by more than 50% over 6 years and repay the capital invested if the worst performing index does not fall by more than 60%. The Director of Finance and Information Technology (Section 151 Officer) may invest the Council's funds in structured investment products which follow the developed stock markets or other financial markets that do not fully protect the Council's capital invested. These products are effectively bank deposits where the return is determined by stock market performance. As such they are subject to credit risk if the issuer defaults. Variations in the market value of some structured investment produces will be credited or debited to General Fund balances under new accounting standards. The Government has not made regulations to prevent the General Fund balances being affected by variations in the market value of these investments.

11.17 The approved counter parties for specified investments are divided into eight categories as follows:

	Maximum Investment in a Single Organisation
Category 1 United Kingdom Government including the Debt Management Office Deposit Facility	Unlimited investments for up to 6 years
Category 2 Local authorities in England, Scotland and Wales	£30m for up to 6 years
Category 3 RSLs with a single long term credit rating of Aa-	£30m for up to 10 years
Category 4 Banks, corporate bonds and universities with a short term credit rating of F1+ and a long term rating of AA-. Building societies with a short term credit rating of F1 and a long term rating of A+. Aaa rated money market funds	£26m for up to 6 years
Category 5 RSLs with a single long term credit rating of A-	£20m for up 10 years
Category 6 Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A+. Building societies with a short term credit rating of F1 and a long term rating of A. Enhanced money market funds with a single AA credit rating	£20m for up to 6 years.
Category 7 Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A. Building societies with a short term credit rating of F1 and a long term rating of A-.	£15m for up to 6 years
Category 8 Banks, corporate bonds and universities with a short term credit rating of F1 and a long term rating of A-.	£10m for up to 6 years

11.18 A list of financial institutions currently meeting the Councils investment criteria is contained in Appendix F. There are too many RSLs, universities and companies issuing corporate bonds to include in the list.

11.19 Investing in counter parties that do not meet the Council's credit criteria if the investment is secured against assets that do meet the Council's investment criteria will increase the number of counter parties the Council can invest in and may increase investment returns. Although this will increase the risk of defaults, it should not increase the risk of investment losses provided that the contracts are properly drawn up and the assets offered as security pass to the Council.

11.20 Sometimes institutions issue covered bonds which are secured against assets held by that institution. These assets may be loans that the institution has made to local authorities or loans made to other financial institutions that have a higher credit rating. If the institution that issued the covered bond defaults the specified assets will pass the City Council. Investments will be permitted in covered bonds that are secured against local authority debt or covered bonds that have a credit rating that meets the Council's investment criteria even if the counter party itself does not meet the Council's credit criteria.

11.21 Repo / reverse repo is accepted as a form of collateralised lending and should be based on the GMRA 2000 (Global Master Repo Agreement). A repo is a form of secured borrowing where readily saleable collateral, normally gilts or treasury bills are placed with the lender. If the borrower fails to repay the loan the lender keeps the collateral that has been deposited. A reverse repo is the equivalent form of secured lending. Therefore whilst the borrower would have a repo, the Council would have a reverse repo. Should the counter party not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral is as follows:

- Index linked gilts
- Conventional gilts
- UK treasury bills

11.22 Credit ratings be reviewed weekly and that any institution whose lowest credit rating falls below the criteria for category 8 in paragraph 10.16 be removed from the list of specified investments.

11.23 Institutions that are placed on negative watch or negative outlook by the credit rating agencies will be reassigned to a lower category.

12. NON-SPECIFIED INVESTMENTS

12.1 The Government's Guidance requires that other less secure types of investment be identified and that a limit be set on the overall amount that may be held in such investments at any time in the year. Non-specified investments are investments that are not secure, ie. do not have an "A" credit rating or are not liquid, ie. have a maturity in excess of 365 days. Investments that are not denominated in sterling would also be non-specified investments due to exchange rate risks.

12.2 In order to reduce the risks associated with placing funds with a relatively small number of counter parties and to improve returns further investment categories have been established for non-specified investments that do not meet the criteria for specified investments.

Category 9 - £50m

Category 9 will consist of investments in pooled investment vehicles including equity funds, property funds, and multi asset funds.

These investment vehicles have the potential to generate returns in excess of inflation and thus maintain the value of the principal invested in real terms. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting requires movements in the market value of pooled investments to be charged to General Fund balances after a statutory transition period of 5 years.

Category 10 - £30m

Category 10 will consist of investments in subsidiary companies. In particular, funds could be invested to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.

Category 11 - £11m for 2 years
Short Term – F2 (or equivalent from Fitch, Moody's and Standard & Poor)
Long Term – BBB or better (or equivalent from Fitch, Moody's and Standard and Poor)

Category 11 will consist of rated building societies that meet these criteria.

Category 12 - £7m for 365 days

Short Term – F2 (or equivalent from Fitch, Moody's and Standard & Poor)
Long Term – BBB+ or better (or equivalent from Fitch, Moody's and Standard and Poor)

Investing up to 365 days in investments with a long term credit rating of BBB+ / Baa1 and a short term credit rating of at least F2 / P-3 / A3 would diversify the portfolio by enabling investments to be made in more commercial companies such as British Telecom. The risk of an investment defaulting is driven by the credit quality of the investment counter party and the duration of the investment, ie. the amount of time that credit quality can deteriorate over. An investment counter party rated BBB+ is more likely to default than an investment counter party rated A-. However an 18 month investment is more likely to default than a 12 month investment. Therefore a 12 month investment rated BBB+ can offer a lower probability of default than an 18 month investment rated A-. Therefore investing up to 365 days in investments rated BBB+ would diversify the portfolio by enabling investments to be made in more commercial companies without increasing the risk of default. Category 11 will consist of institutions that meet the above criteria.

Category 13 - £8m

Long Term – BBB or better (or equivalent from Fitch, Moody's and Standard and Poor)

Further diversification could be achieved by investment in a corporate bond fund. Investing in a corporate bond fund where the average credit rating of the underlying investments is BBB+. Such funds could include underlying investments with BBB- credit ratings although each investment would amount to no more than 4% of the fund. If one of the underlying investments did default the Council's holding in the fund could be worth less than what it paid into the fund, ie. the Council could make a loss. It is therefore recommended that total investments in such funds will be restricted to £8m.

Category 13 will consist of corporate bonds bought on the Council's behalf by professional fund managers who will target an average credit rating of at least BBB+ for the corporate bond fund. The average credit rating of the corporate bond fund may fall to BBB if there was a downgrade to a single issue or a broad downgrade. We would not want the fund manager to be a forced seller in this situation. If this situation arises a strategy will be agreed with the fund manager to return the average rating of the portfolio to BBB+.

Category 14 - £6m for 2 years

Many smaller building societies that have been more conservative in their lending approach do not have credit ratings. An analysis of building society accounts suggests that many of those without credit ratings are in a better financial position than some of the larger ones who do hold credit ratings.

Category 14 consists of the unrated building societies in the strongest financial position.

The limits on these building societies are less than £6m to take account of their small size in terms of assets.

Stronger Unrated Building Societies	
Building Society	**Limit**
Newcastle	£6.0m
Progressive	£6.0m
Leek United	£5.2m
Ipswich	£3.2m
Marsden	£2.4m
Melton Mowbray	£2.3m
Market Harborough	£2.1m
Scottish	£2.1m
Hanley Economic	£2.0m
Dudley	£2.0m
Tipton & Coseley	£1.8m

<u>Category 15 - £6m for 365 days</u>

Category 15 consists of the unrated building societies that are in a strong financial position.

The limits on some building societies are less than £6m to take account of their small size in terms of assets.

Unrated Building Societies in a Strong Financial Condition	
Building Society	**Limit**
Cumberland	£6.0m
The Family	£6.0m
Saffron*	£5.1m
Newbury	£5.0m
Furness	£4.5m
Hinkley & Rugby	£3.7m
Darlington #	£2.9m

* <u>Saffron Building Society</u>

In 2018/19 Saffron Building Society was placed in category 14 (formerly category 13) amongst the strongest unrated building societies.

The total assets of the Building Society have since fallen by £94m from £1,114m to £1,020m. This is a result of a decision by the Building Society to use some of its assets to upgrade its IT systems. The lending limits for unrated building societies are set at 0.5% of total assets. As a result of this the lending limit for the Building Society has been reduced by £0.5m from £5.6m to £5.1m. As a consequence of this the revised limit for Saffron Building Society has been exceeded by £0.5m. This situation will persist until 16 April 2019 when a £2.8m loan matures.

As the total assets of the Building Society have decreased, the percentage of total assets that are liquid has fallen by 6.97% from 22.40% to 15.43% which is inconsistent with a category 14 counter party considered suitable for investments of up to 2 years duration. Consequently the Building Society has been reassigned to category 14 which is only considered suitable for investments of up to 365 days. On 6 April 2018 the City Council invested £2.8m with the Building Society for 2 years.

<u>Darlington Building Society</u>

In 2018/19 Darlington Building Society was placed in category 14 (formerly category 13) amongst the strongest unrated building societies.

The liquid assets ratio of the Building Society has fallen by 4.65% from 20.77% to 16.12%. This is a result of a decision by the management of the Building Society to management down its liquidity in order to improve efficiency. As the minimum liquid asset ratio for category 14 has been set at 16.48% the Building Society has been downgraded to category 15. The effect of this is to reduce the maximum term for future investments from 2 years to 365 days. On 23 April 2018 the City Council invested £1.2m with the Building Society for 2 years.

<u>Monmouthshire Building Society</u>

In 2018/19 Monmouthshire met the criteria to be placed in category 14 (formerly category 13) and was eligible for the Council to invest in.

Building societies have reduced their dependence on wholesale funding overall. Monmouthshire Building Society has also reduced its dependence on wholesale funding, but by less than the average for building societies. As the Building Society is no longer in line with its peers, the Council will not place any further investments with this building society. The Council currently has £5.3m invested with the Building Society which matures on 12 April 2019.

Category 16 - £10m for up to 10 years

Purchasing bonds in Hampshire Community Bnk (HCB) would contribute to the regeneration of Hampshire and offer interest of up to 3.5%. Investing in HCB carries greater risk than the other approved investments contained in the Council's Annual Investment Strategy as HCB is a new entity that is in the process of developing its business, and currently has neither a banking license nor a credit rating. However HCB will be able to offer assets as security to cover a corporate bond. These assets would consist of good performing loans secured against tangible assets. The loan assets offered as security would pass to the Council in the event of HCB defaulting.

Category 15 will consist of bonds issued by Hampshire Community Bnk secured against good quality assets owned by the bank.

12.3 Money Lodged on Behalf of MMD (Shipping Services) Ltd

The Council's treasury management operation is exposed to the Council's subsidiary company MMD (Shipping Services) Ltd. The Council has £550,000 lodged with Lloyds Bank to guarantee MMD's banking limits.

12.4 Contracts Denominated in Foreign Currencies

The Council sometimes enters into contracts denominated in foreign currencies. Such contracts normally relate to civil engineering schemes at the port. It can be beneficial to buy Euros early to fund these projects and avoid the associated currency risk.

12.5 Limit on Non Specified Investments

Non-specified investments will in aggregate be limited to the following:

	£
Pooled investment funds	50m
Building societies with a BBB credit rating and unrated building societies	77m
Corporate bonds with a BBB+ credit rating	32m
Externally managed corporate bond funds with an average credit rating of BBB	8m
Investments in subsidiary companies including funds lodged to guarantee the banking limits of MMD (Shipping Services) Ltd.	30m
Long term investments	264m
Investments in foreign currencies to hedge against contracts priced or indexed against foreign currencies	4m
Hampshire Community Bnk bonds	10m
Total	**475m**

13. MAXIMUM LEVEL OF INVESTMENT IN INDIVIDUAL ORGANISATIONS

13.1 The Government's Guidance does not require a limit to be placed on the amount that can be placed in any one investment. However in order to minimise risk further, the total amount that can be directly invested with any organisation at any time will be limited as follows:

	Maximum Investment in Single Organisation
Category 1	Unlimited
Category 2	£30m for up to 6 years
Category 3	£30m for up to 10 years
Category 4	£26m for up to 6 years
Category 5	£20m for up to 10 years
Category 6	£20m for up to 6 years
Category 7	£15m for up to 6 years
Category 8	£10m for up to 6 years
Category 9	£50m with an indefinite duration (although these investments may be sold)
Category 10	£30m with an indefinite duration
Category 11	£10m for up to 2 years
Category 12	£7m for up to 365 days
Category 13	£8m with an indefinite duration (although these investments may be sold)
Category 14	£6m for up to 2 years
Category 15	£6m for up to 365 days
Category 16	£10m for 10 years

13.2 AA money market funds offer security and same day access. By aggregating investments they can also invest in financial institutions that may not be interested in the relatively small sums that the Council can invest. Although AA money market funds are well diversified in their investments, there is a risk that more than one fund could have investments with the same bank or that the Council may also have invested funds in the same bank as a money market fund. Therefore it is proposed that the Council should aim to have no more than £80m invested in money market funds.

13.3 Most building society lending is secured against residential properties. If property prices fall there may be inadequate security to support building societies lending giving rise to a systemic risk.

13.4 As RSL's offer one principal service and their assets principally consist of residential properties, excessive investments in RSLs would also expose the Council to a systemic risk.

13.5 Excessive investments in investment products tracking equity, property or other markets could also expose the Council to a systemic risk.

13.6 In order to minimise systemic credit risk in any sector the following limits will be applied:

Money market funds	£80m
Building societies	£155m
Registered Social Landlords	£80m
Investments tracking the equity, property or other markets	£70m

13.7 In order to minimise systemic credit risk in any region it is recommended that the following limits be applied to the geographic areas where investments can be made in foreign countries.

13.8 The following limits be applied:

Asia & Australia	£80m
Americas	£80m
Eurozone	£60m
Continental Europe outside the Eurozone	£60m

13.9 The limits above only apply to direct investments. The City Council's exposure to any institution, sector or region may exceed the limits stated above through indirect investments via money market funds. Money market funds employ specialist staff to assess counter party risks and all investments made by money market funds are short-term.

14. LIQUIDITY OF INVESTMENTS

14.1 The Council's cash flow forecast for the current year is updated daily. In addition, the Council maintains a long term cash flow forecast that extends to 2037/38. These forecast are used to determine the maximum period for which funds may be prudently committed, ie. the City Council's core cash. The City Council maintains at least £10m invested on an instant access basis to ensure that unforeseen cash flows can be financed.

15. INVESTMENT OF MONEY BORROWED IN ADVANCE OF NEED

15.1 Section 12 of the Local Government Act 2003 gives a local authority the power to invest for "any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs". While the speculative procedure of borrowing purely to invest at a profit is clearly unlawful, there is no legal obstacle to the temporary investment of funds borrowed for the purpose of funding capital expenditure incurred in the reasonably near future.

15.2 Borrowing in advance of need may enable the City Council to obtain cheaper loans than those available at the time when expenditure is incurred, although the consequent investment of funds borrowed in advance of need does expose the City Council to credit risk. The interest payable on funds borrowed in advance of need is likely to exceed the interest earned on the investment of those funds in the current economic climate. The Council may determine to borrow in advance of need in circumstances where it is reasonably expected that the total cost of borrowing over the whole life of the loan in present value terms is lower by borrowing in advance of need.

15.3 The Council's gross debt exceeded its CFR by £55m, ie. it was over borrowed, at 31 March 2018, but is expected to fall below its CFR by the end of 2018/19 leaving the Council under borrowed.

16. TRAINING OF INVESTMENT STAFF

16.1 The Finance Manager (Technical & Financial Planning) manages the treasury function and is a qualified Chartered Public Finance Accountant and holds the Association of Corporate Treasurers Certificate in Treasury Management. The Finance Manager (Technical & Financial Planning) is assisted by the Treasury Manager who is a qualified Chartered Certified Accountant and also holds the Association of Corporate Treasurers Certificate in Treasury Management. The City Council is also a member of CIPFA's Treasury Management Network which provides training events throughout the year. Additional training for investment staff is provided as required.

17. DELEGATED POWERS

17.1 Once the Treasury Policy has been approved, the Director of Finance and Information Technology (Section 151 Officer) has delegated powers under the constitution of the City Council, to make all executive decisions on borrowing, investments or financing.

It is recommended that Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (**recommendation 3.1(d)** of the Treasury Management Policy Report considered by the Cabinet on 12 March 2019 and the City Council on 19 March 2019).

18. TREASURY SYSTEMS AND DOCUMENTATION

18.1 Once the Policy Statement has been approved by the Council, the documentation of the Treasury Systems will be updated so that all employees involved in Treasury Management are clear on the procedures to be followed and the limits applied to their particular activities.

18.2 The Treasury Management Practices document covers the following topics: -

- risk management
- performance measurement
- decision making and analysis
- approved instruments, methods and techniques
- organisation, clarity and segregation of responsibilities, and dealing arrangements
- reporting requirements and management information arrangements
- budgeting, accounting and audit arrangements
- cash and cash flow management
- money laundering
- training and qualifications
- use of external service providers
- corporate governance

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APPENDIX A

RISK APPETITE STATEMENTS

The following risk appetite statements are contained in the Capital Strategy subject to approval by the Cabinet and the City Council.

Borrowing Risk Appetite

It is often possible to borrow money short term at lower rates than it is possible to borrow long term. This often leaves the Council with two choices:

- To borrow short term or at variable interest rates. This would often enable the Council to borrow relatively cheaply, but the Council would need to accept that its borrowing costs may be volatile, as it exposes the Council to the benefits and dis-benefits of interest rate movements that can give rise to budge variances. This is a major risk when interest rates are expected to increase.
- To borrow long term at fixed rates. This will provide stable and predictable revenue costs of borrowing, but may be dearer than short term or variable loans. Fixed interest rates avoid the risk of budget variances caused by interest rate movements but prevent the council from benefiting from falling interest rates on its borrowing or rising interest rates on its investments. There is a risk that the Council could become locked into relatively high rates of interest if interest rates fall.

The Council attaches a high priority to a stable and predictable revenue cost of borrowing in the long term. This reflects the fact that debt servicing represents a significant cost to the Council's net revenue budget.

It is the Council's objective in relation to debt to borrow as cheaply as possible for the long-term at a fixed rate

This means that the Council is not totally risk averse, and the Council may borrow either short term or at variable rates if interest rates are expected to fall. Treasury management staff have the capability and flexibility to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

Risk Appetite Statement for Investing Surplus Cash

Sums are invested with a diversified range of counter parties using the maximum range of instruments consistent with a low risk of the capital sum being diminished through movements in prices.

This means that the Council is not totally risk averse. Treasury management staff have the capability to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

In particular when investing surplus cash, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities, but may invest in other bodies including unrated building societies, RSLs, universities and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos. The duration of such investments will be limited so that they do not have to be sold (although they may be) prior to maturity thus avoiding the risk of the capital sum being diminished through movements in prices.

The Council will invest its surplus cash to provide sufficient liquidity to meet its cash flow needs, but is mindful that the value of its investments will fall in real terms unless investment returns are at least equal to inflation. In order to earn investment returns in excess of inflation on as much of its surplus cash as possible, the Council will invest as much as it can in longer term higher yielding investments whilst maintaining sufficient liquidity to meet its cash flow needs.

The Council may invest in lower risk structured investment products that follow the developed equity markets where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long term investments.

The Council may invest in externally managed pooled investment vehicles such as corporate bond funds, equity funds, property funds and multi asset funds. The Government has made regulations that will prevent fluctuations on the capital value of these funds from impacting on the General Fund prior to disposal for at least 5 years. Fluctuations in the capital value of these funds will impact on the General Fund in 5 year's time unless the regulations are extended.

APPENDIX B

BACKGROUND INFORMATION AND RISKS TO INTEREST RATE FORECASTS

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Euro zone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is now probably unlikely to make a start on raising rates in 2019.

KEY RISKS - central bank monetary policy measures

Looking back on more than ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that the period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories were exposed to a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018 and into early 2019. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks. It is particularly notable that, at its 30 January 2019 meeting, the Federal Reserve dropped its previous words around expecting further increases in interest rates; it merely said it would be “patient”.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. 2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%, (1.3% y/y). Growth is likely to continue being weak until the Brexit issues are resolved.

The MPC has stated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they have given a figure for this of around 2.5% in ten years’ time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, the MPC could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 1.8% in January 2019. In the February Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead given a scenario of minimal increases in Bank Rate.

The **labour market** figures in November were particularly strong with an emphatic increase in total employment of 141,000 over the previous three months, unemployment at 4.0%, a 43 year low on the Independent Labour Organisation measure, and job vacancies hitting an all-time high, indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation continued at its high point of 3.3%, (3 month average regular pay, excluding bonuses). This means that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and an unemployment rate of 4.0%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in December. However, CPI inflation overall fell to 1.9% in December and looks to be on a falling trend to continue below the Federal Reserve's target of 2% during 2019. The Federal Reserve has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, which was the fifth increase in 2018 and the ninth in this cycle. However, they dropped any specific reference to expecting further increases at their January 30 meeting. The last increase in December compounded investor fears that the Federal Reserve could overdo the speed and level of increases in rates in 2019 and so cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Federal Reserve's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Federal Reserve's actions, the trade war between the US and China and an expectation that world growth will slow. Since the more reassuring words of the Federal Reserve in January, equity values have recovered somewhat.

The tariff war between the US and China generated a lot of heat during 2018; it could significantly damage world growth if an agreement is not reached during the current three month truce declared by President Trump to hold off from further tariff increases.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarters 3 and 4 (1.2% y/y). Germany only narrowly avoided slipping into recession in quarter 4 whereas Italy did slip into recession. The trend of economic statistics is now indicating that growth is likely to weaken further in 2019. This will make it difficult for the European Central Bank (ECB) to make any start on increasing rates until 2020 at the earliest. Indeed, the issue now is rather whether the ECB will have to resort to new measures to boost liquidity in the economy in order to support growth. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. In its January meeting, it made a point of underlining that it will be fully reinvesting all maturing debt for an extended period of time past the date at which it starts raising the key ECB interest rates.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 4.3.1 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

The overall balance of risks to economic growth in the UK is probably neutral.

The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than currently anticipated.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU rejected the original proposed Italian budget and demanded cuts in government spending. The Italian government nominally complied with this rebuttal – but only by delaying into a later year the planned increases in expenditure. The rating agencies have downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.

- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority Eurozone governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. The Spanish government failed to pass a national budget in mid February so a snap general election is now scheduled for April 28.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. Elections to the EU parliament are due in May/June 2019.
- The increases in interest rates in the US during 2018, combined with a potential trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. Some **emerging market countries** which have borrowed heavily in dollar denominated debt, could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.

- **The Federal Reserve causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

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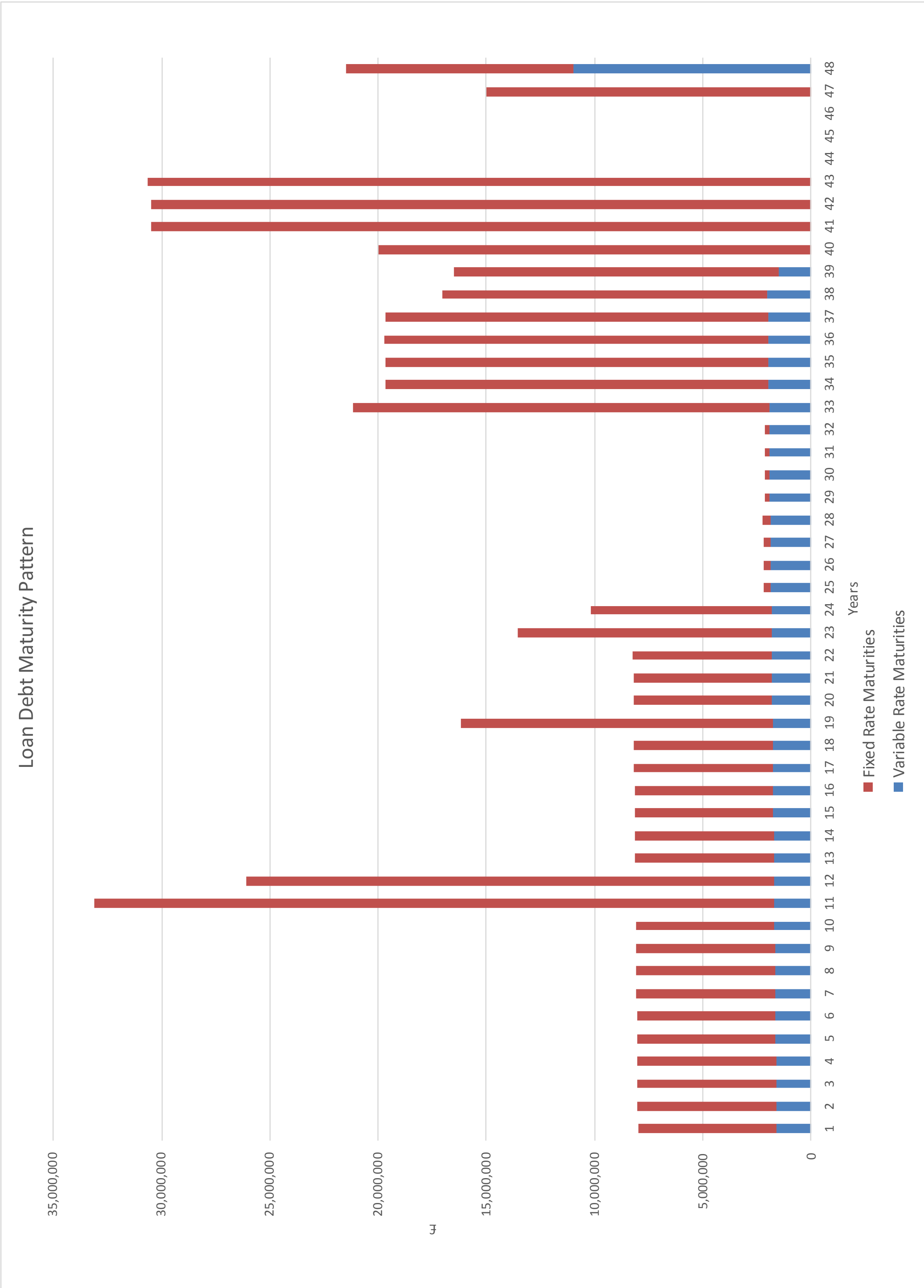
APPENDIX C


Loan Debt Maturity Pattern
£
0
5,000,000
10,000,000
15,000,000
20,000,000
25,000,000
30,000,000
35,000,000
Years
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48
Fixed Rate Maturities
Variable Rate Maturities

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APPENDIX D

TREASURY MANAGEMENT INDICATORS

Total Sums Invested for Periods Longer than 365 Days (paragraph 4.5 of Treasury Management Policy Statement)	
	£m
Actual sums invested for periods longer than 365 days at 31 March 2019	264
Estimated sums invested for periods longer than 365 days at 31 March 2020	205
Limits on total sums invested for periods longer than 365 days at 31 March 2021	144
Limits on total sums invested for periods longer than 365 days at 31 March 2022	117

Limits on the Maturity Structure of Fixed Rate Borrowing (paragraph 4.6 of Treasury Management Policy Statement)		
	Lower Limt	**Upper Limit**
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within 5 years	0%	10%
5 years and within 10 years	0%	20%
10 years and within 20 years	0%	30%
20 years and within 30 years	0%	30%
30 years and within 40 years	0%	40%
40 years and within 50 years	0%	40%

Limits on the Maturity Structure of Variabe Rate Borrowing (paragraph 4.16 of Treasury Management Policy Statement)		
	Lower Limt	**Upper Limit**
Under 12 months	0%	10%
12 months and within 24 months	0%	10%
24 months and within 5 years	0%	10%
5 years and within 10 years	0%	20%
10 years and within 20 years	0%	30%
20 years and within 30 years	0%	30%
30 years and within 40 years	0%	30%
40 years and within 50 years	0%	30%

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APPENDIX E

DEFINITIONS OF LONG TERM CREDIT RATINGS

Credit ratings are issued by three main credit rating agencies, Fitch, Moody's and Standard & Poor. All three agencies use broadly the same scale. Fitch defines its long term ratings as follows:

AAA: Highest credit quality
"AAA" ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality
"AA" ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High Credit Quality
"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than in the case of the higher ratings.

BBB: Good credit quality

"BBB" ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

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INSTITUTIONS MEETING INVESTMENT CRITERIA

Category	Counter Party	Average Long Term Credit Rating *	Comments	Investment Limit £	Maximum Term
1	United Kingdom Government including investments explicitly guaranteed by the UK Government	AA+		Unlimited	6 years
2	All local authorities in England, Scotland & wales	n/a		30,000,000	6 years
3	Registered Social Landlords (RSLs)	AA-		30,000,000	10 years
4	Australia & New Zealand Banking Group	AA-		26,000,000	6 years
4	National Australia Bank	AA-		26,000,000	6 years
4	Westpac Banking Corporation	AA-		26,000,000	6 years
4	Royal Bank of Canada	AA	Upgraded from category 6	26,000,000	6 years
4	Toronto Dominion Bank	AA		26,000,000	6 years
4	DZ Bank AG	AA		26,000,000	6 years
4	Landswirtschafitiche Rentenbank	AAA		26,000,000	6 years
4	NRW Bank	AA+		26,000,000	6 years
4	OP Corporate Bank Plc	AA-		26,000,000	6 years
4	Bank Nederlanden Gemeeten	AAA-		26,000,000	6 years
4	Nederlandse Watersschapsbank NV	AAA		26,000,000	6 years
4	Cooperative Rabobank UA	AA-		26,000,000	6 years
4	DBS Bank	AA		26,000,000	6 years
4	Overseas Chinese Banking Corp	AA		26,000,000	6 years
4	United Overseas Bank	AA		26,000,000	6 years
4	Nordia Bank AB	AA-		26,000,000	6 years
4	Skandinaviska Enskilda Banken (SEB)	AA-		26,000,000	6 years
4	Svenska Handelsbanken	AA		26,000,000	6 years
4	Swedbank AB	AA-		26,000,000	6 years
4	HSBC Bank plc / HSBC UK Bank Plc	AA-		26,000,000	6 years
4	Bank of New York Mellon	AA		26,000,000	6 years
4	Morgan Stanley	AA-		26,000,000	6 years
4	First Abu Dhabi Bank PJSC	AA-	New counter party	26,000,000	6 years
4	Nordic Investment Bank	AAA		26,000,000	6 years
4	Inter-American Developmemnt Bank	AAA		26,000,000	6 years
4	IBRD (World Bank)	AAA		26,000,000	6 years
4	Council of Europe Developmenmt Bank	AA+		26,000,000	6 years
4	Eurpopean Bank for Reconstruction & Development	AAA		26,000,000	6 years
4	Eurpean Investment Bank	AA+		26,000,000	6 years
4	Global Treasury Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Short Term Investment Company (Global Series) Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Goldman Sachs Sterling Liquidity Reserve	AAA	Money Market Fund	26,000,000	Instant Access
4	Scottish Widows Investment Partnership Global Liquidity Sterling Fund	AAA	Money Market Fund	26,000,000	Instant Access
4	BNY Mellon Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instant Access
4	Deutsche Global Liquidity Series Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Morgan Stanley Funds Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Aberdeen Investment Cash OEIC Plc	AAA	Money Market Fund	26,000,000	Instant Access
4	Insight Investment	AAA	Money Market Fund	26,000,000	Instant Access
4	Federated Investors (UK) LLP	AAA	Money Market Fund	26,000,000	Instant Access

4	Royal London Asset Management	AAA	Money Market Fund	26,000,000	Instant Access
4	Standard Life Sterling Liquidity Fund	AAA	Money Market Fund	26,000,000	Instant Access
5	Registered Social Landlords (RSLs)	A-		20,000,000	10 years
6	Standard Chartered Bank	A+		20,000,000	6 years
6	Santander UK Plc	A+		20,000,000	6 years
6	Close Brothers Ltd	A+		20,000,000	6 years
6	Commonwealth Bank of Australia	A+	Downgraded from category 4	20,000,000	6 years
6	Bank of Montreal	AA-	Short term rating not A-1+	20,000,000	6 years
6	Bank of Nova Scotia	AA-	Short term rating not A-1+	20,000,000	6 years
6	Canadian Imperial Bank of Commerce	AA-	Short term rating not A-1+	20,000,000	6 years
6	National Bank of Canada	A+	Upgraded from category 7	20,000,000	6 years
6	Nationwide Building Society	A	Downgraded from category 4	20,000,000	6 years
6	BNP Paribas (including BNP Paribas Issuance BV)	A+		20,000,000	6 years
6	Credit Agricole (Credit Agricole CIB Financial Solutions)	A+		20,000,000	6 years
6	Credit Industriel et Commercial	A+		20,000,000	6 years
6	Landesbank Hessen - Thueringen	A+		20,000,000	6 years
6	ING Bank NV	A+		20,000,000	6 years
6	ABN Amro Bank NV	A+		20,000,000	6 years
6	Qatar National Bank	A+	New counter party	20,000,000	6 years
6	Citibank (including Citigroup Global Markets Funding Luxemborg SCA)	A+		20,000,000	6 years
6	UBS AG	AA-	Short term rating not A-1+	20,000,000	6 years
6	Bank of America NA	AA-	Short term rating not A-1+	20,000,000	6 years
6	JP Morgan Chase (including JP Morgan Structured Products BV)	AA	Short term rating not A-1+	20,000,000	6 years
6	Wells Fargo Bank NA	AA-	Short term rating not A-1+	20,000,000	6 years
6	Coventry Building Society	A		20,000,000	6 years
6	Standard Life Investments	AAA	Short Duration Cash Fund	20,000,000	3 working days notice
6	Aberdeen Investment Cash OEIC Plc	AAA	Cash Investment Fund	20,000,000	3 working days notice
6	Insight Investment	AAA	Liquidity Plus Fund	20,000,000	4 working days notice
6	Federated Investors (UK) LLP	AAA	Cash Plus Fund	20,000,000	2 working days notice
6	Aviva Investors Sterling Strategic Liquidity Fund	AAA	Cash Plus Fund	20,000,000	1 working days notice
6	Royal London Asset Management	AA	Cash Plus Fund	20,000,000	2 working days notice
7	Goldman Sachs (including Goldman Sachs International Bank, and Goldman, Sachs & Co. Wertpapier Gmbh)	A	Downgraded from category 6	15,000,000	6 years
7	Lloyds Bank plc / Lloyds Bank Corporate Markets Plc	A	Downgraded from category 6	15,000,000	6 years
7	National Westminster Bank Plc	A	New counter party	15,000,000	6 years
7	Macquarie Bank	A		15,000,000	6 years
7	Sumitomo Mitsui Banking Corporation Eurpoe Ltd	A		15,000,000	6 years
7	Societie Generale	A		15,000,000	6 years
7	Landesbank Baden Wurtenburg	A		15,000,000	6 years
7	Credit Suisse	A		15,000,000	6 years
7	Barclays Bank Plc / Barclays Bank UK	A		15,000,000	6 years
7	Bayern LB	A	Upgraded from category 8	15,000,000	6 years

8	Danske Bank	A-	Downgraded from category 7	10,000,000	6 years
9	Pooled Investment Vehicles	Unrated	New counter parties	50,000,000	Instant access subject to investments being sold
10	Subsidiary companies of the City Council	Unrated	Investment limit increased from £20,000,000	30,000,000	Unlimited
11	Leeds Building Society	A-	Short term rating P2	10,000,000	2 years
11	Yorkshire Building Society	A-	Short term rating P2	10,000,000	2 years
11	Principality Building Society	BBB+	New counter party	10,000,000	2 years
11	Skipton Building Society	A-	Short term rating P2	10,000,000	2 years
12	Corporate Bonds	BBB+		7,000,000	365 days
13	Corporate Bond Funds	BBB (average rating)		8,000,000	Instant access subject to underlying bonds being sold
14	Newcastle Building Society	Unrated	Upgraded from category 14	6,000,000	2 years
14	Progressive Building Society	Unrated		6,000,000	2 years
14	Leek United Building Society	Unrated		5,200,000	2 years
14	Ipswitch	Unrated		3,200,000	2 years
14	Marsden Building Society	Unrated	Upgraded from category 14	2,400,000	2 years
14	Melton Mowbray Building Society	Unrated	Upgraded from category 14	2,300,000	2 years
14	Market Harborough	Unrated		2,100,000	2 years
14	Scottish Building Society	Unrated		2,100,000	2 years
14	Hanley Economic Building Society	Unrated		2,000,000	2 years
14	Dudley Building Society	Unrated		2,000,000	2 years
14	Tipton & Coseley Building Society	Unrated		1,800,000	2 years
15	Cumberland Building Society	Unrated		6,000,000	365 days
15	The Family Building Society	Unrated	Formerly National Counties	6,000,000	365 days
15	Saffron Building Society	Unrated	Downgraded from category 13	5,100,000	365 days
15	Newbury Building Society	Unrated		5,000,000	365 days
15	Furness Building Society	Unrated		4,500,000	365 days
15	Hinkley and Rugby Building Society	Unrated		3,700,000	365 days
15	Darlington Building Society	Unrated	Downgraded from category 13	3,000,000	365 days
16	Hampshire Community Bnk	Unrated		10,000,000	10 years

Notes

There are a large number of corporate bonds, registered social landlords (RSLs) and universities and as a result they have not been individually included in the tables above.

* The long term credit ratings shown are adjusted to take account of possible future actions resulting from negative watches & outlooks.

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Portsmouth CITY COUNCIL

Title of meeting: Cabinet

Date of meeting: 12th March 2019

Subject: Modern Slavery Transparency Statement

Report by: Director of Human Resources, Legal and Performance

Wards affected: All

Key decision: No

Full Council decision: No

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1. Purpose of report

The purpose of this report is to provide context to the council's Modern Slavery Transparency Statement and seek approval to publish the statement on the council's website (appendix 1)

2. Recommendations

That Cabinet approves

i) The Modern Slavery Transparency Statement for publication on the council's website (see Appendix 1) and
ii) The programme of work set out in item 13 of the statement
iii) That Full Council is asked to note the recommendations for information only

3. Background

3.1 The Modern Slavery Act 2015 (MSA 2015) applies to England and Wales and includes the offences of human trafficking and slavery, servitude and forced or compulsory labour. The Act consolidated and simplified existing offences and establishes a legal duty under Section 52 for specified public authorities to notify the Home Office where there is reasonable grounds to be believe a person may be a victim of modern slavery.

3.2 Section 54 of the MSA 2015 requires commercial organisations carrying out business in the UK, with a turnover of at least £36 million, to prepare and publish a slavery and human trafficking statement for each and every financial year.

3.3 The Local Government Association (LGA) describes the publication of transparency statement for local authorities as voluntary. This is because the duty to publish a transparency statement relates to commercial organisations (as opposed to public sector organisations) with an annual turnover of more than £36m. The Act is however, subject to an independent review, which is underway, and the interim report has recommended that all public sector organisations with a surplus turnover of £36m should be included in the Act.

3.4 The LGA has published helpful guidance in relation to preparing transparency statements which has been used to develop the draft statement.

3.5 Modern slavery cannot be addressed by one organisation alone. Portsmouth is an active member of the Hampshire and Isle of Wight Modern Slavery Partnership. The Modern Slavery Partnership Strategy is attached at appendix 2.

3.6 It is helpful for members to note that in relation to the trafficking of children, the council has developed a good working relationship with the Immigration Enforcement Team, UK Border Force and the Police through quarterly meetings to share intelligence and protect vulnerable children. Safeguarding procedures are implemented when required as referenced in the statement.

4. Development of response

4.1 It is recommended that a 'task and finish' group is established to take forward an improvement programme that will embed appropriate levels of awareness, response and enforcement across the relevant council directorates.

4.2 The programme of work will include:

- Developing corporate performance indicators associated with the Council's *Plan on a Page*
- Identification and referral of victims and supporting them e.g. through safeguarding children and adults with care and support needs and through housing/homelessness services
- Undertaking service delivery and ensuring that all supply chains the council procures services from are free from modern slavery, including undertaking risk assessments and audits
- Developing Human resources, training and organisational development policies
- Community safety responses and disruption activities, working alongside partner agencies such as the police

4. Reasons for recommendations

4.1 This *Modern Slavery and Human Trafficking Statement* sets out the Council's current position and future plans to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and/or in its supply chains.

4.2 The attached statement relates to activities during the financial year April 2018 to March 2019. For the avoidance of doubt, the statement also applies to Portsmouth International Port. MMD are likely to prepare a separate statement.

5. Equality impact assessment (EIA)

A preliminary EIA has been completed and is attached.

6. Legal implications

The report confirms the basis upon which an organisation is required to prepare and publish its statement relevant to the Modern Slavery Act.

7. Director of Finance's comments

There are no financial implications arising from the recommendations. If there are any actions arising from the programme of work that require additional resource, a further report will be brought to members.

……………………………………………
Signed by:

Appendices:

Appendix 1 Draft Modern Slavery Transparency Statement
Appendix 2 Modern Slavery Partnership Strategy 2017-2020

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ……………………………… on ………………………………

………………………………………………
Signed by:

Contents:

ID	
Last Review Date	February 2019
Next Review Date	January 2020
Approval	Cabinet
Policy Owner	HR, Policy and Performance
Policy Author	Lisa Wills
Advice & Guidance	Strategy Unit
Location	Policyhub
Related Documents	Hampshire and Isle of Wight Modern Slavery Partnership (http://www.modernslaverypartnership.org.uk/partnership/)
Applicability	This policy applies to all employees in the City Council, except those in schools

1. Introduction

1.1 The Council acknowledges the provisions set out in the Modern Slavery Act (2015) and this statement is made pursuant to section 54(1).

1.2 Portsmouth City Council is committed to preventing slavery and human trafficking in its corporate activities and to ensuring that the services it commissions (and where applicable, supply chains) are free from slavery and human trafficking.

1.3 This *Modern Slavery and Human Trafficking Statement* sets out the Council's current position and future plans to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and/or in its supply chains. For the avoidance of doubt, this statement also applies to Portsmouth International Port. The statement relates to activities during the financial year April 2018 to March 2019.

1.4 A statement will be issued annually, setting out relevant information in respect of the previous financial year and published on the council's website here: (add link).

2. Context

2.1 The council's role in relation to modern slavery is broader than that of other commercial organisations required to publish a transparency statement and can be set out in four areas:

- identification and referral of victims
- supporting victims – this can be through safeguarding children and adults with care and support needs and through housing/ homelessness services
- community safety services, enforcement and disruption activities
- ensuring that procurement processes ensure that supply chains are free from modern slavery

2.2 The Council acknowledges its role in working across the city to raise awareness of the signs of modern slavery, identifying those vulnerable to it and responding with partners to incidents. This work involves a variety of council services and partners including the Port, UK Border Force, Civil Contingencies, Environmental Health and Trading Standards, Licensing, Children's Social Care and Adults Social Care. There are quarterly meetings with port colleagues and Border Force to share intelligence, and the police have a sophisticated database to combat modern day slavery, which could be used to seek prosecution.

2.3 Work to protect children and vulnerable adults who are trafficked and/or exploited is overseen by our local safeguarding boards including referral processes to the national Independent Child Trafficking Advocacy Service (https://www.portsmouthscb.org.uk/professionals/trafficking/) and multi-agency specialist groups (Missing Exploited and Trafficked Group - MET). See links below for further information:

Portsmouth Safeguarding Children Board
(https://www.portsmouthscb.org.uk/professionals/trafficking/) and
Portsmouth Safeguarding Adults Board
(http://www.portsmouthsab.uk/abuse/missing-exploited-trafficked/)

3. Legislative framework

3.1 The Government's approach to tackling modern slavery has been shaped by a number of international laws, conventions and protocols which the UK has opted in to, ratified or is already bound by, including the: 1950 European Convention on Human Rights (ECHR) the Modern Slavery Act 2015, Children Act 1989, Care Act 2014, Immigration Act 2016

4. Organisational structure

4.1 Portsmouth City Council (PCC) is a unitary authority situated in Portsmouth within the geographical county of Hampshire. PCC provides a wide range of statutory and discretionary services, delivered both directly by the Council and through external contractors.

The Council's Structure and Services can be found here:

https://www.portsmouth.gov.uk/ext/documents-external/cou-senior-management-structure-2018.pdf

The Council's Constitution can be found here:

https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/constitution

5. Procurement and supply chains and due diligence

5.1 PCC requires all suppliers of goods or services to have their own policy relating to working practices for modern slavery, or for evidence to be available to ensure their standards are in accordance with the City Council's expectations. We request that our suppliers ensure the same of their own supply chains. Our Supplier Selection Questionnaire includes a requirement to comply with the Modern Slavery Act 2015

5.2 Further, we would expect and request assurance that the practices of companies and organisations operating within the EU adhere to Article 4 of the European Convention on Human Rights concerning the prohibition of slavery and forced labour.

5.3 PCC is developing a risk assessment and audit framework in relation to our response to modern slavery in order to ensure the most appropriate and effective response.

6. Hampshire and Isle of Wight Modern Slavery Partnership

6.1 PCC is an active member of the Hampshire and Isle of Wight Modern Slavery Partnership (http://www.modernslaverypartnership.org.uk/) and supports the delivery of the overarching strategy 2017-2020. (http://www.modernslaverypartnership.org.uk/files/3715/2656/8122/MSP_Strategy.pdf)

7. Relevant organisational policies and strategies

7.1 PCC has the following policies that describe its current approach to the identification of modern slavery risks and the steps it takes to prevent slavery and human trafficking in its operations.

7.2 All policies are available to staff on policyhub and are also available by contacting the Council direct.

8. Whistleblowing policy

8.1 Though our whistleblowing policy the council encourages all its employees, councilors, contractors, their agents and/or subcontractors, consultants, suppliers and service providers to report concerns about any aspect of service provision, conduct of officers and others acting on behalf of the Council, or the supply chain. The policy is designed to make it easy to make disclosures without fear of discrimination and victimisation.

9. Employee Code of Conduct

9.1 The council's employee code of conduct makes clear to employees the actions and behaviour expected of them when representing the council. The council strives to maintain the highest standards of employee conduct and ethical behaviour when managing the supply chain.

https://www.portsmouth.gov.uk/ext/documents-external/cou-part4c-employee-code-of-conduct.pdf

10. Recruitment policy

10.1 The council adheres to robust continuing employment checks/standards, this includes ensuring identities and qualifications, UK address, right to work in the UK, (i.e. people bought into the country illegally will not have a National Insurance number), suitable references and payroll information.

10.2 The organisation uses only specified, reputable employment agencies to source labour and always verifies the practices of any new agency it is using before accepting workers from that agency.

11. Safeguarding policies - children and adults

11.1 As previously mentioned, the city council is fully involved in a multi-agency approach to raising awareness of modern slavery and human trafficking coordinated by local safeguarding boards. The boards currently provide city wide governance in relation to identification, referral and support of vulnerable children and adults who may be subject to exploitation.

12. Training

12.1 Modern slavery and human trafficking is included within the council's safeguarding training for children and adults. In addition to this an e-learning package is being developed and will be delivered as part of the mandatory training programme for all council employees.

13. Auditing and evidence

13.1 The Council is committed to a programme of continuous improvement and is in the process of reviewing and updating the plans, policies and procedures set out below which describe our approach to the identification of modern slavery risks and the steps to be taken to prevent human trafficking and slavery in our services and operations.

These include:

- Developing corporate performance indicators associated with the Council's *Plan on a Page*
- Identification and referral of victims and supporting them e.g. through safeguarding children and adults with care and support needs and through housing/homelessness services
- Undertaking service delivery and ensuring that all supply chains the council procures services from are free from modern slavery, including undertaking risk assessments and audits
- Developing Human resources, training and organisational development policies
- Community safety responses and disruption activities, working alongside partner agencies such as the police

Portsmouth City Council

Signature:
Gerald Vernon-Jackson, Leader

Date

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POLICE & CRIME COMMISSIONER

Serving Hampshire Isle of Wight Portsmouth Southampton

MODERN SLAVERY PARTNERSHIP STRATEGY

MODERN SLAVERY PARTNERSHIP

HAMPSHIRE AND ISLE OF WIGHT

MSP Strategy

2017 - 2020

YOU
YOUR FAMILY
YOUR COMMUNITY
SAFER

FOREWORD

"You may choose to look the other way but you can never say again that you did not know." (William Wilberforce)

It is my pleasure to introduce the 2018 – 2020 Modern Slavery Partnership Strategy for Hampshire, Isle of Wight, Portsmouth and Southampton. It brings together a shared vision from a broad range of partners to raise awareness, pursue perpetrators and support victims of modern slavery. Our strategy reflects the Government's Modern Slavery Strategy and supports my priorities to keep you, your family and your community safer.

The scale of modern slavery in the UK is significant. Modern slavery crimes are being committed across the country and there has been year on year increases in the number of victims being identified. In few other crimes are women, children and men used as commodities for profit, being exploited over and over again, and enduring terrible suffering. It's therefore essential that we all play our part in tackling this unacceptable and criminal activity.

Through the implementation of the Modern Slavery Act 2015 and the introduction of the Independent Anti-Slavery Commissioner, with Hampshire acting as a pilot for local independent child trafficking advocates, we have a framework to make a real difference through our collective responses. I am confident, given our area's strong history of partnership working together, that through this strategy, we will ensure that across Hampshire, the Isle of Wight, Portsmouth and Southampton it is a supportive place for victims and a hostile place for perpetrators of modern slavery.

Michael Lane
Police and Crime Commissioner
Serving Hampshire, Isle of Wight, Portsmouth and Southampton

POLICE & CRIME
COMMISSIONER

Serving
Hampshire
Isle of Wight
Portsmouth
Southampton

INTRODUCTION

Modern slavery is a crime which violates human rights, denying people of their right to life, freedom and security. An estimated 40 million people globally live in slavery today . Within the UK there is believed to be 13,000 potential victims of slavery . Organised crime groups and criminals use coercion, deception, threats or violence to exploit victims into slavery and to keep them in slavery.

Modern slavery is an umbrella term which involves the exploitation of children and adults and may encompass but is not limited to:

- Criminal exploitation
- Domestic servitude
- Human organ harvesting
- Labour exploitation
- Sexual exploitation

OUR DUTY

The Modern Slavery Act 2015 (MSA 2015) applies to England and Wales, and includes the offences of human trafficking and slavery, servitude and forced or compulsory labour. The Act consolidated and simplified existing offences and establishes a legal duty for specified public authorities to notify the Home Office where there is reasonable grounds to believe a person may be a victim of modern slavery.

Modern slavery cannot be addressed by one organisation alone. As a consequence the Hampshire and Isle of Wight Modern Slavery Partnership was established in September 2015 to provide co-ordination and multi-agency solutions to tackle modern slavery.

THE CONTEXT

The strategy to tackle Modern Slavery in Hampshire and the Isle of Wight has been developed in line with the Government's Modern Slavery Strategy

- Pursue – Prosecute and disrupt individuals and groups responsible for slavery
- Prevent – Prevent people from engaging in slavery
- Protect – Strengthen safeguards against slavery by protecting vulnerable people from exploitation and increasing awareness of and resilience against this crime
- Prepare – Reduce the harm caused by slavery through improved victim identification and enhanced support

Consideration has also been given to the priorities of the Independent Anti-Slavery Commissioner as well as the key objectives of stakeholders.

THE VISION

TO MAKE HAMPSHIRE, THE ISLE OF WIGHT, PORTSMOUTH & SOUTHAMPTON
A SUPPORTIVE PLACE FOR VICTIMS AND
A HOSTILE PLACE FOR PERPETRATORS OF
MODERN SLAVERY

THE STRATEGIC OBJECTIVES

SO1 TO RAISE AWARENESS OF MODERN SLAVERY

SO2 TO COMBAT MODERN SLAVERY BY WORKING IN PARTNERSHIP

SO3 TO IDENTIFY AND SUPPORT VICTIMS OF MODERN SLAVERY

SO4 TO PURSUE PERPETRATORS OF MODERN SLAVERY

SO1 TO RAISE AWARENESS OF MODERN SLAVERY

WHY?

- Frontline professionals such as Local Authorities, Health and the Department for Work and Pensions are often best-placed to identify potential victims.
- Everyday services used by everybody are being used to facilitate modern slavery without communities being able to recognising the signs.
- Aligns with the Government's Protect agenda by increasing awareness of and resilience against modern slavery.

HOW?

- Implement a partnership engagement plan incorporating a quarterly media campaign focusing on how to spot the signs of modern slavery with promotion of the Modern Slavery Helpline.
- Provide access to awareness raising materials and annual training for frontline professionals as well as delivering an annual event to mark Anti-Slavery Day.
- Utilise Hampshire's modern slavery website to ensure information and advice is available for professionals and the public.
- Encourage all private and public sector organisations within Hampshire with a turnover above £36 million to publish an annual statement describing the steps they have taken to ensure modern slavery is not present within their business or supply chains as required by the MSA 2015.

OUTCOMES?

INCREASED REPORTING OF MODERN SLAVERY FROM PROFESSIONALS AND THE PUBLIC.

INCREASED UNDERSTANDING AMONGST PROFESSIONALS OF THEIR RESPONSIBILITIES.

SO2 TO COMBAT MODERN SLAVERY BY WORKING IN PARTNERSHIP

WHY?

- Modern slavery is a multifaceted issue requiring a co-ordinated partnership response.
- Effective partnerships enable information sharing, resource co-ordination and strategic planning.
- Supports the Government's Prevent agenda by ensuring a co-ordinated approach to preventing people from engaging in slavery.

HOW?

- Ensure the partnership is reflective of Hampshire's diverse community establishing strong links between law enforcement agencies, Local Authorities, Health, Non-Governmental Organisations, Faith groups and the Business Sector. This must also be effective for the Isle of Wight.
- Develop a clear information reporting and sharing protocol between partners.
- Ensure modern slavery is firmly on the agenda for Community Safety Partnerships, Adults and Children Safeguarding Boards and Health & Wellbeing Partnerships.
- To work with the Business Crime Partnership to ensure modern slavery and specifically tackling transparency in supply chains is on the agenda.
- Engage with partners in the Homeless sector to progress the recommendations in the report 'Understanding and Responding to Modern Slavery within the Homeless Sector'.
- Establish links with the Merchant Navy Welfare Board and the Southern Ports Welfare Committee to ensure incidents of modern slavery at sea are identified, victims are supported and perpetrators bought to justice.
- Develop links with the Clewer Initiative to strengthen links with faith communities and learn from best practice.

OUTCOMES?

INCREASED INFORMATION SHARING AND RESOURCE CO-ORDINATION.

SO3 TO IDENTIFY AND SUPPORT VICTIMS OF MODERN SLAVERY

WHY?

- Estimated number of victims in the UK is approximately five times greater than those referred to the National Referral Mechanism (NRM).
- Victims often suffer from poor physical and emotional health which will require ongoing support.
- Aligns with the Government's Prepare agenda by reducing the harm caused by slavery through improved victim identification and enhanced support.

HOW?

- Review annually the NRM and 'Duty to Notify' referrals for Hampshire to establish communities most at risk, potential training needs and best practice.
- Ensure victim support services are developed in line with the reformed NRM process and clearly identify the roles and responsibilities of partners and the partnership.
- To work with partners to effectively identify and utilise premises suitable as a Survivor Reception Centres.
- Ensure partners engage with, and support, the Home Office Independent Child Trafficking Advocate (ICTA) Service delivered by Barnardo's and understand their duty to refer any potential, or confirmed, victim of child trafficking in line with the MSA 2015.
- Exploring the viability of a pilot scheme providing proactive engagement with suspected adult victims of modern slavery.

OUTCOMES?

INCREASED IDENTIFICATION AND ENHANCED SUPPORT FOR VICTIMS.

SO4 TO PURSUE PERPETRATORS OF MODERN SLAVERY

WHY?

- The current low prosecution rate nationally means that modern slavery is a high profit and relatively low risk crime.
- Crime recording plays a key role in investigating and disrupting criminal networks.
- Aligns with the Government's Pursue agenda by increasing investigations and prosecutions of modern slavery offences.

HOW?

- Strengthen the link between the Hampshire Constabulary Pursue Group and the Modern Slavery Partnership to increase information flow and intelligence submissions from partners to improve the evidence base for the modern slavery Problem Profile and support prosecutions.
- Implement a clear crime recording process where NRM and 'Duty to Notify' referrals are made by a first responder other than the Police to ensure these are recorded by the Police as crimes in line with Home Office counting rules.
- Engage with the Modern Slavery Police Transformation Programme and the 'what works' team to build an evidence base for modern slavery investigations and share best practice.
- Proactively work with and understand other law enforcement agencies powers and remit to jointly disrupt modern slavery in partnership.
- Increase the use of Slavery and Trafficking Prevention Orders and Slavery and Trafficking Risk Orders by enforcement agencies to disrupt and prevent.

OUTCOMES?

INCREASE IN THE NUMBER OF SUCCESSFUL PROSECUTIONS FOR MODERN SLAVERY.

THE DELIVERY

This Strategy sets out the overarching vision and strategic objectives for the Hampshire and Isle of Wight Modern Slavery Partnership for 2017 – 2020.

Successful delivery of this plan is dependent upon all partners proactively supporting the agreed Vision, to make Hampshire, the Isle of Wight, Portsmouth and Southampton a supportive place for victims and a hostile place for perpetrators. Within Hampshire and the Isle of Wight there is a history of strong partnership working and this will be a critical factor for ensuring the successful implementation of the strategy.

Progress against this plan will be monitored quarterly through the Modern Slavery Partnership meeting. A formal review of partnership delivery against the strategy will be undertaken annually.

The Modern Slavery Partnership will be chaired and facilitated by the Office of the Police and Crime Commissioner (OPCC). Where funding is required to support delivery of the strategy the Modern Slavery Partnership will proactively support and seek suitable funding options.

Governance will be provided to the Modern Slavery Partnership from the Hampshire and Isle of Wight Police Local Criminal Justice Board which will be provided with an annual report outlining delivery against the strategy. The Modern Slavery Partnership Strategy and delivery structure will be reviewed again in October 2020.

NHS
Portsmouth
Clinical Commissioning Group

Portsmouth
CITY COUNCIL

Equality Impact Assessment

Preliminary assessment form 2018

www.portsmouthccg.nhs.uk www.portsmouth.gov.uk

The preliminary impact assessment is a quick and easy screening process. It should:

- identify those policies, projects, services, functions or strategies which require a full EIA by looking at:
  - negative, positive or no impact on any of the equality groups
  - How are going to mitigate or remove any potential negative impacts
  - opportunity to promote equality for the equality groups
  - data / feedback
- prioritise if and when a full EIA should be completed
- justify reasons for why a full EIA is not going to be completed

Directorate: HR, legal and performance

Service, function: Strategy and Partnership Support

Title of policy, service, function, project or strategy (new or old) :

Modern Slavery Transparency Statement

Type of policy, service, function, project or strategy:

- [ ] Existing
- [x] New / proposed
- [ ] Changed

Q1 - What is the aim of your policy, service, function, project or strategy?

The aim of this statement is to demonstrate the council's commitment to identifying, and eliminating modern slavery, human trafficking and forced labour in all its operations and supply chains and to set out a programme of improvement for the next 12 months.

Q2 - Who is this policy, service, function, project or strategy going to benefit or have a detrimental effect on and how?

The policy will benefit victims of modern slavery, human trafficking, servitude or forced labour by improving the council's response to:
- the identification and referral of victims
- supporting victims through safeguarding children and adults with care and support needs and through housing/ homelessness services
- community safety services, enforcement and disruption activities
- ensuring that procurement processes ensure that supply chains are free from modern slavery

Q3 - Thinking about each group below, does, or could the policy, service, function, project or strategy have a negative impact on members of the equality groups below?

Group	Negative	Positive / no impact	Unclear
Age	☐	★	☐
Disability	☐	★	☐
Race	☐	★	☐
Sex	☐	★	☐
Gender reassignment	☐	★	☐
Sexual orientation	☐	★	☐
Religion or belief	☐	★	☐
Pregnancy and maternity	☐	★	☐
Marriage & civil partnership	☐	★	☐
Other excluded groups	☐	★	☐

Note: Other excluded groups examples includes,Homeless, rough sleeper and unpaid carers. Many forms of exclusion are linked to financial disadvantage. How will this change affect people on low incomes, in financial crisis or living in areas of greater deprivation?

If the answer is "negative" or "unclear" consider doing a full EIA

If there are any potential negative impacts on any of the protected characteristics, What have you put in place to mitigate or remove the negative impacts/barriers?

There is unlikely to be any negative impact on any of the protected characteristics.

Q4 - Does, or could the policy, service, function, project or strategy help to promote equality for members of the equality groups? e.g. A new service has been created for people with a disability to help them gain employment this would mean that this helps promote equality for the protected characteristic of disability only.

Group	Yes	No	Unclear
Age	★		
Disability	★		
Race	★		
Sex	★		
Gender reassignment		★	
Sexual orientation		★	
Religion or belief		★	
Pregnancy or maternity		★	
Marriage & civil partnership		★	
Other excluded groups	★		

If the answer is "no" or "unclear" consider doing a full EIA

Q5 - Do you have any feedback data from the equality groups that influences, affects or shapes this policy, service, function, project or strategy?
Please add in the text boxes below what feedback / meetings you have attended for each specific protected characteristic

Group	Positive or negative feedback
Age	No specific data collected at this time
Disability	No specific data collected at this time

Race	No specific data collected at this time
Sex	No specific data collected at this time
Gender reassignment	No specific data collected at this time
Sexual orientation	No specific data collected at this time
Religion or belief	No specific data collected at this time
Pregnancy and maternity	No specific data collected at this time
Marriage & civil partnership	No specific data collected at this time
Other excluded groups	No specific data collected at this time

Q6 - Using the assessments in questions 3, 4 and 5 should a full assessment be carried out on this policy, service, function or strategy?

☐ yes ★ No

PCC staff-If you have to complete a full EIA please contact the Equalities and diversity team if you require help Tel: 023 9283 4789 or email:equalities@portsmouthcc.gov.uk

CCG staff-If you have to complete a full EIA please email: sehccg.equalityanddiveristy@nhs.net if you require help

Q7 - How have you come to this decision? Summarise your findings and conclusion below

At this stage a full EIA is not required but publishing this statement is a positive step, and will raise awareness of these hidden and brutal crimes. The programme of work proposed includes on-going consultation with council staff, trade unions and community groups and amendments will be made to the statement as necessary. An annual statement will be published following further discussion and in light of experience of operation of the statement in practice. The council is committed to working with community safety partners to understand more about prevalence in Portsmouth and have access to police data and local analysis that will guide the development of the work programme.

Q8 - Who was involved in the EIA?

Lisa Wills, Gina Perryman, Paddy May

This EIA has been approved by: Paddy May

Contact number: 02392 834020

Date: 28th February 2019

PCC staff-Please email a copy of your completed EIA to the Equality and diversity team. We will contact you with any comments or queries about your preliminary EIA.
Telephone: 023 9283 4789, Email: equalities@portsmouthcc.gov.uk

CCG staff-Please email a copy of your completed EIA to the Equality lead who will contact you with any comments or queries about your preliminary . Email: sehccg.equalityanddiversity@nhs.net

Portsmouth CITY COUNCIL

Title of meeting: Cabinet Member for Planning, Regeneration and Economic Development

Date of meeting: 26th February 2019

Subject: Review of the Hampshire Minerals and Waste Plan

Report by: Assistant Director of City Development, Regeneration

Wards affected: All

Key decision: Yes

Full Council decision: Yes

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1. Purpose of report

1.1. To consider the report on the review of the Hampshire Minerals and Waste Plan (HMWP) and endorse the decision to not to review the HMWP at this time, as per the Council's statutory responsibilities as a minerals and waste planning authority.

2. Recommendations

2.1 It is recommended that the Cabinet Member for Planning, Regeneration and Economic Development:

- Agrees that a review of the Hampshire Minerals and Waste Plan is not necessary at this time, as per the recommendations of Hampshire Minerals and Waste Plan Review report (attached in Appendix 2 and summarised in this report).
- Recommends that this decision is reported for future consideration by Full Council, in accordance with the requirements of sections 15(8) and 16 of the Planning and Compulsory Purchase Act 2004 and National Planning Practice Guidance on plan making.

3. Background

Introduction

3.1 Portsmouth City Council, as a minerals and waste planning authority, has a statutory duty to prepare a Local Plan to guide the need for, and locations of, minerals and waste management development. The Council has worked jointly on minerals and waste matters with Hampshire County Council, Southampton City Council, New Forest National Park Authority and the South Downs National Park Authority ('the Hampshire authorities') over many years; culminating in the adoption of the *Hampshire Minerals and Waste Plan* in October 2013.

3.2 The HMWP (2013) covers the period up to 2030 and the geographical areas of the Hampshire authorities; it forms part of the Development Plan for Portsmouth alongside the Portsmouth Local Plan. The HMWP seeks to ensure the Plan area has the right development to maintain a reliable and timely supply of minerals and efficient management of Hampshire's waste, whilst protecting the environment and communities. It contains policies to enable minerals and waste decision-making as well as minerals and waste site allocations (for rail depots, wharves, quarries and landfill sites).

3.3 Portsmouth contains a small number of safeguarded minerals and waste processing and transfer facilities, an Energy from Waste facility, a mineral importation wharf and an identified future, potential site for an importation wharf at the HM Naval Base, as well as some safeguarded mineral resource areas. The HMWP seeks to protect these assets from replacement, encroachment or sterilisation by alternative development. There are no site allocations for new minerals and waste development within the City Council area, with the exception of the potential wharf at the Naval Base should be site become available. Portsmouth heavily relies on the wider provision in the county (as well as nationally) to be able to meet its growth needs.

Review of the Plan

3.4 Although the HMWP covers development needs up to 2030, it is recommended to undertake reviews to ensure that Local Plan policies remain up-to-date and effective. The revised *National Planning Policy Framework* (NPPF) published in July 2018, and accompanying *National Planning Policy Guidance* (NPPG) updated on 13 September 2018, clarifies that a review should be undertaken within five years of adoption. Local planning authorities must complete a review and decide either:

- that their policies do not need updating, and publish the reasons for this decision; or

- that one or more policies do need updating, and update their Local Development Scheme to set out the timetable for this revision.

3.5 Hampshire County Council (HCC) undertook an initial review to consider whether the HMWP is still in-line with national planning policy and remains effective in the delivery of the Plan’s objectives (See Appendix 2 for a copy of the report). Each of the HMWP's 34 policies were considered and given a RAG (Red, Amber, Green) monitoring status with a summary of what actions, if any, may be required for a more extensive review and revision to the Plan policies. The effectiveness of the HMWP policies has also been reviewed through Monitoring Reports on an annual basis since the adoption of the Plan, and since 2014, complemented by Local Area Aggregates Assessments (LAAs). The LAA sets out detailed monitoring of the demand and supply of construction aggregates across the Plan area.

3.6 Officers from Portsmouth City Council and the partner authorities have jointly considered the outcomes and recommendations of the report. The key issues arising from the initial review are outlined below:

Shortages in permitted mineral reserves

3.7 HMWP Policy 20, in-line with national policy, seeks to maintain a landbank of 7 years of permitted reserves of sand and gravel (construction aggregate). Monitoring found that provision had fallen below the 7-year landbank (due to a shortage in permitted soft sand reserves). However, HCC confirm that there are planning applications in the pipeline plus on-going discussions with New Forest and Eastleigh councils regarding prior extraction opportunities at their housing allocation sites. The report therefore concluded that the current landbank shortage is more due to delays in progressing these applications rather than a lack of potential supply.

3.8 Similarly, the permitted reserves of silica sand (Policy 21) and clay for brick-making (Policy 22) are currently not meeting their respective 10-year and 25-year targets. Again it is thought that the existing policies would not preclude further development proposals from coming forward and receiving support where a shortfall in supply is identified.

Declining recycling rates and shortage in landfill capacity

3.9 HMWP Policy 25: Sustainable Waste Management, seeks to make provision for the management of non-hazardous waste arisings based on the expectation of achieving 60% recycling and 95% diversion from landfill by 2020. Monitoring of the policy concluded that the recycling of non-hazardous wastes has declined since 2014/15, and fell below 50% in 2016. However, it is important to note that while increased recycling rates are the overall aim, the provisions of Policy 25 actually relate to waste management capacity, as this is what the Waste Planning Authority (WPA) can influence[1]. The approach is supplemented by Policy 27: Capacity for Waste Management Development, which sets out the required provisions for managing particular waste streams. In this case monitoring found that sufficient capacity has been delivered within the plan period to date, albeit more focused on recovery than recycling. The types of waste management provision coming forward are market driven, which is not something that the WPAs can influence. The required capacity levels in Policy 27 are also the minimum targets.

3.10 The need for landfill capacity is considered by Policy 32: Non-Hazardous Waste Landfill, which supports landfill development to enable the necessary capacity to deal with Hampshire's residual waste to 2030; whilst the majority (93%) of household waste is diverted from landfill, the remaining amount needs to be landfilled. Monitoring of the policy suggests that the remaining landfill capacity in 2018 will be less than two years, falling below the policy threshold of four years. There is some uncertainty over potential delivery at HMWP's identified sites for

[1]Campaigns to change behaviour of local residents to increase recycling rates have been put in place by the partner authorities and although these are hoped to influence the level of recycling, these are not directly spatial planning issues.

landfilling following one early closure and unknown quarry restoration (backfilling) plans for a reserve site. However, the shortage of non-hazardous landfill capacity is recognised as a regional issue and is being addressed by Waste Planning Authorities (WPAs) through the creation of a Position Statements and Statements of Common Ground. Additional provision for landfill could potentially be met elsewhere in the region.

3.11 Overall the report concluded that waste forecasts have been relatively accurate and additional capacity is coming available, albeit focused more on recovery than recycling.

Other considerations

3.12 The report also recognised that there are currently a number of uncertainties which may have an impact on future minerals and waste supply and capacity requirements, including:

- China's recent ban on imported plastics; the UK exports almost two-thirds of its waste to China, and waste management companies lack the capacity in the UK to dispose of recyclable materials appropriately.
- Britain's exit from the European Union; there are significant mineral and waste movements between Britain and Europe and any future alterations could impact local supply.
- The impacts of the Government's drive to boost the housing market on construction aggregate demand; timescales and quantities can be difficult to define.
- The outcomes of evidence studies from neighbouring authorities' Local Plans, particular with regards to soft sand provision.

Review conclusion and next steps

3.13 The recommendation of the initial review is that the HMWLP does not require review at this time. It was considered that the effectiveness of the HMWLP should be reviewed again in the near future to test whether the delays in decision-making can be overcome, and if the additional allocations are submitted for planning permission as expected.

3.14 It is therefore proposed to review the HMWP in 2020 to determine the effectiveness of the policies, as per national planning policy, and whether there is a need to amend the site allocations. During this period a clearer understanding may emerge around the key issues expected to impact capacity and demand.

3.15 On behalf of the partners, officers from Hampshire County Council will continue to attend regular regional meetings with officers from across the South East to address minerals and waste issues with cross-boundary implications and availability and capacity of resources across the region. Some of the key issues raised by the initial review of the Hampshire Minerals and Waste Plan are being considered on a regional basis, including the identified shortage of landfill capacity and soft sand reserves.

3.16 The conclusions of the draft report, and robustness of the proposed approach with regard to the recently updated national planning policy guidance, have been discussed at two officer level meetings attended by the Hampshire authorities (28th June and 3rd October 2018); the conclusions of the review were informally agreed (subject to member approval) and considered to be sound at that time.

3.17 Rather than halting all work on the HMWP for the next two years, discussions on minerals and waste matters in the Plan area will continue to be on-going. A Stakeholder Workshop will take place in 2019 to investigate the issues raised within the initial Review, and how the trends within minerals supply and sustainable waste management provision are developing. As soft sand studies are currently being undertaken neighbouring areas, including West Sussex and West Berkshire, it is hoped that the timing of the workshop can be arranged to allow the findings of these studies to be fed into the discussion.

3.18 It is proposed to update the HMWP Local Development Scheme to reflect the commitment to a future review in 2020 and to schedule in the 2019 Stakeholder event

4. Reasons for recommendations

Recommendations:

- **Agrees that a review of the Hampshire Minerals and Waste Plan is not necessary at this time.**
- **Recommends that this decision is reported for future consideration by Full Council.**

4.1 The initial review of the HMWP (attached in Appendix 1) concluded that the Plan is considered effective at this time; proposals are expected to come forward to address some identified shortfalls in supply, and the policies are thought to be sufficiently flexible to enable minerals and waste development where required.

4.2 Reviewing the HMWP in two years' time would allow time for a number of uncertainties affecting market conditions to be realised and for further discussion with neighbouring authorities on issues affecting the wider region.

4.3 The partnership authorities are, informally, in agreement on the recommendations of the report.

5. Equality impact assessment

5.1 No issues arising. The decision to not review the HMWLP at this time isn't anticipated to impact on the protected characteristics under the Equality Act 2010. The HMWP 2013 was subject to equality impact assessment throughout its preparation.

6. Legal implications

6.1 This review complies with Portsmouth City Council's obligation to conduct a review of the Minerals and Waste Plan for the Portsmouth in accordance with sections 15(8) and 16 of the Planning and Compulsory Purchase Act 2004. Part 17 of the National Planning Policy Framework envisages that certain criteria are met by a Minerals and Waste Plan but does not recommend a period for such reviews to take place, while the Planning Practice Guidance suggests that such a review should be undertaken every five years[2].

7. Director of Finance's comments

7.1 The adoption of the recommendations in this report will not result in any additional costs being incurred by the Planning Service.

……………………………………………
Signed by:

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[2] PPG 'Plan-making' (HCLG, 2018)Paragraph: 042, Ref ID: 61-042-20180913, revision date: 13-09-2018

Appendices:

Appendix 1: 2018 Review of the Hampshire Minerals & Waste Plan (2013)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	**Location**
Hampshire Minerals and Waste Plan (2013)	https://www.hants.gov.uk/landplanningandenvironment/strategic-planning/hampshire-minerals-waste-plan
National Planning Policy Framework (2018)	https://www.gov.uk/government/publications/national-planning-policy-framework--2
National Planning Policy Guidance: Local Plans	https://www.gov.uk/guidance/local-plans--2
Hampshire Authorities (Oct 2012) Hampshire Minerals & Waste Plan Equality Impact Assessment (July 2011-Sept 2012)	http://documents.hants.gov.uk/mineralsandwaste/HMWP134aEqualityImpactAssessment-Submission-revisedOct2012.pdf

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by .... on ....

……………………………………………
Signed by:

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HAMPSHIRE COUNTY COUNCIL, NEW FOREST NATIONAL PARK AUTHORITY,
PORTSMOUTH CITY COUNCIL, SOUTH DOWNS NATIONAL PARK AUTHORITY &
SOUTHAMPTON CITY COUNCIL

2018 Review of the Hampshire Minerals & Waste Plan (2013)

October 2018

Contents

Executive Summary

Introduction

The Hampshire Minerals and Waste Plan (HMWP) was adopted in October 2013[1].

The National Planning Policy Framework (2018) requires that Local Plans should be reviewed to assess whether they require updating at least once every five years[2]. A recent update to the Planning Practice Guidance suggests that if a local planning authority decides not to update their policies, they should publish the reasons within 5 years of the adoption date of the plan[3].

Having been adopted five years ago, the HMWP is now due a review to assess if the intended outcome (the Vision; *'Protecting the environment, maintaining communities and supporting the economy')* of land use for minerals and waste development in Hampshire is supported by the correct 'direction of travel' and whether the Plan policies are effective.

Effectiveness of Plan Policies

This section considers each of the 34 policies contained within the HMWP in turn. The trends over the past five years are reviewed based on information set out in the Monitoring Reports which support the HMWP.

A RAG (Red, Amber, Green) Monitoring status is provided for each of the policies and is determined as follows:

Monitoring shows no issues	Green
Monitoring shows some issues to be reviewed	Amber
Monitoring shows issues to be reviewed and may need to be addressed	Red

The summary of the RAG Monitoring status of each of the policies is outlined below.

Summary of Monitoring status

Policy Number & Title	RAG status
Policy 1: Sustainable minerals & waste development	Green

[1] Hampshire Minerals & Waste Plan (2013) - https://www.hants.gov.uk/landplanningandenvironment/strategic-planning/hampshire-minerals-waste-plan
[2] National Planning Policy Framework (2018) (Para. 33) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf
[3] Planning Practice Guidance (Paragraph: 051 Reference ID: 61-051-20180913) (Revision date: 13 09 2018) - https://www.gov.uk/guidance/plan-making

Policy 2: Climate change –mitigation and adaptation	Green
Policy 3: Protection of habitats and species	Green
Policy 4: Protection of the designated landscape	Green
Policy 5: Protection of the countryside	Amber
Policy 6: South West Hampshire Green Belt	Green
Policy 7: Conserving the historic environment and heritage assets	Green
Policy 8: Protection of soils	Green
Policy 9: Restoration of minerals and waste sites	Green
Policy 10: Protecting public health, safety and amenity	Green
Policy 11: Flood risk and prevention	Green
Policy 12: Managing traffic	Green
Policy 13: High-quality design of minerals and waste development	Green
Policy 14: Community Benefits	Red
Policy 15: Safeguarding - mineral resources	Amber
Policy 16: Safeguarding – minerals infrastructure	Green
Policy 17: Aggregate supply -capacity and source	Red
Policy 18: Recycled and secondary aggregates development	Amber
Policy 19: Aggregate wharves and rail depots	Red
Policy 20: Local land-won aggregates	Red
Policy 21: Silica sand development	Red
Policy 22: Brick-making clay	Red
Policy 23: Chalk Development	Amber
Policy 24: Oil and gas Development	Green
Policy 25: Sustainable waste management	Amber
Policy 26: Safeguarding – waste infrastructure	Green
Policy 27: Capacity for waste management development	Green
Policy 28: Energy recovery development	Amber
Policy 29: Locations and sites for waste management	Amber
Policy 30: Construction, demolition and excavation waste	Green
Policy 31: Liquid waste and waste water management	Green
Policy 32: Non-hazardous waste landfill	Red
Policy 33: Hazardous and low level waste development	Green
Policy 34: Safeguarding potential minerals and waste wharf and rail depot infrastructure	Green

Issues requiring review

This section explores in more detail the policies with issues identified through the Monitoring Reports (i.e. policies with an Amber 'Monitoring' status).

Consideration is given to the circumstances around the short-term breaches that may have occurred or the potential for an issue to be addressed in the future.

Following the review of the policies, a RAG Review status is provided for each policy and is determined as follows:

Review shows that the policy does not need to be updated.	Green
Review shows that the policy does not need to be updated but should be kept under review.	Amber
Review shows that the policy triggers the need for the Plan to be updated.	Red

The summary of the RAG Review status of each of the policies is outlined below.

Summary of Review status

Policy Number & Title	RAG status
Policy 5: Protection of the countryside	Green
Policy 15: Safeguarding - mineral resources	Green
Policy 18: Recycled and secondary aggregates development	Amber
Policy 23: Chalk Development	Green
Policy 25: Sustainable waste management	Amber
Policy 27: Capacity for waste management development	Amber
Policy 28: Energy recovery development	Green
Policy 29: Locations and sites for waste management	Amber
Policy 34: Safeguarding potential minerals and waste wharf and rail depot infrastructure	Green

Issues to be reviewed and may need addressing

This section explores in more detail the policies with issues identified through the Monitoring Reports (i.e. policies with a Red 'Monitoring' status).

Consideration is given to the circumstances around the breaches that may have occurred or the trends that are suggesting an issue to be addressed in the future.

Following the review of the policies, a RAG Review status is provided for each policy and is determined as follows:

Review shows that the policy does not need to be updated.	Green
Review shows that the policy does not need to be updated but should be kept under review.	Amber
Review shows that the policy triggers the need for the Plan to be updated.	Red

The summary of the RAG Review status of each of the policies is outlined below.

Summary of Review status

Policy Number & Title	RAG status
Policy 14: Community Benefits	Amber
Policy 17: Aggregate supply - capacity and source	Amber
Policy 19: Aggregate wharves and rail depots	Green
Policy 20: Local land-won aggregates	Amber
Policy 21: Silica sand development	Amber
Policy 22: Brick-making clay	Amber
Policy 32: Non-hazardous waste landfill	Green

Policy drivers

There have been a number of Government policy publications and announcements which have an impact on the HMWP policies.

The policy drivers and the policies they impacts are summarised in the Table below.

Summary of Policy Drivers

Policy Driver	HMWP Policy
National Planning Policy Framework (2018)	All policies.
Planning Practice Guidance (2014 onwards)	All policies.
The 25 Year Environment Plan (Feb 2018)	Policies 2 – 6, 9 and 25.
National Planning Policy for Waste (2014)	Policies 25 – 34.
Fixing our broken housing market – Housing White Paper (2017)	Plan-making.
Strategic Environmental Assessment Regulations	Policy 29.
The Town & Country Planning (General Permitted Development) (England) Order 2016	Policy 16 and 26.
Community Infrastructure Levy	Policy 1.
European Court of Justice Ruling (People Over Wind Vs Sweetman)	Plan-making.
Government Oil and Gas Consultations	Policy 24.

Conclusion

This Review concludes that, in 2018 (5 years since adoption), the policies are working effectively to achieve the Vision and there is no requirement to update the HMWP. The reasons for this decision are as follows:

Waste

- In general, the waste forecasts have been relatively accurate.
- Landfill capacity is identified as not meeting the forecasted need. However, Policy 32 allows for additional landfill capacity and there is also reserve capacity.
- The implications of the Britain's exit from the European Union ("Brexit") on the waste industry are unknown at this time.

Minerals

- The landbank and permitted reserves of sand and gravel, silica and brick-making clay are not meeting their required levels. However, review of the mineral supply policies has highlighted that these do not exclude further development proposals to come forward and would be supported where a shortfall in supply is identified. The policies are considered to be flexible and enable development, where required.
- The allocations in the HWMP are coming forward (relatively to the timescales set out in the Plan) as well as unplanned opportunities.
- The landbank is being impacted by a delay in decision-making which is not the result of policy.

It is considered that the effectiveness of the Hampshire Minerals & Waste Plan should be reviewed again in the near future to test whether the delays in decision-making can be over come, the remaining allocations are submitted as applications and the implications of Brexit are better understood.

Review limitations

It is recognised that there are limitations to this Review:

- The monitoring indicators and triggers may not be defined sufficiently.
- There are a number of uncertainties which will have an impact on future capacity requirements such as Brexit.
- The Government's drive to boost the housing market will have an impact on construction aggregates but the timescales and quantities are difficult to define.

Next Steps

The HMWP will be reviewed again in two years (2020) to determine the effectiveness of the policies and whether there is a need to amend the allocations.

A Stakeholder Workshop will be undertaken in 2019 to investigate the issues raised within this Review and how the trends of minerals supply and sustainable waste management provision are developing.

The HMWP Local Development Scheme will be updated to reflect the commitment to a future review in 2020 and Stakeholder event in 2019.

1. Introduction

1.1 The Hampshire Minerals and Waste Plan (HMWP) was adopted in October 2013[4].

1.2 The Plan covers the administrative areas of Hampshire County Council, the unitary authorities of Portsmouth City Council and Southampton City Council, the New Forest National Park Authority and the area of the South Downs National Park Authority within Hampshire (the Hampshire Authorities).

1.3 The Plan is based upon the principle of ensuring we have the right developments to maintain a reliable and timely supply of minerals and excellent management of our waste, whilst protecting the environment and our communities. It contains policies to enable minerals and waste decision-making, as well as minerals and waste site allocations (rail depots, land-won sand and gravel quarries, brick-making clay quarries and landfill) which support Hampshire's 'vision and objectives' for minerals and waste development to 2030.

1.4 The effectiveness of the policies in the HMWP have been reviewed through Monitoring Reports on an annual basis from 2012/13 to 2016 (please note we latterly changed to calendar year reporting to standardise data collection and make all the data comparable).

1.5 The annual Monitoring Reports (MRs) can be viewed here: http://www3.hants.gov.uk/mineralsandwaste/pd-facts-and-figures.htm

1.6 The National Planning Policy Framework (2018) requires that Local Plans should be reviewed to assess whether they require updating at least once every five years[5]. A recent update to the Planning Practice Guidance suggests that if a local planning authority decides not to update their policies, they should publish the reasons within 5 years of the adoption date of the plan[6].

1.7 The National Planning Policy Framework (2018) requires that Local Plans should be reviewed to assess whether they require updating at least once every five years[7]. A recent update to the Planning Practice Guidance suggests that if a local planning authority decides not to update their policies, they should publish the reasons within 5 years of the adoption date of the plan[8].

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[4] Hampshire Minerals & Waste Plan (2013) - https://www.hants.gov.uk/landplanningandenvironment/strategic-planning/hampshire-minerals-waste-plan

[5] National Planning Policy Framework (2018) (Para. 33) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

[6] Planning Practice Guidance (Paragraph: 051 Reference ID: 61-051-20180913) (Revision date: 13 09 2018) - https://www.gov.uk/guidance/plan-making

[7] National Planning Policy Framework (2018) (Para. 33) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

[8] Planning Practice Guidance (Paragraph: 051 Reference ID: 61-051-20180913) (Revision date: 13 09 2018) - https://www.gov.uk/guidance/plan-making

1.8 Having been adopted five years ago, the HMWP is now due a review to assess if the intended outcome (the Vision; *'Protecting the environment, maintaining communities and supporting the economy')* of land use for minerals and waste development in Hampshire is supported by the correct 'direction of travel' and whether the Plan policies are effective.

1.9 Elements of national and regional minerals and waste policy have also been under review by Government since the adoption of the HMWP, further indicating that a review now would be timely.

1.10 The purpose of this report is therefore to provide a high level review of the effectiveness of the policies of the Plan, provide an assessment on the delivery of allocated sites to date, review and consider what national and regional policy may have an impact on the delivery of the Plan and summarise what actions, if any, may be required for a more extensive review and updating of the Plan policies.

Structure of this review

1.11 This review has a number of sections:

- Section 2: *Effectiveness of Plan Policies (review of MRs)* – outlines the findings of the review of the annual MRs in order to provide information and trends over the past five years against each of the 34 policies within the Plan. A Monitoring RAG (Red, Amber and Green) status is provided for each policy.
- Section 3*: Issues requiring review* – explores the policies that have been found to have an 'Amber' Review status and what the circumstances were in determining this summary. The review of each policy concludes whether an update of the Plan is required and provides a Review RAG status.
- Section 4: *Issues to be reviewed and may need addressing* - explores the policies that have been found to have a 'Red' Monitoring status and what the circumstances were in determining this summary. The review of each policy concludes whether an update of the Plan is required and provides a Review RAG status.
- Section 5: *Policy Change Drivers* – reviews the policy legislation and drivers that have been released since the HWMP was adopted and concludes whether any of these indicate whether an update of the Plan is required.
- Section 6: *Conclusion* – outlines a summary of the findings and a proposed way forward in relation to the need for an update of the HMWP.

2. Effectiveness of Plan Policies (review of Monitoring Reports)

2.1 This section considers each of the 34 policies contained within the HMWP in turn. The policy wording is provided as well as trends over the past five years based on information set out in the MRs. Specifically, this considers the monitoring indicators and triggers for each policy.

2.2 Where relevant to the indicator, contextual information is provided on how the statistics compare to the total number of applications or permissions. In the last 5 years (October 2013 to 10 August 2018):

- Hampshire County Council has processed 193[9] applications;
- A total[10] of 178 permissions have been granted (37 Minerals / 141 Waste)
- A total of 12 new development sites[11] have been permitted (6 Minerals / 6 Waste)

2.3 A RAG (Red, Amber and Green) Monitoring status is provided for each policy and is determined as follows:

Monitoring shows no issues	Green
Monitoring shows some issues to be reviewed	Amber
Monitoring shows issues to be reviewed and may need to be addressed	Red

[9] Excludes Environmental Impact Assessments
[10] Total = Total of all permissions granted by the Partner Authorities (for SDNPA this only applies to applications within the Plan area).
[12] Minerals & Waste Safeguarding in Hampshire – Supplementary Planning Document (2016) - http://documents.hants.gov.uk/planning-strategic/HMWPMineralsandWasteSafeguardinginHampshireSPDFinalFeb2016.pdf

Policy 1: Sustainable minerals and waste development

Policy wording

The Hampshire Authorities will take a positive approach to minerals and waste development that reflects the presumption in favour of sustainable development contained in the National Planning Policy Framework (NPPF). Minerals and waste development that accords with policies in this Plan will be approved without delay, unless material considerations indicate otherwise.

Where there are no policies relevant to the proposal or the relevant policies are out of date at the time of making the decision, the Hampshire Authorities will grant permission unless material considerations indicate otherwise, taking into account whether:

Any adverse impacts of granting planning permission would significantly and demonstrably outweigh the benefits, when assessed against the policies in the NPPF taken as a whole; or
Specific policies in that Framework indicate that development should be restricted.

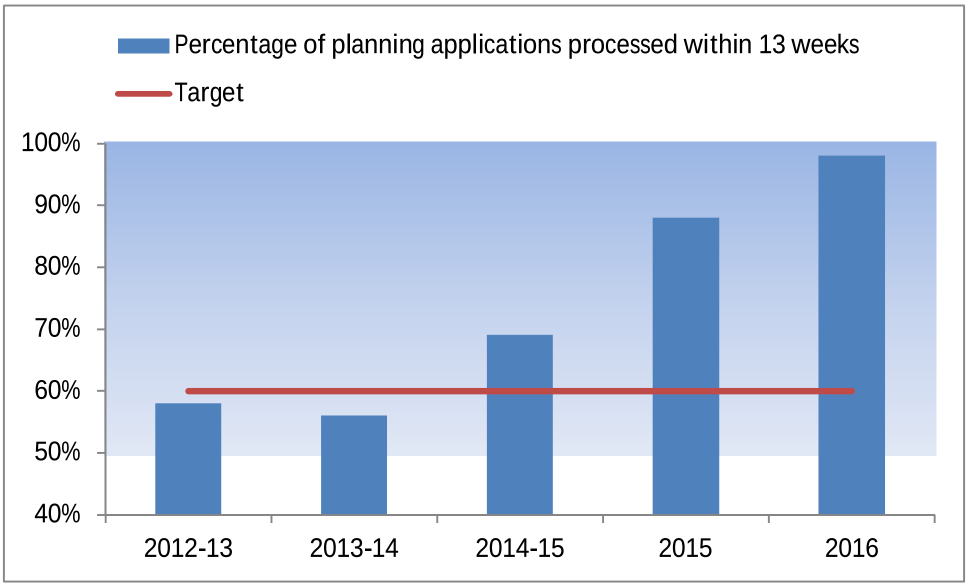
Monitoring indicator

Percentage of Planning Applications processed within 13 weeks

Monitoring trigger (threshold) for policy review

60% of planning applications within 13 weeks

5-year trend for planning applications processed by Hampshire County Council



Over the last five years (October 2013 to August 2018) around 190 minerals and waste applications were processed. This includes 14 in 2013 (post adoption of the Plan in October), 36 in 2014, 34 in 2015, 58 in in 2016, 34 in 2017 and 17 until August 2018.

<u>RAG Monitoring status</u>

The number of planning applications processed within 13 weeks (or within an agreed extension of time) has increased over the 5-year period.

Green

Policy 2: Climate change

Policy wording

Minerals and waste development should minimise their impact on the causes of climate change. Where applicable, minerals and waste development should reduce vulnerability and provide resilience to impacts of climate change by:

a. being located and designed to help reduce greenhouse gas emissions and the more sustainable use of resources; or
b. developing energy recovery facilities and to facilitate low carbon technologies; and
c. avoiding areas of vulnerability to climate change and flood risk or otherwise incorporate adaptation measures.

Monitoring indicator

Percentage of planning permissions granted against Environment Agency (EA) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions granted against EA advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against EA advice.

Green

Policy 3: Protection of habitats and species

Policy wording

Minerals and waste development should not have a significant adverse effect on, and where possible, should enhance, restore or create designated or important habitats and species.

The following sites, habitats and species will be protected in accordance with the level of their relative importance:

a. internationally designated sites including Special Protection Areas, Special Areas of Conservation, Ramsar sites, any sites identified to counteract adverse effects on internationally designated sites, and European Protected Species;
b. nationally designated sites including Sites of Special Scientific Interest and National Nature Reserves, nationally protected species and Ancient Woodland;
c. local interest sites including Sites of Importance for Nature Conservation, and Local Nature Reserves;
d. habitats and species of principal importance in England;
e. habitats and species identified in the UK Biodiversity Action Plan or Hampshire Authorities' Biodiversity Action Plans.

Development which is likely to have a significant adverse impact upon such sites, habitats and species will only be permitted where it is judged, in proportion to their relative importance, that the merits of the development outweigh any likely environmental damage. Appropriate mitigation and compensation measures will be required where development would cause harm to biodiversity interests.

Monitoring indicator

Planning permissions granted against Natural England (NE) advice (Planning permissions in designated areas)

Monitoring trigger (threshold) for policy review

Number of planning permissions granted within designated sites (SPA / SAC / Ramsar / SSSI etc.) against NE advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against NE advice.

Green

Policy 4: Protection of the designated landscape

Policy wording

Major minerals and waste development will not be permitted in the New Forest or South Downs National Parks, or in the North Wessex Downs, the Cranborne Chase and West Wiltshire Downs, and Chichester Harbour Areas of Outstanding Natural Beauty (AONBs), except in exceptional circumstances. In this respect, consideration will be given to:

a. the need for the development, including in terms of any national considerations;
b. the impact of permitting, or refusing the development upon the local economy;
c. the cost and scope for meeting the need outside the designated area, or meeting the need in some other way; and
d. whether any detrimental effects on the environment, landscape and / or recreational opportunities can be satisfactorily mitigated.

Minerals and waste development should reflect and where appropriate enhance the character of the surrounding landscape and natural beauty, wildlife and cultural heritage of the designated area.

Minerals and waste development should also be subject to a requirement that it is restored in the event it is no longer needed for minerals and waste uses.

Small-scale waste management facilities for local needs should not be precluded from the National Parks and AONBs, provided that they can be accommodated without undermining the objectives of the designation.

Monitoring indicator

Planning permissions granted against Natural England advice (Planning permissions in designated landscape areas)

Monitoring trigger (threshold) for policy review

Number of planning permissions granted within designated landscape areas (NP / AONB) against NE advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against NE advice.

Green

Policy 5: Protection of the countryside

> Minerals and waste development in the open countryside, outside the National Parks and Areas of Outstanding Natural Beauty, will not be permitted unless:
>
> a. it is a time-limited mineral extraction or related development; or
> b. the nature of the development is related to countryside activities, meets local needs or requires a countryside or isolated location; or
> c. the development provides a suitable reuse of previously developed land, including redundant farm or forestry buildings and their curtilages or hard standings.
>
> Where appropriate and applicable, development in the countryside will be expected to meet highest standards of design, operation and restoration.
>
> Minerals and waste development in the open countryside should be subject to a requirement that it is restored in the event it is no longer required for minerals and waste use.

Monitoring indicator

Planning permissions granted in the countryside contrary to policy AND Restoration conditions in exceptional developments

Monitoring trigger (threshold) for policy review

Number of planning permissions granted in the countryside contrary to policy = 0 AND For exceptional developments, number of planning permissions granted without restoration conditions = 0

5-year trend

Only one planning permission has been granted in the countryside that was contrary to policy over the last five years (2015) [178 total permissions]

RAG Monitoring status

One application has been granted contrary to policy.

Amber

Policy 6: South West Hampshire Green Belt

Policy wording

Within the South West Hampshire Green Belt, minerals and waste developments will be approved provided that they are not inappropriate or that very special circumstances exist. As far as possible, minerals and waste developments should enhance the beneficial use of the Green Belt. The highest standards of development, operation and restoration of minerals or waste development will be required.

Monitoring indicator

Planning permissions granted in the Green Belt contrary to policy AND Restoration conditions in exceptional developments

Monitoring trigger (threshold) for policy review

Number of planning permissions granted in the Green Belt contrary to policy = 0 AND For exceptional developments, number of planning permissions without restoration conditions = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted contrary to policy.

Green

Policy 7: Conserving the historic environment and heritage assets

Policy wording

Minerals and waste development should protect and, wherever possible, enhance Hampshire's historic environment and heritage assets, both designated and non-designated, including the settings of these sites.

The following assets will be protected in accordance with their relative importance:

a. scheduled ancient monuments;
b. listed buildings;
c. conservation areas;
d. registered parks and gardens;
e. registered battlefields;
f. sites of archaeological importance; and
g. other locally recognised assets.

Minerals and waste development should preserve or enhance the character or appearance of historical assets unless it is demonstrated that the need for and benefits of the development decisively outweigh these interests.

Monitoring Indicator

Planning permissions against English Heritage (EH) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions against English Heritage (EH) advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against Historic England (formerly English Heritage) advice.

Green

Policy 8: Protection of soils

Policy wording

Minerals and waste development should protect and, wherever possible, enhance soils and should not result in the net loss of best and most versatile agricultural land. Minerals and waste development should ensure the protection of soils during construction and, when appropriate, recover and enhance soil resources.

Monitoring indicator

Number of planning permissions that result in a net loss of Best & Most Versatile (BMV) agricultural land in Hampshire AND Planning permissions against Natural England (NE) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions that result in a net loss of BMV land in Hampshire > 0 AND Number of planning permissions granted against NE advice = 0

5 year tend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against NE advice or resulted in a loss of BMV land.

Green

Policy 9: Restoration of minerals and waste developments

Policy wording

Temporary minerals and waste development should be restored to beneficial after-uses consistent with the development plan. Restoration of minerals and waste developments should be in keeping with the character and setting of the local area, and should contribute to the delivery of local objectives for habitats, biodiversity or community use where these are consistent with the development plan. The restoration of mineral extraction and landfill sites should be phased throughout the life of the development.

Monitoring Indicator

Relevant planning permissions have restoration and aftercare conditions

Monitoring trigger (threshold) for policy review

Number of relevant planning permissions without restoration and aftercare conditions = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No relevant applications have been granted without restoration or aftercare conditions.

Green

Policy 10: Protecting public health, safety and amenity

Policy wording

Minerals and waste development should not cause adverse public health and safety impacts, and unacceptable adverse amenity impacts.

Minerals and waste development should not:

a. release emissions to the atmosphere, land or water (above appropriate standards);
b. have an unacceptable impact on human health;
c. cause unacceptable noise, dust, lighting, vibration or odour;
d. have an unacceptable visual impact;
e. potentially endanger aircraft from bird strike and structures;
f. cause an unacceptable impact on public safety safeguarding zones;
g. cause an unacceptable impact on:

i. tip and quarry slope stability; or
ii. differential settlement of quarry backfill and landfill; or
iii. subsidence and migration of contaminants;

h. cause an unacceptable impact on coastal, surface or groundwaters;
i. cause an unacceptable impact on public strategic infrastructure;
j. cause an unacceptable cumulative impact arising from the interactions between minerals and waste developments, and between mineral, waste and other forms of development.

The potential cumulative impacts of minerals and waste development and the way they relate to existing developments must be addressed to an acceptable standard.

Monitoring indicator

Planning permissions against Environment Agency (EA) advice AND Planning permissions against Environment Health Officer (EHO) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions granted against EA advice = 0 AND Number of planning permissions granted against EHO advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against EA or EHO advice.

Green

Policy 11: Flood risk and prevention

Policy wording

Minerals and waste development in areas at risk of flooding should: a. not result in an increased flood risk elsewhere and, where possible, will reduce flood risk overall; b. incorporate flood protection, flood resilience and resistance measures where appropriate to the character and biodiversity of the area and the specific requirements of the site; c. have site drainage systems designed to take account of events which exceed the normal design standard; d. not increase net surface water run-off; and e. if appropriate, incorporate Sustainable Drainage Systems to manage surface water drainage, with whole-life management and maintenance arrangements.

Monitoring indicator

Planning permissions granted against Environment Agency (EA) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions against EA advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against EA advice.

Green

Policy 12: Managing traffic

Policy wording

Minerals and waste development should have a safe and suitable access to the highway network and where possible minimise the impact of its generated traffic through the use of alternative methods of transportation such as sea, rail, inland waterways, conveyors, pipelines and the use of reverse logistics. Furthermore, highway improvements will be required to mitigate any significant adverse effects on:

a. highway safety;
b. pedestrian safety;
c. highway capacity; and
d. environment and amenity.

Monitoring indicator

Planning permissions granted contrary to Highway Authority (HA) advice

Monitoring trigger (threshold) for policy review

Number of planning permissions contrary to HA advice = 0

5-year trend

0% over each of the last five years [178 total permissions]

RAG Monitoring status

No applications have been granted against HA advice.

Green

Policy 13: High-quality design of minerals and waste development

Policy wording

Minerals and waste development should not cause an unacceptable adverse visual impact and should maintain and enhance the distinctive character of the landscape and townscape.

The design of appropriate built facilities for minerals and waste development should be of a high-quality and contribute to achieving sustainable development.

Monitoring indicator

Planning permissions in the view of MWPA are of satisfactory design

Monitoring trigger (threshold) for policy review

Number of planning permissions without satisfactory design = 0

5-year trend

0 over each of the last five years

RAG Monitoring status

No relevant applications have been granted without satisfactory design.

Green

Policy 14: Community benefits

Policy wording

Hampshire Authorities encourage negotiated agreements between relevant minerals and waste developers/operators and a community as a source of funding for local benefits.

Monitoring indicator

Percentage of major applications with community benefits

Monitoring trigger (threshold) for policy review

Percentage of major applications with community benefits > 50%

5-year trend

0 over each of the last five years

RAG Monitoring status

No major applications have been granted with community benefits.

Red

Policy 15: Safeguarding – mineral resources

Policy wording

Hampshire's sand and gravel (sharp sand and gravel and soft sand), silica sand and brick-making clay resources are safeguarded against needless sterilisation by non-minerals development, unless 'prior extraction' takes place.

Safeguarded mineral resources are defined by a Mineral Safeguarding Area illustrated on the Policies Map.

Development without the prior extraction of mineral resources in the Mineral Safeguarding Area may be permitted if:

a. it can be demonstrated that the sterilisation of mineral resources will not occur; or
b. it would be inappropriate to extract mineral resources at that location, with regards
to the other policies in the Plan; or
c. the development would not pose a serious hindrance to mineral development in the vicinity; or
d. the merits of the development outweigh the safeguarding of the mineral.

The soft sand / potential silica sand resources at Whitehill & Bordon (Inset Map 5), further illustrated on the Policies Map are included within the MSA and are specifically identified for safeguarding under this policy.

Monitoring indicator

Area of Mineral Safeguarding Area (MSA) sterilised by non-mineral development granted permission by Local Planning Authority (LPA) against Minerals Planning Authority (MPA) advice

Monitoring trigger (threshold) for policy review

Area of MSA sterilised by non-mineral development granted permission by LPA against MPA advice = 0 hectares

5-year trend

19.3 hectares of MSA has been sterilised by development over the past five years:

- 4.1 ha in 2015 (application 15/00392/REM, Edenbrook, Hitches Lane, Hart)
- 14.5 ha in 2016 (application 16/10764, Land at Buckland Manor Farm, Alexandra Road, Lymington, New Forest)
- 0.7 ha in 2016 (application 16/10497 Merryfield Park, Derritt Lane, Sopley)

RAG Monitoring status

19.3 ha of land has been sterilised against MPA advice in the 5-year period.

Amber

Policy 16: Safeguarding – minerals infrastructure

Policy wording

Infrastructure that supports the supply of minerals in Hampshire is safeguarded against development that would unnecessarily sterilise the infrastructure or prejudice or jeopardise its use by creating incompatible land uses nearby.

Minerals sites with temporary permissions for minerals supply activities are safeguarded for the life of the permission.

The Hampshire Authorities will object to incompatible development unless it can be demonstrated that:

a. the merits of the development clearly outweigh the need for safeguarding; or
b. the infrastructure is no longer needed; or
c. the capacity of the infrastructure can be relocated or provided elsewhere. In such instances, alternative capacity should:
i. meet the provisions of the Plan, that this alternative capacity is deliverable; and
ii. be appropriately and sustainably located; and
iii. conform to the relevant environmental and community protection policies in this Plan; or

d. the proposed development is part of a wider programme of reinvestment in the delivery of enhanced capacity for minerals supply.

The infrastructure safeguarded by this policy is illustrated on the Policies Map and identified in 'Appendix B - List of safeguarded minerals and waste sites'.

Monitoring indicator

Number of safeguarded sites developed for non-mineral uses by Local Planning Authority (LPA) permission against Mineral Planning Authority (MPA) advice

Monitoring trigger (threshold) for policy review

Number of safeguarded sites developed for non-mineral uses by LPA permission against MPA advice = 0

5-year trend

0 over each of the last five years

RAG Monitoring status

No safeguarded sites have been developed for non-mineral uses against MPA advice.

Green

Policy 17: Aggregate supply – capacity and source

Policy wording

An adequate and steady supply of aggregates until 2030 will be provided for Hampshire and surrounding areas from local sand and gravel sites at a rate of 1.56mtpa, of which 0.28mtpa will be soft sand.

The supply will also be augmented by safeguarding and developing infrastructure capacity so that alternative sources of aggregate could be provided at the following rates:

- 1.0mtpa of recycled and secondary aggregates; and
- 2.0mtpa of marine-won aggregates; and
- 1.0mtpa of limestone delivered by rail.

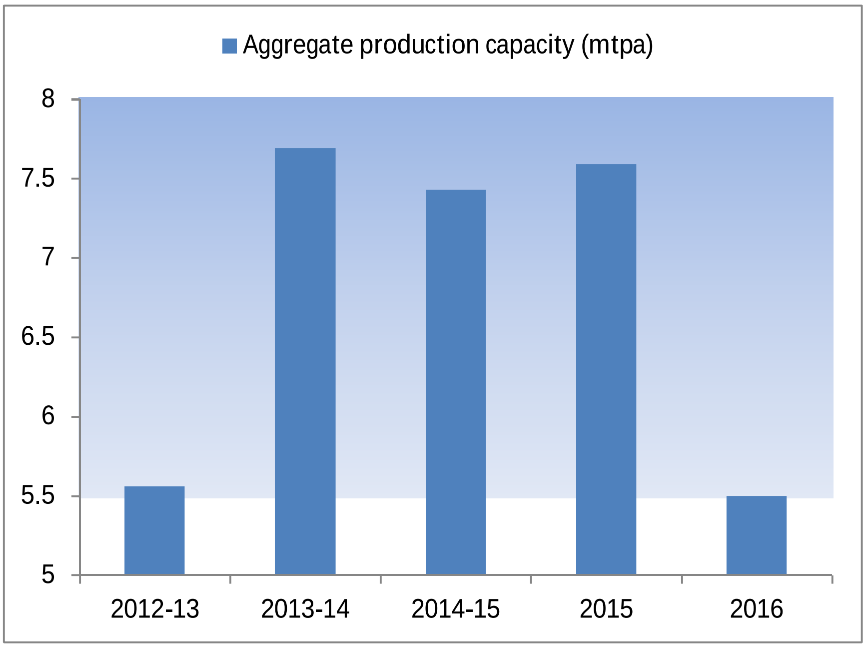
Monitoring Indicator

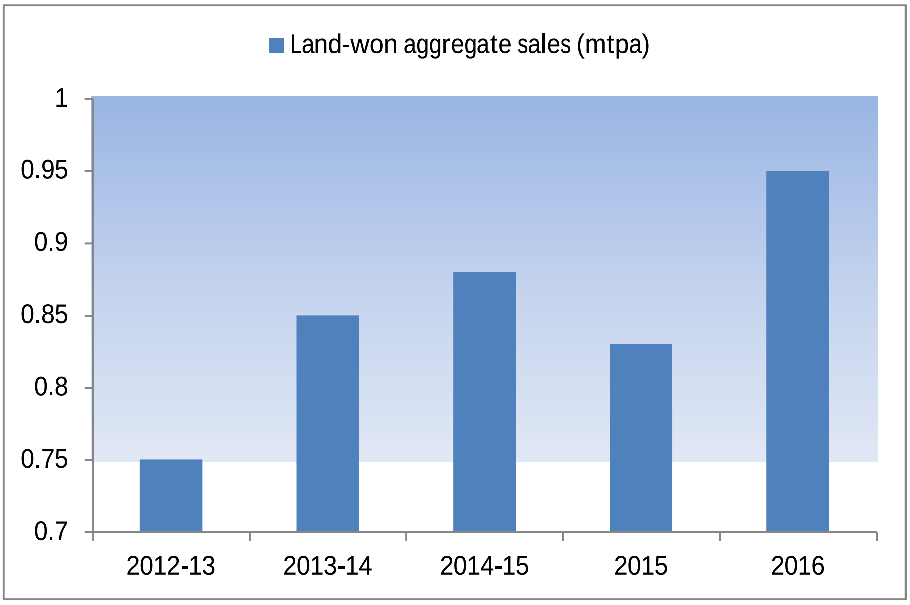
Reduction in aggregate production capacity AND Land-won aggregate sales

Monitoring trigger (threshold) for policy review

Aggregate production capacity is not reduced by more than 556,000 tonnes per annum (10% of 5.56mtpa) AND Land-won aggregate sales are not constrained by lack of capacity

5-year trend





<u>RAG Monitoring status</u>

Although sales of land-won aggregate have increased over five years, the loss in capacity is significantly greater than 556,000 between 2015/16.

Red

Policy 18: Recycled and secondary aggregates development

Policy wording

Recycled and secondary aggregate production will be supported by encouraging investment and further infrastructure to maximise the availability of alternatives to marine-won and local land-won sand and gravel extraction.

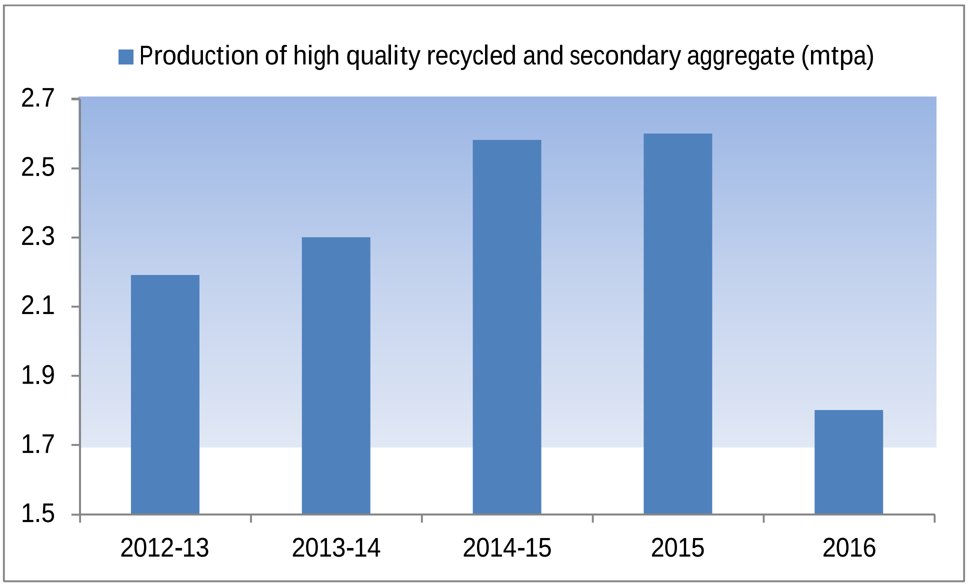
Monitoring indicator

Production of high quality recycled and secondary aggregate

Monitoring trigger (threshold) for policy review

Year on year decrease in the (capacity for) production of high quality recycled and secondary aggregates

5-year trend



RAG Monitoring status

Whilst there has a year on year increase during the period 2012/15, there has been a significant decrease in capacity between 2015 and 2016.

Amber

Policy 19: Aggregate wharves and rail depots

Policy wording

The capacity at existing aggregate wharves and rail depots will where possible and appropriate be maximised and investment in infrastructure and /or the extension of suitable wharf and rail depot sites will be supported to ensure that there is sufficient capacity for the importation of marine-won sand and gravel and other aggregates.

1. Existing wharf and rail depot aggregate capacity is located at the following sites:

i. Supermarine Wharf, Southampton (Aggregates wharf)
ii. Leamouth Wharf, Southampton (Aggregates wharf)
iii. Dibles Wharf, Southampton (Aggregates wharf)
iv. Kendalls Wharf, Portsmouth (Aggregates wharf)
v. Fareham Wharf, Fareham (Aggregates wharf)
vi. Marchwood Wharf, Marchwood (Aggregates wharf)
vii. Bedhampton Wharf, Havant (Aggregates wharf)
viii. Burnley Wharf, Southampton (Aggregates wharf)
ix. Eastleigh Rail Depots, Eastleigh (Aggregates rail depot)
x. Botley Rail Depot, Botley (Aggregates rail depot)
xi. Fareham Rail Depot, Fareham (Aggregates rail depot)

2. Further aggregate rail depots are proposed provided the proposals address the development considerations outlined in 'Appendix A - Site allocations' at:

i. Basingstoke Sidings, Basingstoke (Rail depot) (Inset Map 2)
ii. Micheldever Sidings, Micheldever (Rail depot) (Inset Map 4)

The rail depot proposals are illustrated on the 'Policies Map'.

3. New wharf and rail depot proposals will be supported if the proposal represents sustainable development. New developments will be expected to:

a. have a connection to the road network; and
b. have a connection to the rail network or access to water of sufficient depth to accommodate the vessels likely to be used in the trades to be served; and
c. demonstrate, in line with the other policies in this Plan, that they do not pose unacceptable harm to the environment and local communities.

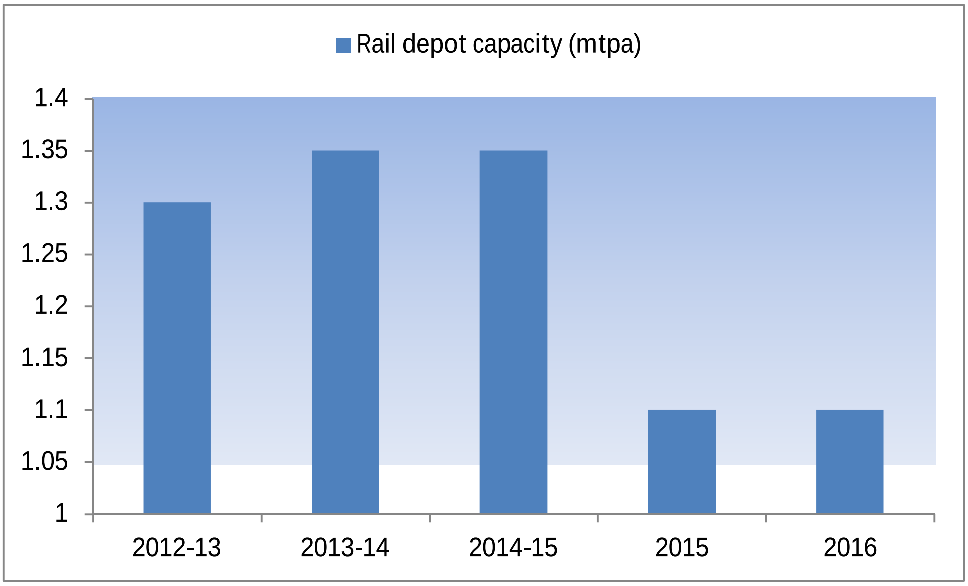
Monitoring indicator

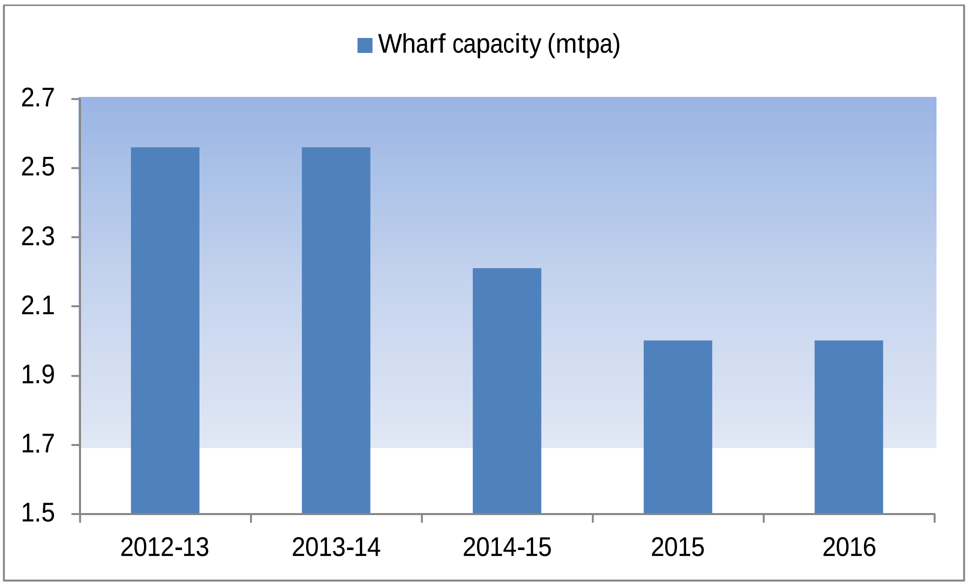
Rail depot capacity AND Wharf capacity

Monitoring trigger (threshold) for policy review

Rail depot capacity reduced by more than 130,000 tonnes per annum (10% of 1.3 mtpa) AND Wharf capacity reduced by more than 256,000 tonnes per annum (10% of 2.56 mtpa)

5-year trend





RAG Monitoring status

There has been a significant decrease in rail depot and wharf capacity during 2015 and 2016.

Red

Policy 20: Local land-won aggregates

Policy wording

An adequate and steady supply of locally extracted sand and gravel will be provided by maintaining a landbank of permitted sand and gravel reserves sufficient for at least seven years from:

1. the extraction of remaining reserves at the following permitted sites:

i. Bramshill Quarry, Bramshill (sharp sand and gravel)
ii. Eversley Common Quarry, Eversley (sharp sand and gravel)
iii. Eversley Quarry (Chandlers Farm), Eversley (sharp sand and gravel)
iv. Mortimer Quarry, Mortimer West End (sharp sand and gravel)
v. Badminston Farm (Fawley) Quarry, Fawley (sharp sand and gravel)
vi. Bury Farm (Marchwood) Quarry, Marchwood (sharp sand and gravel)
vii. Bleak Hill Quarry (Hamer Warren), Harbridge (sharp sand and gravel)
viii. Avon Tyrell, Sopley (sharp sand and gravel)
ix. Downton Manor Farm Quarry, Milford on Sea (sharp sand and gravel)
x. Blashford Quarry (including Plumley Wood / Nea Farm), near Ringwood (sharp sand and gravel / soft sand)
xi. Roke Manor Quarry, Shootash (sharp sand and gravel)
xii. Frith End Sand Quarry, Sleaford (soft sand)
xiii. Kingsley Quarry, Kingsley (soft sand)

2. extensions to the following existing sites, provided the proposals address the development considerations outlined in 'Appendix A - Site allocations':

i. Bleak Hill Quarry Extension, Harbridge (sharp sand and gravel) (Inset Map 13) – 0.5 million tonnes
ii. Bramshill Quarry Extension (Yateley Heath Wood), Blackbushe (sharp sand and gravel) (Inset Map 1) – 1.0 million tonnes

3. new sand and gravel extraction sites, provided the proposals address the development considerations outlined in 'Appendix A - Site allocations':

i. Roeshot, Christchurch (sharp sand and gravel) (Inset Map 11) – 3.0 million tonnes
ii. Cutty Brow, Longparish (sharp sand and gravel) (Inset Map 3) – 1.0 million tonnes
iii. Hamble Airfield, Hamble-le-Rice (sharp sand and gravel) (Inset Map 9) – 1.50 million tonnes
iv. Forest Lodge Home Farm, Hythe (soft sand / sharp sand and gravel) (Inset Map 10) – 0.57 million tonnes
v. Purple Haze, Ringwood Forest (soft sand / sharp sand and gravel) (Inset Map 12) – 4.0 million tonnes

4. Proposals for new sites outside the areas identified in Policy 20 (including extension of sites identified in Policy 20 (1) will be supported where:

a. monitoring indicates that the sites identified in Policy 20 (1), (2) or (3) are unlikely to be delivered to meet Hampshire's landbank requirements and / or the proposal maximises the use of existing plant and infrastructure and available mineral resources at an existing associated quarry; or
b. the development is for the extraction of minerals prior to a planned development; or
c. the development is part of a proposal for another beneficial use, or
d. the development is for a specific local requirement.

The extension and new sites identified above are shown on the 'Policies Map'.

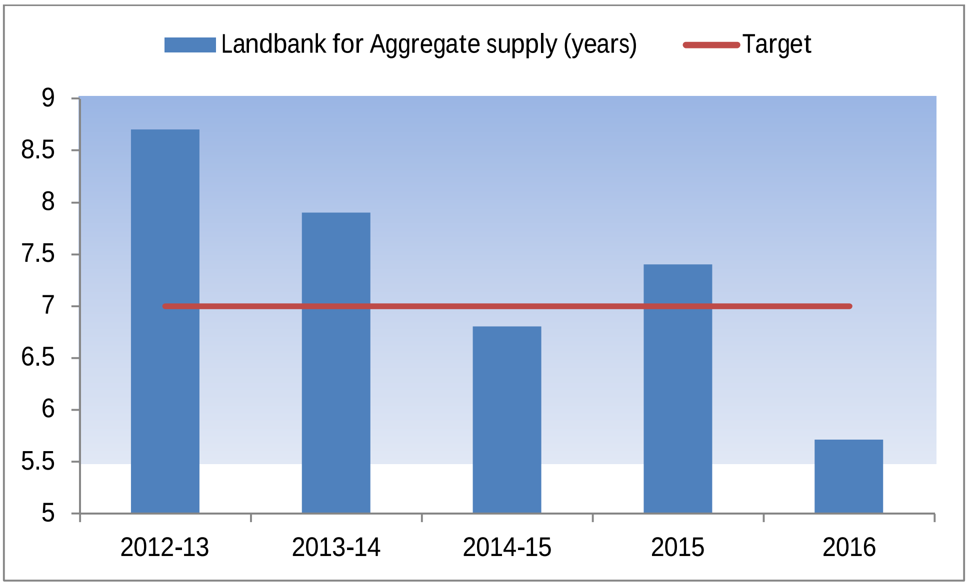
<u>Monitoring indicator</u>

Landbank for Aggregate supply

<u>Monitoring trigger (threshold) for policy review</u>

Landbank falls below 7 years worth of aggregate supply *(Breach of benchmark over two successive years)*

<u>5-year trend</u>



<u>RAG Monitoring status</u>

The landbank for aggregate supply has dropped significantly below the required 7 years in 2016.

Red

Policy 21: Silica sand development

Policy wording

1. An adequate and steady supply of silica sand will be provided by maintaining a landbank of permitted reserves sufficient for at least 10 years from:

i. Frith End Sand Quarry, Sleaford (silica sand)
ii. Kingsley Quarry, Kingsley (silica sand)

2. Proposals for silica sand extraction within the Folkestone bed formation and outside the permitted silica sand sites identified above will be supported where:

a. the availability of deposits with properties consistent with silica sand uses is demonstrated; and
b. monitoring indicates that there is a need to maintain a 10 year landbank; and
c. the proposals do not have an unacceptable environmental or amenity impact either alone or in combination with other plans or projects; or
d. prior extraction is necessary in order to avoid sterilisation of the deposits due to planned development.

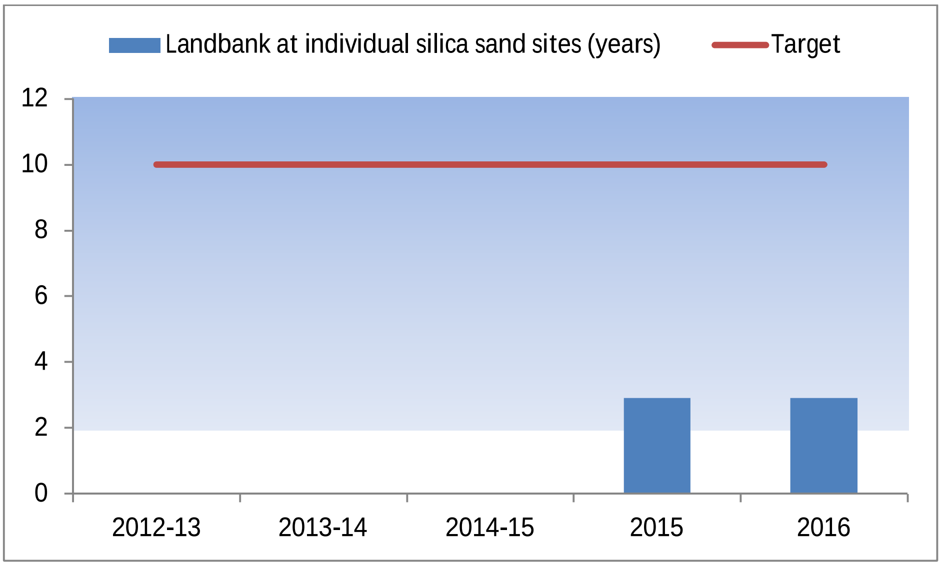
Monitoring indicator

Landbank at individual silica sand sites

Monitoring trigger (threshold) for policy review

Landbank falls below 10 years at individual silica sand sites *(Breach of benchmark over two successive years)*

5-year trend



Landbank at individual silica sand sites (years)
Target
12
10
8
6
4
2
0
2012-13
2013-14
2014-15
2015
2016

RAG Monitoring status

While there has been a lack of availability of data to determine a baseline of silica sand provision, a 10-year landbank has not been achieved for each individual site.

Red

Policy 22: Brick-making clay

A supply of locally extracted brick-making clay for use in Hampshire's remaining brickworks that will enable the maintenance of a landbank of at least 25 years of brick-making clay, will be provided from:

1. the extraction of remaining reserves at the following permitted site:

i. Michelmersh Brickworks

2. and extension of existing or former brick-making clay extraction sites at the following sites, provided the proposals address the development considerations outlined in 'Appendix A - Site allocations':

i. Michelmersh Brickworks (Inset Map 7); and
ii. Selborne Brickworks (Inset Map 6).

The sites identified above are shown on the 'Policies Map'. Extracted brick-making clay from Michelmersh and Selborne should only be used for the manufacture of bricks, tiles and related products in the respective brickworks.

3. Clay extraction outside the sites identified could take place where:

a. it can be demonstrated that the sites identified in Policy 22 (2) are not deliverable; and
b. there is a demonstrated need for the development; and/or
c. the extraction of brick-making clay is incidental to the extraction of local land-won aggregate at an existing sand and gravel quarry.

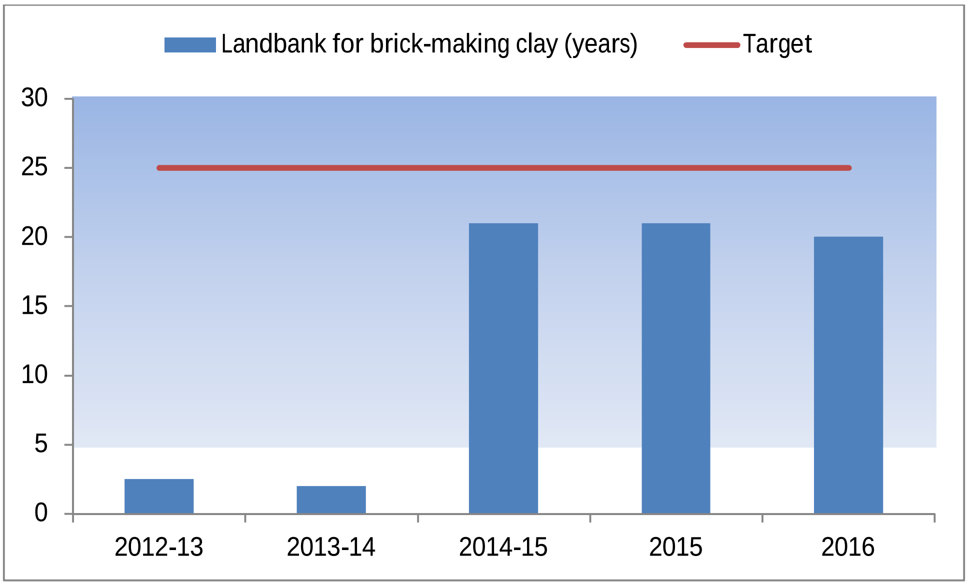
Monitoring indicator

Landbank for brick-making clay

Monitoring trigger (threshold) for policy review

Landbank falls below 25 years worth of brick-making clay supply *(Breach of benchmark over two successive years)*

5-year trend



RAG Monitoring status

Despite a relative improvement in landbank in recent years, the 25-year landbank has not been achieved.

Red

Policy 23: Chalk development

Policy wording

The small-scale extraction of chalk will only be supported for agricultural and industrial uses in Hampshire. Extraction of chalk for other uses, such as aggregate, a fill material or for engineering will not be supported.

Monitoring indicator

Amount of chalk extracted in tonnes per annum (tpa)

Monitoring trigger (threshold) for policy review

Amount of chalk extracted in tonnes per annum (tpa) < 25,000tpa

5-year trend

The amount of chalk development only exceeded 25,000 tpa in 2015. Extraction at each site was relatively small-scale, only slightly going over 25,000.

Extraction returned to less that 25,000 tpa in 2016.

RAG Monitoring status

Extraction exceeded the 25,000 tonnes during the 5-year period, although this returned to a level below the threshold in 2016.

Amber

Policy 24: Oil and gas development

Policy wording

Oil and gas development will be supported subject to environmental and amenity considerations. 1. Exploration and appraisal of oil and gas will be supported, provided the site and equipment: a. is not located within the New Forest National Park or South Downs National Park except in exceptional circumstances, where the reasons for the designation are not compromised and where the need for the development can be demonstrated; and b. is sited at a location where it can be demonstrated that it will only have an acceptable environmental impact; and c. the proposal provides for the restoration and subsequent aftercare of the site, whether or not oil or gas is found. 2. The commercial production of oil and gas will be supported, provided the site and equipment: a. is not located within the New Forest National Park or South Downs National Park except in exceptional circumstances, where the reasons for the designation are not compromised and where the need for the development can be demonstrated; and b. a full appraisal programme for the oil and gas field has been completed; and c. the proposed location is the most suitable, taking into account environmental, geological and technical factors.

Monitoring indicator

Planning permissions granted in the countryside contrary to policy

Monitoring trigger (threshold) for policy review

Number of planning permissions granted in the countryside contrary to policy = 0

5-year trend

0 over each of the last five years

RAG Monitoring status

No relevant applications have been granted in the countryside contrary to policy.

Green

Policy 25: Sustainable waste management

Policy wording

The long-term aim is to enable net self-sufficiency in waste movements and divert 100% of waste from landfill. All waste development should:

a. encourage waste to be managed at the highest achievable level within the waste hierarchy; and
b. reduce the amount of residual waste currently sent to landfill; and
c. be located near to the sources of waste, or markets for its use; and / or
d. maximise opportunities to share infrastructure at appropriate existing mineral or waste sites.

The co-location of activities with existing operations will be supported, where appropriate, if commensurate with the operational life of the site, and where it would not result in intensification of uses that would cause unacceptable harm to the environment or communities in a local area (including access routes), or prolong any unacceptable impacts associated with the existing development.

Provision will be made for the management of non-hazardous waste arisings with an expectation of achieving by 2020 at least:

60% recycling; and
95% diversion from landfill.

Monitoring indicator

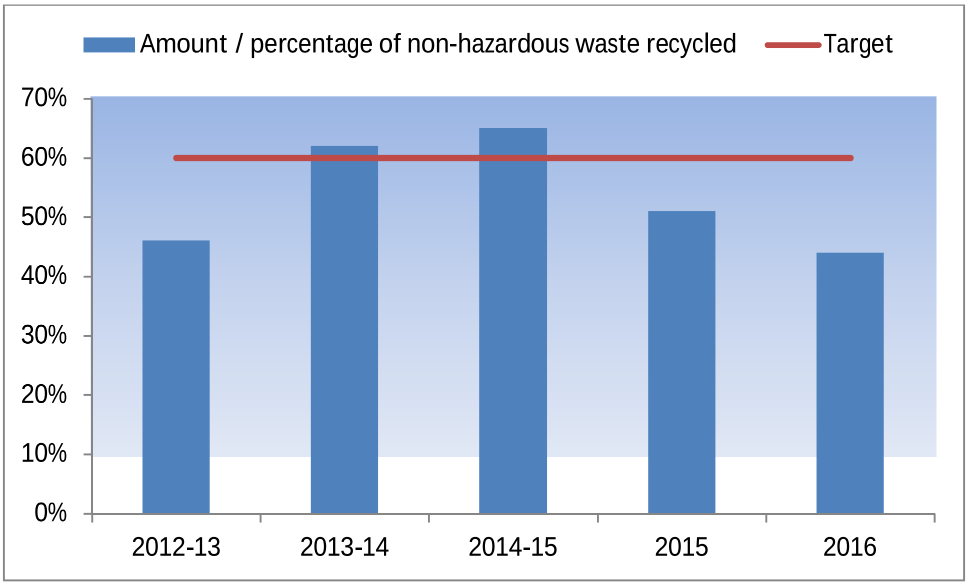
Amount / percentage of non-hazardous waste recycled

Monitoring trigger (threshold) for policy review

Recycling not reaching 60% by 2020

*It is noted that there is not an indicator which monitors the level of diversion from landfill.

5-year trend



RAG Monitoring status

The percentage recycled trend is showing a decline and at present does not look to achieve the 60% by 2020.

Amber

Policy 26: Safeguarding – waste infrastructure

Policy wording

Waste management infrastructure that provides strategic capacity is safeguarded against redevelopment and inappropriate encroachment unless:

a. the merits of the development clearly outweigh the need for safeguarding; or
b. the waste management infrastructure is no longer needed; or
c. the waste management capacity can be relocated or provided elsewhere and delivered;
or
d. the proposed development is part of a wider programme of reinvestment in the delivery of enhanced waste management facilities.

The infrastructure safeguarded by this policy is illustrated on the Policies Map and identified in 'Appendix B - List of safeguarded minerals and waste sites'.

Monitoring indicator

Number of safeguarded sites developed for non-waste uses by Local Planning Authority (LPA) permission, against Waste Planning Authority (WPA) advice

Monitoring trigger (threshold) for policy review

Number of safeguarded sites developed for non-waste uses by LPA permission, against WPA advice = 0

5-year trend

0 over each of the last five years

RAG Monitoring status

No safeguarded sites have been developed for non-waste uses against WPA advice.

Green

Policy 27: Capacity for waste management development

Policy wording

In order to reach the objectives of the Plan and to deal with arisings by 2030 of:

2.62 mtpa of non-hazardous waste;
2.49 mtpa of inert waste;
0.16 mtpa of hazardous waste.

The following minimum amounts of additional waste infrastructure capacity are estimated to be required:

0.29 mtpa of non-hazardous recycling capacity; and
0.39 mtpa of non-hazardous recovery capacity; and
1.4 mt of non-hazardous landfill void.

Proposals will be supported where they maintain and provide additional capacity for non-hazardous recycling and recovery through:

a. the use of existing waste management sites; or
b. extensions to suitable sites:

i. that are ancillary to the operation of the existing site and improve current operating standards, where applicable, or provide for the co-location of compatible waste activities; and
ii. which do not result in inappropriate permanent development of a temporary facility and proposals for ancillary plant, buildings and additional developments that do not extend the timescale for completion of the development; or
c. extension of time to current temporary planning permissions where it would not result in inappropriate development; or
d. new sites to provide additional capacity (see Policy 29 - Locations and sites for waste management).

Monitoring indicator

Capacity and operational status of waste management facilities - provision of additional recycling and recovery capacity:

2011-2015 = 370,000 tonnes
2016-2020 = 205,000 tonnes
2021-2030 = 102,000 tonnes

Monitoring trigger (threshold) for policy review

No net loss of waste management capacity from closure of sites and/or no new recycling or recovery capacity proposals. *(Breach of benchmark over two successive years)*

5-year trend

No net loss over each of the last five years

Additional capacity delivery is shown in Table 1 below.

Table 1: Targets for additional capacity to be delivered and actuals 2011-15

	Target (2011-15)	Actual (2011-15)	Difference
Recycling (tpa)	108,693	16,888	-91,805
Recovery (tpa)	260,904	354,950	94,046
Landfill	0	0	0
Total	**369,597**	**371,838**	**2,241**

RAG Monitoring status

No net loss in waste management capacity over the five years. Whilst it is recognised that there has been a significant amount of less capacity delivered for recycling from 2011-15 against the target, in terms of the total capacity provided for non-hazardous waste, this has been counter balanced by the additional recovery capacity delivered

Green

Policy 28: Energy recovery development

Policy wording

Energy recovery development should:

a. be used to divert waste from landfill and where other waste treatment options further up the waste hierarchy have been discounted; and
b. wherever practicable, provide combined heat and power. As a minimum requirement the scheme should recover energy through electricity production and the plant should be designed to have the capability to deliver heat in the future; and
c. provide sustainable management arrangements for waste treatment residues arising from the facility.

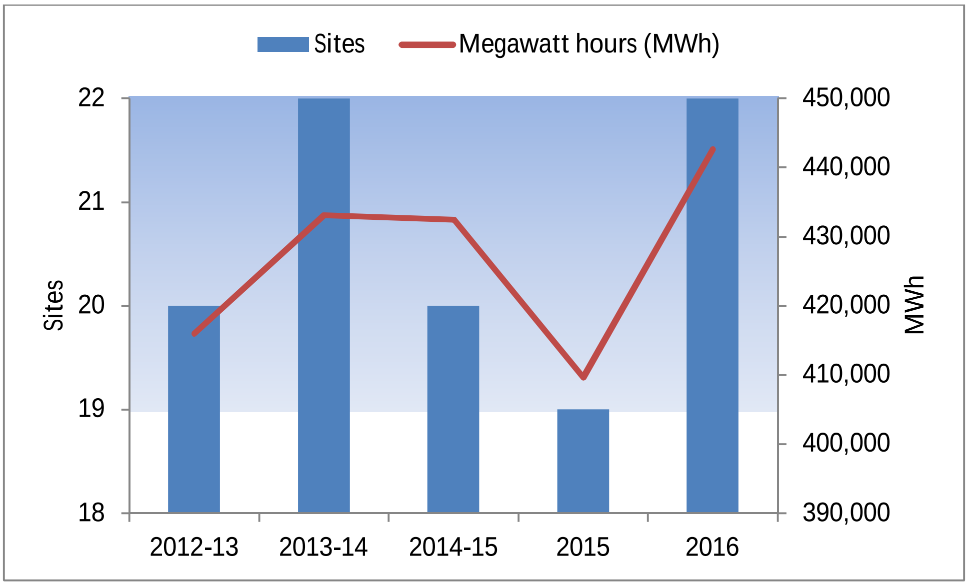
Monitoring indicator

Number of facilities and amount of renewable energy produced

Monitoring trigger (threshold) for policy review

Decrease in number of facilities and/or amount of renewable energy produced *(Breach of benchmark over two successive years)*

5-year trend



RAG Monitoring status

A decrease in the number of facilities and the amount of renewable energy produced occurred during the five years, despite a significant increase in 2016.

Amber

Policy 29: Locations and sites for waste management

Policy wording

1. Development to provide recycling, recovery and/ or treatment of waste will be supported on suitable sites in the following locations:

i. Urban areas in north-east and south Hampshire;
ii. Areas along the strategic road corridors; and
iii. Areas of major new or planned development.

2. Any site in these locations will be considered suitable and supported where it:

a. is part of a suitable industrial estate; or
b. has permission or is allocated for general industry/ storage; or
c. is previously-developed land or redundant agricultural and forestry buildings, their curtilages and hardstandings or is part of an active quarry or landfill operation; or
d. is within or adjoins sewage treatment works and the development enables the co-treatment of sewage sludge with other wastes; and
e. is of a scale compatible with the setting.

3. Development in other locations will be supported where it is demonstrated that:

a. the site has good transport connections to sources of and/or markets for the type of waste being managed; and
b. a special need for that location and the suitability of the site can be justified.

Monitoring indicator

Planning permissions in accordance with Policy 29

Monitoring trigger (threshold) for policy review

Planning permissions not in accordance with Policy 29

5-year trend

Only two planning permissions over the last five years have not been in accordance with Policy 29; one in 2014-15 and one in 2015.

RAG Monitoring status

Two relevant planning permissions have been granted contrary to Policy 29 during the 5-year period.

Amber

Policy 30: Construction, demolition and excavation waste development

<u>Policy wording</u>

Where there is a beneficial outcome from the use of inert construction, demolition and excavation waste in developments, such as the restoration of mineral workings, landfill engineering, civil engineering and other infrastructure projects, the use will be supported provided that as far as reasonably practicable all materials capable of producing high quality recycled aggregates have been removed for recycling.

Development to maximise the recovery of construction, demolition and excavation waste to produce at least 1mtpa of high quality recycled/secondary aggregates will be supported.

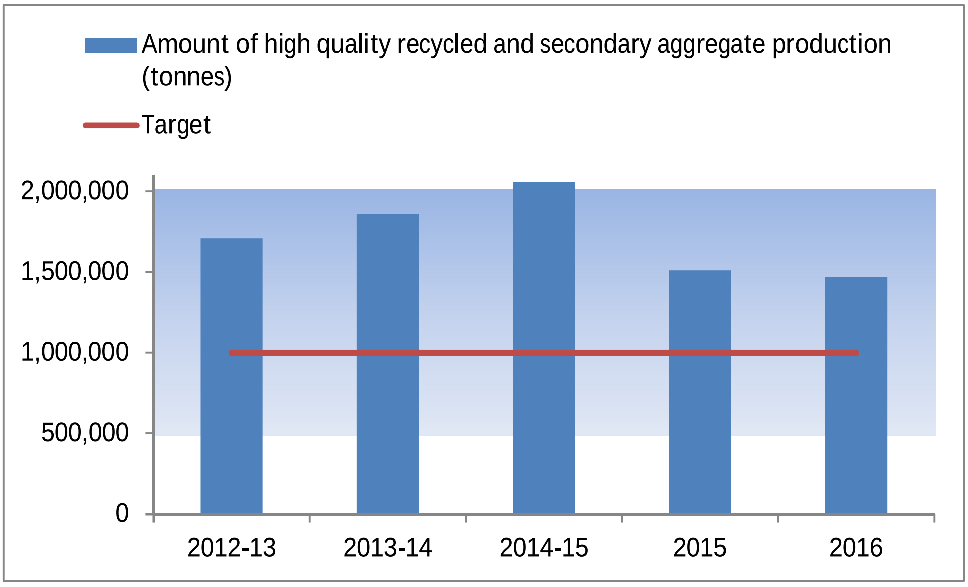
<u>Monitoring indicator</u>

Amount of high quality recycled and secondary aggregate production

<u>Monitoring trigger (threshold) for policy review</u>

Once 1mtpa production reached, production of high quality recycled and secondary aggregate production decreases below 1mtpa *(Breach of benchmark over two successive years)*

<u>5-year trend</u>



RAG Monitoring status

Although production has decreased from 2015, the production level is above 1 mtpa.

Green

Policy 31: Liquid waste and waste water management

Policy wording

Proposals for liquid waste management will be supported, in the case of waste water or sewage treatment plants where: a. there is a clearly demonstrated need to provide additional capacity via extensions or upgrades for waste water treatment, particularly in planned areas of major new development; and b. they do not breach either relevant 'no deterioration' objectives or environmental quality standards; and c. where possible (subject to relevant regulations), they make provision for the beneficial co-treatment of sewage with other wastes and biogas is recovered for use as an energy source in accordance with Policy 28 (Energy recovery development); and in the case of other liquid waste treatment plants: d. they contribute to the treatment and disposal of oil and oil/water mixes and leachate as near as possible to its source, where applicable.

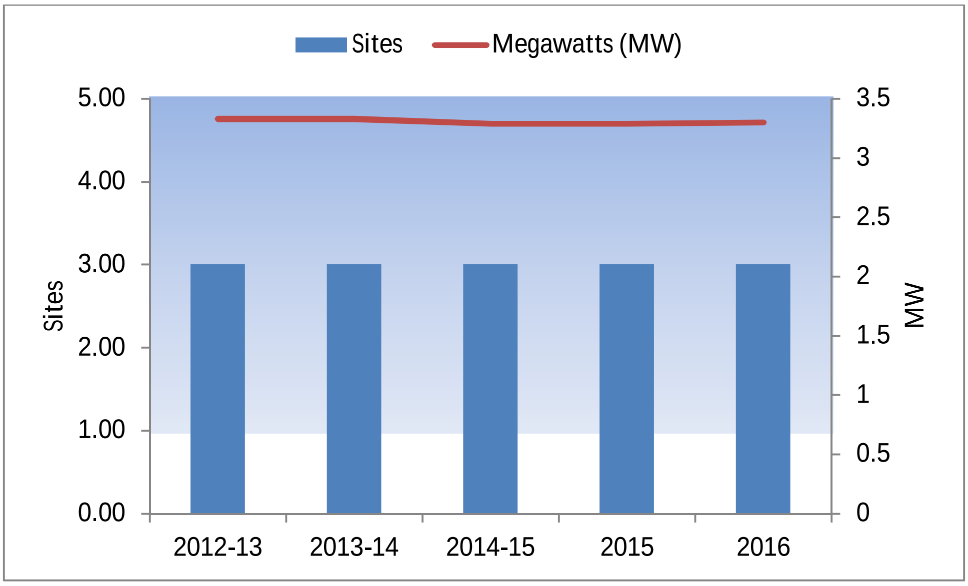
Monitoring indicator

Number of and capacity of Waste Water Treatment Works (WWTW) with co-disposal of liquid wastes and/or biogas recovery

Monitoring trigger (threshold) for policy review

Decrease in number of WWTW and/or capacity for co-disposal of liquid wastes and/or biogas recovery *(Breach of benchmark over two successive years)*

5-year trend



RAG Monitoring status

The number of sites and capacity has not decreased during the 5-year period.

Green

Policy 32: Non-hazardous waste landfill

Policy wording

Development for landfill capacity necessary to deal with Hampshire's non-hazardous residual waste to 2030 will be supported.

Non-hazardous landfill capacity will be provided and supported in accordance with the following priority order:

1. the use of remaining permitted capacity at existing landfill sites:

i. Blue Haze landfill, near Ringwood
ii. Squabb Wood landfill, near Romsey
iii. Pound Bottom landfill, Redlynch

2. proposals for additional capacity at the following existing site provided the proposals address the relevant development considerations outlined in 'Appendix A – Site allocations':

i. Squabb Wood landfill, near Romsey (Inset Map 8)

3. in the event that further capacity is required, or if any other shortfall arises for additional capacity for the disposal of non-hazardous waste, the need may be met at the following reserve area, provided any proposal addresses the relevant development considerations outlined in 'Appendix A - Site allocations':

i. Purple Haze, near Ringwood (Inset Map 12)

4. proposals for additional capacity at any other suitable site where:

a. there is a demonstrated need for non-hazardous landfill and where no acceptable alternative form of waste management further up the waste hierarchy can be made available to meet the need; and
b. there is an existing landfill or un-restored mineral void, except where this would lead to unacceptable continuation, concentration or increase in environmental or amenity impacts in a local area or prolong any impacts associated with the existing development; and
c. the site is not located within or near an urban area, (e.g. using suitable guideline stand-offs from the Environment Agency); and
d. the site does not affect a Principal Aquifer and is outside Groundwater Protection and Flood Risk Zones; and
e. through restoration proposals, will lead to improvement in land quality, biodiversity or public enjoyment of the land; and
f. the site provides for landfill gas collection and energy recovery.

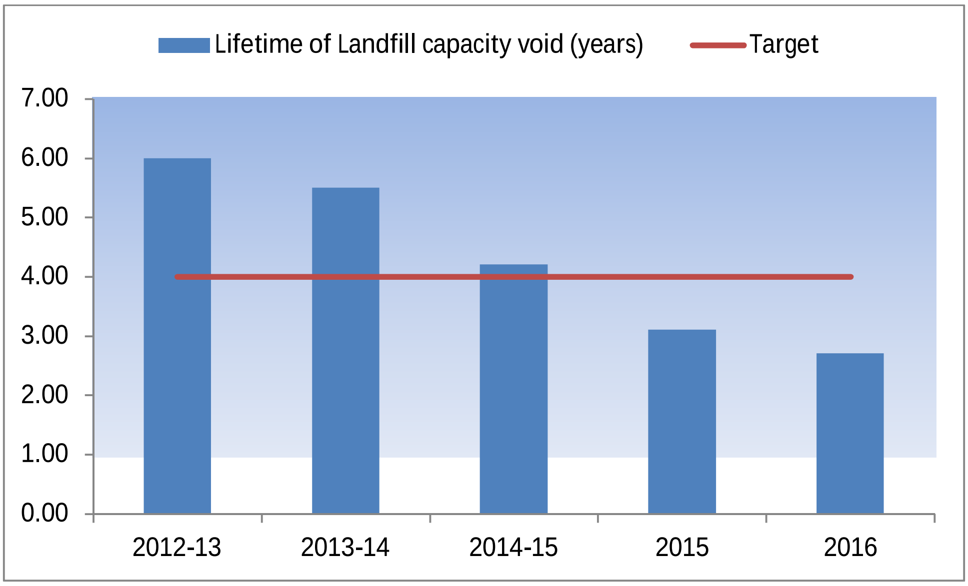
Monitoring indicator

Lifetime of Landfill capacity void

Monitoring trigger (threshold) for policy review

Lifetime of Landfill capacity void drops below four years

5-year trend



RAG Monitoring status

The lifetime of landfill capacity has dropped below four years.

Red

Policy 33: Hazardous and Low Level Radioactive Waste development

Policy wording

Developments to provide sufficient capacity necessary to deal with hazardous and Low Level Radioactive Waste will be supported, subject to:

a. no acceptable alternative form of waste management further up the waste hierarchy can be made available, or is being planned closer to the source of the residues; or
b. in the case of landfill, it will be for material that is a proven unavoidable residue from a waste management activity further up the waste hierarchy and;
c. it will contribute to the management of hazardous or radioactive waste that arises in Hampshire (accepting cross-boundary flows).

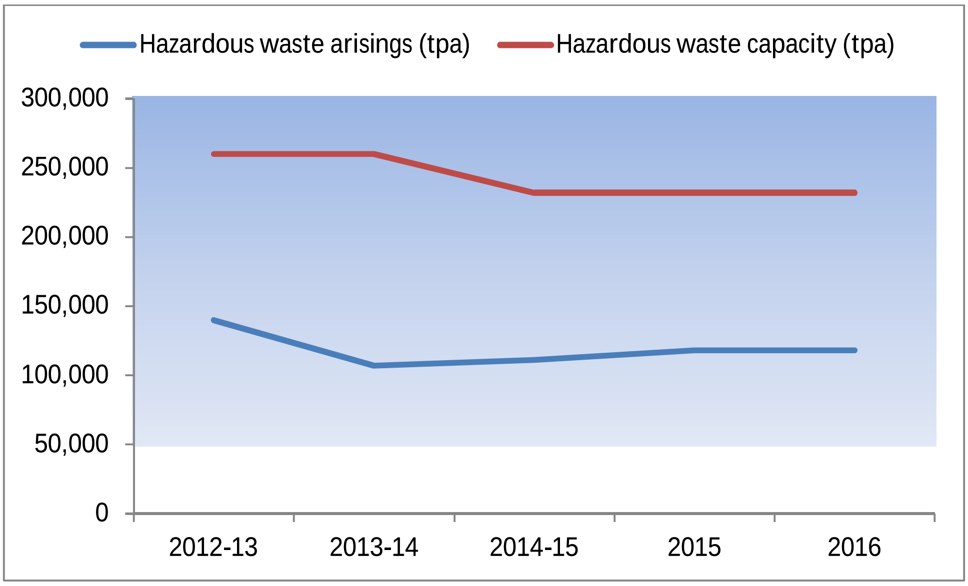
Monitoring indicator

Amount of hazardous waste management arisings and capacity

Monitoring trigger (threshold) for policy review

Hazardous waste management capacity is higher than estimated arisings

5-year trend



RAG Monitoring status

The hazardous waste management capacity has been maintained above the level of arisings during the 5-year period.

Green

Policy 34: Safeguarding potential minerals and waste wharf and rail depot infrastructure

Policy wording

The following areas are safeguarded, so that their appropriateness for use as a minerals or waste wharf or rail depot can be considered, if they become available or are released from their current uses:

i. land located to the north west of Hythe identified in the Port of Southampton Master Plan; and
ii. land identified in the Southampton Core Strategy as operational port land; and
iii. Marchwood Military Port (also known as Marchwood Sea Mounting Centre); and
iv. land at HM Naval Base and commercial port as identified in the Portsmouth Core Strategy for port and employment uses; and
v. existing and former railway siding and other land that could be rail linked.

The locations identified for safeguarding are shown on the Policies Map.

Monitoring indicator

Planning permissions granted contrary to advice of the Minerals Planning Authority (MPA) / Waste Planning Authority (WPA)

Monitoring trigger (threshold) for policy review

Number of planning permissions granted contrary to advice of the MPA/WPA = 0

5-year trend

There has only been once occurrence in the last five years where a planning permission has been granted in a safeguarded area contrary to MPA advice (application 14/00865/OUT, Land at Chapel Hill, Kingsclere, Basingstoke was permitted affecting Basingstoke Sidings). However, this has been specifically safeguarded through Policy 16 and therefore, should not be considered under Policy 34.

RAG Monitoring status

There has been one occurrence of planning permission being granted within a safeguarded area contrary to the MPA/WPA advice. However, this site is not considered under Policy 34.

Green

Summary of Monitoring status

Policy Number & Title	RAG status
Policy 1: Sustainable minerals & waste development	Green
Policy 2: Climate change –mitigation and adaptation	Green
Policy 3: Protection of habitats and species	Green
Policy 4: Protection of the designated landscape	Green
Policy 5: Protection of the countryside	Amber
Policy 6: South West Hampshire Green Belt	Green
Policy 7: Conserving the historic environment and heritage assets	Green
Policy 8: Protection of soils	Green
Policy 9: Restoration of minerals and waste sites	Green
Policy 10: Protecting public health, safety and amenity	Green
Policy 11: Flood risk and prevention	Green
Policy 12: Managing traffic	Green
Policy 13: High-quality design of minerals and waste development	Green
Policy 14: Community Benefits	Red
Policy 15: Safeguarding - mineral resources	Amber
Policy 16: Safeguarding – minerals infrastructure	Green
Policy 17: Aggregate supply -capacity and source	Red
Policy 18: Recycled and secondary aggregates development	Amber
Policy 19: Aggregate wharves and rail depots	Red
Policy 20: Local land-won aggregates	Red
Policy 21: Silica sand development	Red
Policy 22: Brick-making clay	Red
Policy 23: Chalk Development	Amber
Policy 24: Oil and gas Development	Green
Policy 25: Sustainable waste management	Amber
Policy 26: Safeguarding – waste infrastructure	Green
Policy 27: Capacity for waste management development	Green
Policy 28: Energy recovery development	Amber
Policy 29: Locations and sites for waste management	Amber
Policy 30: Construction, demolition and excavation waste	Green
Policy 31: Liquid waste and waste water management	Green
Policy 32: Non-hazardous waste landfill	Red

Policy 33: Hazardous and low level waste development	Green
Policy 34: Safeguarding potential minerals and waste wharf and rail depot infrastructure	Green

3. Issues requiring review

3.1 This section explores in more detail the issues identified through the Monitoring Reports (MRs).

3.2 Consideration is given to the circumstances around the short-term breaches that may have occurred or the potential for an issue to be addressed in the future.

3.3 Where comments have been raised by Plan practioners (namely Development Management or Policy officers) on the implementation of the relevant policy these are also outlined.

3.4 RAG (Red, Amber, Green) Review status is provided for each policy and is determined as follows:

Review shows that the policy does not need to be updated.	Green
Review shows that the policy does not need to be updated but should be kept under review.	Amber
Review shows that the policy triggers the need for the Plan to be updated.	Red

Protection of countryside (Policy 5)

3.5 One planning permission has been granted in the countryside that was contrary to policy over the last five years (2015).

3.6 This was planning application 14/01791/CMA at Stapeley Manor Farm. As the application was a Certificate for Lawful Use (CLU) it is not subject to the same process as a full planning application. Instead the planning authority has to decide whether there is sufficient evidence that the development has been present without issue for a certain amount of time. As the development already exists and the CLU simply acknowledges and regularises this fact, there is no opportunity to attach conditions. This process is set out in national legislation and there is no scope to alter it at a local level.

Relevant national policy updates

3.7 There are no policy updates that have been identified relevant to protection of the countryside.

Should this issue be addressed?

3.8 Taking into account the single circumstances in which an application was granted contrary to policy, it is <u>not considered that the issue needs to be addressed</u> through an update of the Plan.

<u>RAG Review status</u>

3.9 The wording of the policy does not need to be updated.

Green

Safeguarding: Mineral resources (Policy 15)

3.9 In each of the three applications that resulted in sterilisation of the Mineral Safeguarding Area (a total of 19.3 hectares of land), the relevant Mineral Planning Authority (MPA) was consulted and submitted its concerns.

3.10 Subsequent decisions undertaken by the Local Planning Authority were beyond the control of the MPA.

3.11 In February 2016, a Supplementary Planning Document (SPD) on Minerals & Waste Safeguarding[12] was adopted by Hampshire County Council, the New Forest National Park Authority and Portsmouth and Southampton City Councils to assist the implementation of the safeguarding policies set out in the HMWP. Two of the three applications that resulted in sterilisation of the Mineral Safeguarding Area were validated after the adoption of the Supplementary Planning Document, one in June 2016 and one in May 2016. The third application was validated in February 2015, before the SPD was adopted. Engagement is on-going with Districts and Boroughs to raise awareness of safeguarding including raising awareness of the SPD.

3.12 Whilst there has been some sterilisation of resources, the MPAs have also experienced some success in facilitating prior extraction and enabling subsequent development. An example of this is the Whitehill & Bordon relief road[13] the proposed route of which was within the Mineral Safeguarding Area. Where levelling of ground levels and drainage works have taken place as part of the development, the extracted mineral resources have been taken to a local operator and incorporated into the mineral supply.

Relevant national policy updates

3.13 Hampshire County Council is working alongside a selection of other Mineral Planning Authorities, the Minerals Product Association and the Planning Officers Society to update the current guidance on mineral safeguarding. Whilst it is recognised this is not government policy, it is the leading national guidance on mineral safeguarding.

Should this issue be addressed?

3.14 Whilst there have been incidents of sterilisation, the Mineral Planning Authorities are continuing to work proactively to implement the policies and it is not considered that changes are required to the existing policy. Therefore, it is considered that this issue does not need to be addressed through an update of the Plan.

[12] Minerals & Waste Safeguarding in Hampshire – Supplementary Planning Document (2016) - http://documents.hants.gov.uk/planning-strategic/HMWPMineralsandWasteSafeguardinginHampshireSPDFinalFeb2016.pdf
[13] Relief Road (Hybrid) Application: https://planningpublicaccess.easthants.gov.uk/online-applications/applicationDetails.do?activeTab=summary&keyVal=_EHANT_DCAPR_234061

RAG Review status

3.15 The wording of the policy does not need to be updated.

Green

Recycled and secondary aggregate (Policy 18)

3.16 During 2012 to 15 there was a steady increase in recycled and secondary aggregate production. However, there has been a significant decrease in capacity between 2015 and 2016.

3.17 This drop (in one year) does not indicate a year on year decrease. However, this threshold could be breached should a downwards trend continue.

3.18 It should be noted that this policy also relates to Policy 30 (Construction, demolition and excavation waste development) which supports development to maximise the recovery of construction, demolition and excavation waste and seeks to maintain at least 1 million tonnes per annum (mtpa) of capacity. Whilst there has been a drop in capacity, the capacity requirement has been met.

3.19 As capacity has been maintained but sales have declined, this suggests that there is a change in the market in relation to recycled and secondary aggregates.

3.20 Discussions with operators[14] have highlighted that there could be further reduction in capacity as demand for housing increases and there is completion for sites with good transport connections. Issues have also been raised regarding the availability of good quality inert material for recycling. It is considered that this is impacted further on demolition sites where the use of crushers on-site means that material never enters the market.

3.21 This will place greater emphasis on the safeguarding of minerals infrastructure to ensure that careful consideration is given to the potential loss of sites and the maintenance of capacity.

Relevant national policy updates

3.22 The government's 25 Year Environment Plan (January 2018) includes the goal of zero avoidable waste by 2050 and to transition towards a circular economy. Specifically, this involves doubling resource efficiency and minimising environmental impacts at products' end of life by; looking at the whole life-cycle to promote their recycling/reuse wherever possible. Following this Plan, the government will publish a Resources and Waste strategy in the latter half of 2018.

Should this issue be addressed?

3.23 Whilst it is recognised that there has been a decline in sales of recycled and secondary aggregate, Policy 18 seeks to encourage this form of development recognising its importance in aggregate supply. The recent decline in sales may be due to market changes and this is something that cannot be influenced by the MPAs. Therefore, it is considered that this issue does not need to be addressed through an update of the Plan.

[14] Source: Correspondence regarding safeguarding status of aggregate recycling site (2017).

RAG Review status

3.24 The wording of the policy does not need to be updated but the level of sales should continue to be monitored in case of continued decline.

Amber

Chalk (Policy 23)

3.25 Chalk is a plentiful mineral in Hampshire and although there is now only limited demand, there are a number of existing and active extraction sites.

3.26 The HMWP supports small-scale extraction of chalk which is defined as up to 25,000 tonnes per annum. During the 5-year period, the amount extracted exceeded this level to a limited extent[15] and has since returned to a level within the threshold.

3.27 There are currently two active chalk sites in Hampshire. No new chalk extraction permissions have been granted in the past 5 years. However, an application was submitted for a new chalk quarry at Monk Sherborne[16] in 2018 and is currently being considered.

3.28 It is recognised that markets change over time and therefore, the demand for chalk may increase during the Plan period. Monitoring extraction allows this to be reviewed.

Relevant national policy updates

3.29 There are no policy updates that have been identified relevant to chalk extraction.

Should this issue be addressed?

3.30 It is considered that should the level of extraction increase significantly and for a prolonged period, this could suggest that the policy approach needs to be reviewed.

3.31 Within 5 years, there is no clear evidence that the markets have shifted significantly to demonstrate a review of the current policy approach to chalk. It is considered that the existing policy sufficiently seeks to meet local demand. Therefore, it is considered that <u>this issue does not need to be addressed</u> through an update of the Plan.

<u>RAG Review status</u>

3.32 The wording of the policy does not need to be updated.

Green

[15] Actual figure cannot be released due to commercial confidentiality.
[16] Chalk Quarry Application: https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=19053

Sustainable waste management (Policy 25) & Capacity for waste management (Policy 27)

3.33 Policy 25 seeks to make provision to be made for the management of non-hazardous waste arising, based on the expectation that certain targets will be achieved by 2020: 60% recycling; and 95% diversion from landfill.

3.34 These targets sought to take into account the targets established by the revised Waste Framework Directive: 50% recycling of household (and similar non-hazardous) wastes; and 70% recovery of inert.

3.35 At present, the trend for recycling non-hazardous waste has been declining since 2014/15 to below 50% in 2016 which suggests that the Waste Framework Directive target will also not be met.

3.36 The Plan does not include a monitoring indicator related to landfill diversion of non-hazardous waste. However, Policy 25 covers this aspect of waste management as well. The amount of waste removed from sites in Hampshire and going to landfill has been 13% in 2011, 12% in 2012, 9% in 2013, 8% in 2014, 10% in 2015 and 15% in 2016. The recent increase of the percentage of waste going to landfill corresponds to the decrease in recycling rates and to a parallel increase in waste going to incinerators. It also corresponds with significant changes in waste tonnages, with a high of 4 million tonnes in 2014 compared to 2 million tonnes in 2016. In fact, the amount of waste going to landfill has slowly been reducing from around 400,000 to at around 300,000 tonnes, and it is the changes in the total waste have led to the differing percentages of waste going to landfill.

3.37 The reduction of the amount of waste going to landfill also corresponds to a reduction the waste landfill capacity in Hampshire, indicative of a general trend that less waste is going to landfill and therefore less landfill capacity is needed. This is discussed further under Policy 32.

3.38 Overall, it is difficult to asses the direction of travel of landfilled waste, however at no point has it yet reached the level of 95% that the Plan aims for. As additional recycling and recovery capacity has been delivered, whereas no new landfills have been provided, there is no indication that the Plan policies are not encouraging landfill diversion, even if the targets have not been reached.

3.39 Policy 27 (Capacity for waste management development) outlines the minimum capacity requirements for making provision for dealing with waste arising within Hampshire up to 2030.

3.40 The trigger for Policy 27 has not been met as there has been no net loss in waste management capacity. There are also monitoring indicators in place to track progress on waste management provision. These show that additional waste management capacity is being provided to meet projected demand, although there has been a greater level of recovery provision rather than recycling.

3.41 Whilst the type of waste management provision is recovery rather than recycling, this provision is market driven which is something that the Waste Planning Authorities cannot influence. The required capacity levels in Policy 27 are also minimum amounts of provision.

3.42 Campaigns to change behaviour of local residents to increase recycling rates have also been put in place by the plan-making Authorities and although these are hoped to influence the level of recycling, are not planning issues.

Relevant national policy updates

3.43 The government's 25 Year Environment Plan (published January 2018) includes the goal of zero avoidable waste by 2050 and to transition towards a circular economy. Specifically, this involves doubling resource efficiency and minimising environmental impacts at products' end of life by; looking at the whole life-cycle to promote their recycling/reuse wherever possible. Following this Plan, the Government will publish a Resources and Waste strategy in the latter half of 2018.

3.44 The goal of improving recycling rates is likely to be encumbered by China's recent ban on imported plastics. The UK exports almost two-thirds of its waste to China and waste management companies lack the capacity in the UK to dispose of recyclable materials appropriately. Furthermore, there is uncertainty post-Brexit, regarding how the UK will design future targets in areas such as recycling and landfill. Specifically, whether the European Union's Circular Economy Package (CEP) goals will be maintained, filtered or enhanced. Industry leaders are also uncertain whether sources of funding for companies that build more sustainable waste management facilities will be replaced.

3.45 In March 2018, the Government approved plans for a bottle and can deposit scheme in attempt to reduce pollution and increase recycling rates.

Should this issue be addressed?

3.46 There is a lack of ability of Waste Planning Authorities to influence markets and due to the UK leaving the EU and recent Government announcements on waste, there is currently a high level of uncertainty over waste management provision requirements nationally.

3.47 The monitoring of Policy 25 suggests that the recycling target of 60% by 2020 is unlikely to be met. However, while increased recycling rates are the aim, the policy itself relates to the provision of waste management capacity as this is what the WPA can influence. Policy 27 sets out the specific required provision of waste management and within the 5-year period, sufficient capacity has been delivered, albeit more focused on recovery than recycling.

3.48 Policy 27 enables provision of waste management and as the requirements are set at a minimum, the Policy is considered sufficiently flexible to allow additional waste management to be delivered, should this be required. The ability of the Policy to provide waste management has been monitored and is shown to be delivering. Therefore, it is considered that this issue does not need to be addressed through an update of the Plan.

RAG Review status

3.49 Whilst the policy is delivering the required level of capacity, the type of waste management could be aligned with the waste hierarchy than is currently happening.

Amber

Energy recovery (Policy 28)

3.50 During the 5 years, there was a decline in the number of sites and energy produced from energy recovery developments in 2014 and 2015. 2016 saw a significant increase in the amount of energy produced, potentially due to improved reporting from sites. A variety of waste sites produce energy including landfill sites, energy from waste facilities, waste water treatment works, combined heat and power and anaerobic digestion sites.

3.51 Policy 27 (Capacity for waste management development) outlines the minimum capacity requirements for making provision for dealing with waste arising within Hampshire up to 2030. Monitoring of Policy 27 shows that whilst waste management provision is being made, more recovery development is being developed than recycling. Monitoring of Policy 28 suggests that, generally at a minimum, energy recovery development is producing electricity as the amount of energy produced is tracking the trend of the delivery of sites.

3.52 Energy recovery helps to divert waste from landfill. However, despite the increase in energy recovery development, the amount of waste being diverted from landfill is not yet reaching the target of 95% (see Policy 25).

Relevant national policy updates

3.53 As part of their strategy to improve the management of residual waste, the Government have set out in their 25 Year Environment Plan[17], aims to explore methods of cutting carbon dioxide emissions from Energy from Waste (EfW) facilities. These include managing the amount of plastics in the residual waste stream and also increasing the use of heat produced through better connections to heat networks. They are also looking at managing residual waste beyond electricity, in the production of biofuels.

3.54 Improving energy efficiency to reduce emissions of air pollution and carbon is also a goal in the Government's recent draft Clean Air Strategy, which will sit alongside the Environment Plan. It is currently out for consultation[18].

Should this issue be addressed?

3.55 Although during the 5-year period, the provision of energy recovery development has been varied, monitoring data suggests that at a minimum, sites are producing electricity which can be considered renewable. Therefore, it is considered that <u>this issue does not need to be addressed</u> through an update of the Plan.

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[17] 25 Year Environmental Plan (2017) - https://www.gov.uk/government/publications/25-year-environment-plan

[18] Draft Clean Air Strategy (2018) - https://www.gov.uk/government/consultations/air-quality-draft-clean-air-strategy-2018

RAG Review status

3.56 The wording of the policy does not need to be updated.

Green

Locations and sites for waste management (Policy 29)

3.57 During the 5-year period, two planning permissions have been permitted that are contrary to Policy 29.

3.58 One of these permissions had the special circumstance of being very close to the waste produced[19] and the other was a certificate of lawful use where it is a matter of regularising an existing use[20]. The exceptional nature of these permissions indicates that the problem was not the policy itself.

3.59 Plan practitioners have raised concerns regarding the wording and definitions contained within Policy 29. In particular, the highway element of the policy which includes terms 'good transport connections' and 'local' were highlighted as presenting issues as the terminology is open to interpretation. Additionally, phrases such as 'special need' and curtilage have previously encountered objections. This has led to difficulties where the policy is tested and placed under scrutiny.

Relevant national policy updates

3.60 There are no policy updates that have been identified relevant to the locational criteria for waste sites.

Should this issue be addressed?

3.61 During the 5 years, only two permissions have been granted contrary to Policy 29, both considered exceptions either due to a specific waste or the Certificate of Lawful Use permission process. Greater scrutiny has also shown that in some circumstances, the lack of clarity of the terminology used within the Policy has led to difficulties in implementation.

3.62 It is recognised that the policy would benefit from clarification of these terms, but it is not considered necessary to update the Plan in order to make these improvements. Therefore, it is considered that <u>this issue does not need to be addressed</u> through an update of the Plan.

<u>RAG Review status</u>

3.63 The wording of the policy would benefit from clarification which should be kept under review.

Amber

[19] Breamore Marsh, Breamore Estate Lane, Nr Fordingbridge SP6 2DF: 14/11272

[20] Stapeley Manor Farm, Long Lane, Odiham, Hook Hampshire RG29 1JE: 14/01791/CMA

Long-term safeguarding (Policy 34)

3.64 During the 5-year period, there has only been once occurrence where a planning permission has been granted in a safeguarded area (application 14/00865/OUT, Land at Chapel Hill, Kingsclere, Basingstoke was permitted affecting Basingstoke Sidings).

3.65 However, although the site is an 'existing' siding (as per (v) of Policy 34), the site is included in the HMWP as an allocation and therefore, is monitored under Policy 16 (Safeguarding – minerals infrastructure).

3.66 None of the listed areas in Policy 34 have been subject to safeguarding consultations.

3.67 The Mineral Planning Authority continues to engage the Local Planning Authorities with regards to Safeguarding. In addition, a Minerals and Waste Safeguarding Supplementary Planning Document (adopted in February 2016) was produced to further assist ongoing engagement.

Relevant national policy updates

3.68 Although not National Policy, in 2016, the Port of Southampton Port Master Plan – Consultation Draft was published by Associated British Ports (ABP)[21]. The draft Master Plan covers 2016 to 2035 and outlines the proposals for the strategic land reserve at Dibden Bay.

3.69 This area is referred to as "land located to the north west of Hythe" in part (i) of Policy 34. As these expansion proposals are progressed by ABP, the draft Port Master Plan makes specific reference to Policy 34 of the HMWP (see para. 3.22).

Should this issue be addressed?

3.70 The permission granted contrary to safeguarding advice is not considered relevant to Policy 34 in this instance. The draft Port Master Plan produced by ABP does recognise the relevance of the HMWP and specifically Policy 34. Therefore, it is considered that <u>this issue does not need to be addressed</u> through an update of the Plan.

<u>RAG Review status</u>

3.71 The wording of the policy does not need to be updated.

Green

[21]Port of Southampton Port Master Plan 2016-2035: Consultation Draft (Associated British Ports, 2016) - http://www.southamptonvts.co.uk/admin/content/files/New%20capital%20projects/Master%20Plan%202016/Master%20Plan%202016%20-%202035%20Consultation%20Document%20Oct%202016.pdf

Summary of Review status

Policy Number & Title	RAG status
Policy 5: Protection of the countryside	Green
Policy 15: Safeguarding - mineral resources	Green
Policy 18: Recycled and secondary aggregates development	Amber
Policy 23: Chalk Development	Green
Policy 25: Sustainable waste management	Amber
Policy 27: Capacity for waste management development	Amber
Policy 28: Energy recovery development	Green
Policy 29: Locations and sites for waste management	Amber
Policy 34: Safeguarding potential minerals and waste wharf and rail depot infrastructure	Green

4. Issues to be reviewed and may need to be addressed

4.1 This section explores in more detail the issues identified through the Monitoring Reports (MRs).

4.2 Consideration is given to the circumstances around the short-term breaches that may have occurred or the potential for an issue to be addressed in the future.

4.3 Where comments have been raised by Plan practitioners (namely Development Management or Policy officers) on the implementation of the relevant policy these are also outlined.

4.4 A RAG (Red, Amber, Green) Review status is provided for each policy and is determined as follows:

Review shows that the policy does not need to be updated.	Green
Review shows that the policy does not need to be updated but should be kept under review.	Amber
Review shows that the policy triggers the need for the Plan to be updated.	Red

Community benefits (Policy 14)

4.5 In the past five years, no major applications have resulted in community benefits. Therefore, the percentage of applications is less than 50%.

4.6 However, implementation of this policy has highlighted that it does not relate directly to work done by the Minerals or Waste Planning Authority (MWPA) as it refers to bilateral agreements that do not include the MWPA. The policy provides more of a position in support of these separate agreements.

4.7 It is also difficult to monitor on an annual basis as such agreements can take time to be established and implemented and lie outside of the planning process. There is also no obligation for such agreements to be reported to the MWPA.

Relevant national policy updates

4.8 In 2016, the Government announced a community benefits funding scheme for host communities for shale gas - Shale Wealth Fund. In addition, the shale gas industry sets out its commitment to community engagement in its Charter. The Charter sets out what communities can expect from companies developing shale in their areas. This includes a commitment to a package for communities that host shale development which includes £100,000 in community benefits per well-site where fracking takes place (at exploration stage), 1% of revenues will be paid out to communities (at production).

Should this issue be addressed?

4.9 It is considered that this issue does not need to be addressed through an update of the Plan. However, should an update occur, it is considered that this Policy could be removed and support for community benefits provided in the supporting text of Policy 1.

RAG Review status

4.10 The wording of the policy does need to be updated but does not trigger a need to update the Plan.

Amber

Aggregate supply – capacity and resource (Policy 17)

4.11 Although Policy 17 states that an adequate and steady supply of sand and gravel will be provided for Hampshire until 2030 at a rate of 1.56 million tonnes per annum (mtpa), the delivery of this landbank provision falls to Policy 20 (Local land-won aggregates) which enables the development to meet this requirement. Therefore, this issue is reviewed in 'Local land-won aggregate (Policy 20)).

4.12 Whilst the maintenance of the landbank is monitored through Policy 20, the rate by which is this is calculated – 1.56 mtpa of sand and gravel – is set out in Policy 17. When the HMWP was prepared, the 'apportionment' figure was based on an average figure of 10-years land-won aggregate sales. Sales during this period (2001-2010) peaked in 2001 at 2.29 mtpa of land-won aggregate but then showed a steady decline.

4.13 Table 2 shows the 10-year (yr) average (Av.) sales in 2016 for the period 2007-2016. This also shows the peak at the 2007 and a general steady decline in sales, until 2012 where sales have gradually risen year on year. Both the 10-year and 3-year averages are significantly below the 1.56 mtpa of which 0.28 mtpa should be soft sand.

Table 2: 10-year average sales in million tonnes per annum 2007-2016

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Last 3-yr Av.	Last 10-yr Av.
Soft sand sales	0.18	0.29	0.1	0.14	0.12	0.16	0.12	0.11	0.12	0.2	0.14	0.15
Sharp sand & gravel sales	1.3	0.98	0.95	0.84	0.71	0.58	0.73	0.78	0.71	0.75	0.75	0.83
Total	1.49	1.27	1.05	0.98	0.83	0.75	0.85	0.88	0.83	0.95	0.89	0.99

4.14 Mineral Planning Authorities are required through the NPPF to produce annual Local Aggregate Assessments[22] (LAA). The LAA reports on the landbank. In the Hampshire LAA[23], this is calculated using the 'Local Requirement' (the 1.56 mpta apportionment) as the well as the 10-year and 3-year averages. The NPPF requires a landbank of at least 7 years[24] of permissions. A landbank calculated using the Local Requirement rate of 1.56 mtpa provides a lower landbank than those calculated based on the 10- or 3-year average as the figure is significantly higher (see Table 3).

[22]NPPF (Para. 207) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf
[23] Hampshire Local Aggregate Assessment - http://documents.hants.gov.uk/mineralsandwaste/2017LocalAggregateAssessment.pdf
[24] NPPF (Para. 207)

Table 3: Sand and gravel landbank provision in 2016

	Permitted Reserve	Landbank based upon Local Requirement	Landbank based upon 10-yr Av. sales between 2007-2016	Landbank based upon 3-yr Av. sales between 2007-2016	Landbank based upon 2016 sales
	Million tonnes	Years			
Soft sand	0.7	2.5	4.67	5.0	3.5
Sharp sand & gravel	6.8	5.31	8.19	9.07	9.07
Total	8.9	5.71	8.99	10	9.37

4.15 Whilst Policy 17 states a provision of 1.56 mtpa of sand and gravel, this was a point in time and could be argued to no longer be relevant. As the requirement within the NPPF is for at least 7 years, using this Local Requirement rate has the impact of reducing the landbank which may not reflect the current market conditions.

4.16 Tables 2 and 3 highlights that the provision of soft sand does not meet the required 0.28 mtpa as specified by Policy 17. Soft sand supply is recognised as a regional issue and is a regular item of discussion at the South East England Aggregate Working Party meetings[25].

4.17 A number of Mineral Planning Authorities in the South East have soft sand resources that are constrained by designations such as Areas of Outstanding Natural Beauty (AONBs) or National Parks. National Policy states that ‘as far as practical’ landbanks should be maintained by minerals from ‘outside’ National Parks and AONBs[26].

4.18 Mineral Planning Authorities in the South East are preparing a Position Statement on Soft Sand which will set out the existing supply situation, relevant national and local policy and the issues regarding supply. It is envisaged that this Position Statement will then form the basis of Statements of Common Ground between Authorities.

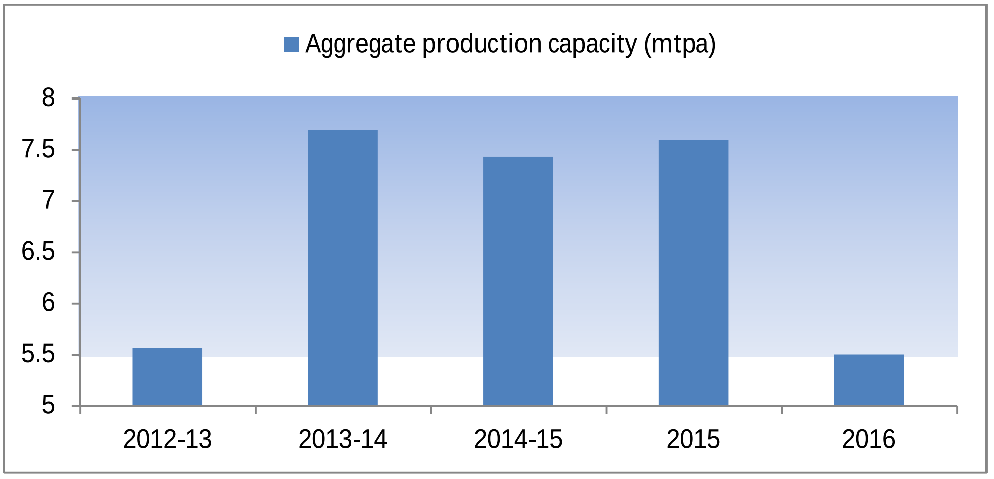
4.19 As with sharp sand and gravel, the 10- and 3-year sales averages in Table 2 suggest that the 0.28 mtpa is higher than the actual level demand in Hampshire. The application of the Local Requirement rate, 10-year and 3-year average sales all result in a landbank lower than the required 7 years.

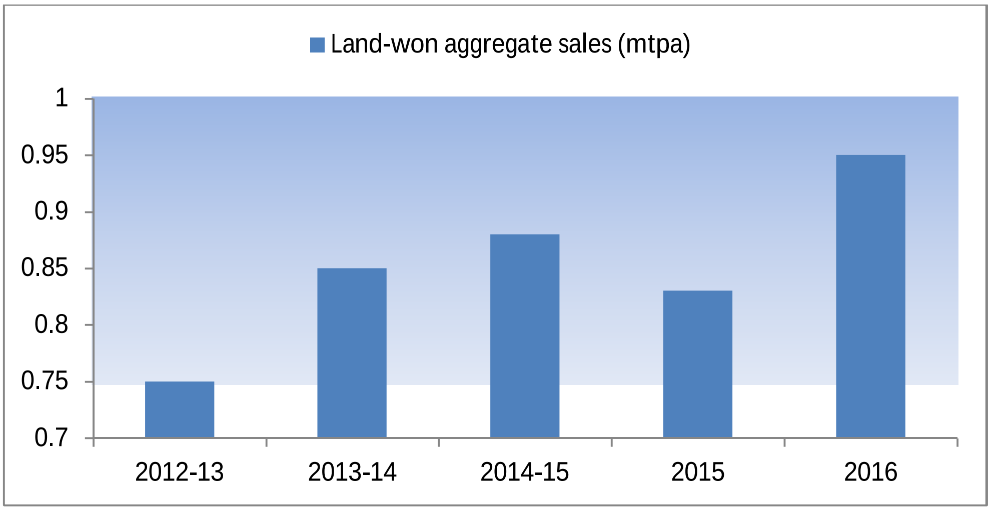
4.20 The remaining part of Policy 17 seeks to safeguard and develop infrastructure to ensure aggregates can be provided at specific rates: 1 mtpa of recycled and secondary aggregate; 2 mtpa of marine-won aggregate; and 1 mtpa of limestone by rail.

[25] SEEAWP Minutes: https://www.hants.gov.uk/landplanningandenvironment/seeawp/seeawpdocuments
[26] NPPF (2018) (Para. 205) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf

4.21 Monitoring seeks to ensure there is no significant reduction (more than 556,000 tonnes) in capacity for aggregate production as well as a reduction in land-won sales.

4.22 The Monitoring data shows that whilst the sales of land-won aggregate have increased significantly between 2015 and 2016, there has been a greater reduction in aggregate production capacity in this period. This would suggest that there is not sufficient capacity to meet demand.





4.23 The review of Policy 30 (see 'Construction, demolition and excavation waste development' (Policy 30)) showed that capacity provision remained above 1 mtpa but that capacity had reduced during 2015 and 2015.

4.24 The provision of marine-won aggregate is generally determined by wharf capacity which is where marine-won aggregate is landed. Policy 19 considers capacity of wharves and rail depots in more detail (see 'Aggregate wharves and rail depots' (Policy 19)). However, the monitoring data shows that there has been a decrease in wharf capacity in 2016.

4.25 It should be noted that in 2016, capacity was surveyed for the first time through the Aggregate Monitoring (AM) survey. Prior to receipt of this data, capacity had been judged on the highest level of sales in previous years. It is recognised that circumstances may change at sites over time which can impact on capacity and it is believe this is what has resulted in the reduction of capacity.

4.26 In addition, Tipner Wharf in Portsmouth has now been redeveloped. This regeneration proposal was recognised in the HMWP and therefore, the site was not safeguarded.

4.27 It should also be noted that an application was submitted to extend Kendalls Wharf in Portsmouth[27]. However, this application has stalled as the proposed compensation measures have not been approved by Natural England.

4.28 In relation to rail depots, capacity was also surveyed through the AM survey in 2016. This concluded that a 1 mtpa capacity remained at the existing rail depots. No new rail depot proposals have come forward in the last 5 years.

4.29 The monitoring trigger for Policy 17 is a reduction of 556,000 tonnes in capacity. The 556,000 tonnes are a 10% reduction of the total aggregate capacity (including land-won). Whilst there has been a slight reduction in capacity in the wharves, the most significant lack in capacity is at land-won sites (see Table 4). However, the ability to deliver the required capacity is driven by Policy 20.

Table 4: Aggregate supply capacity in 2016

	Target rate	**Sales**	**Capacity**	**% Sales / Production**
	mtpa	Mt		%
Land-won Aggregate	1.56	0.95	1.13	84%
Soft Sand	0.28	0.2	0.25	80%
Sharp Sand and Gravel	1.28	0.75	0.88	85%
R/S sites	1.0	0.83	1.8	46%
Wharves	2.0	1.55	1.57*	99%*
Rail Depots	1.0	0.4	1	40%

Footnotes

Source: Aggregate Monitoring Survey, 2016. Please note this was the first year that capacity data was collected from site operators, and as such, results should be treated with caution.

*Capacity is based upon sales data as capacity information not provided by operators

Relevant national policy updates

4.30 In 2017, the white paper 'Fixing our broken housing market'[28] was published which set out a broad range of reforms that the government intends to introduce to help reform the housing market and increase the supply of new homes. The paper states that

[27] Kendalls Wharf Application - http://publicaccess.portsmouth.gov.uk/online-applications/applicationDetails.do?keyVal=OWVWPNMOHRB00&activeTab=summary

[28] Fixing our broken housing market (2017) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590463/Fixing_our_broken_housing_market_-_accessible_version.pdf

225,000 to 275,000 or more homes per year are required to keep up with population growth and tackle under supply. The paper also recognises that development of communities is also required which does not just mean building homes but also roads, rail links, schools, shops, GP surgeries etc.

4.31 The Minerals Product Association reports that the construction of a typical home requires 12 tonnes of mortar and 200 tonnes of aggregate, school requires 15,000 tonnes of concrete and a community hospital would require 53,000 tonnes of concrete[29]. These figures highlight the need for a steady and adequate supply of aggregate to support the governments drive for delivering homes and infrastructure.

Should this issue be addressed?

4.32 Policy 17 states that provision of 1.56 mtpa of sand and gravel will be provided of which 0.28 mtpa will be soft sand. Whilst it is recognised that this Local Requirement rate no longer reflects the current market, it is not the determining factor in sand and gravel provision. The landbank is used to determine whether a steady and adequate supply of sand and gravel can be maintained. The provision of the landbank is met through the implementation of Policy 20.

4.33 Soft sand supply is recognised as a regional issue and is being address by Mineral Planning Authorities through the use Position Statements and Statements of Common Ground. Therefore, whilst the Local Requirement rate no longer reflects current market, retaining this figure in the Plan does not prevent a steady and adequate supply of sand and gravel. Whilst a higher Local Requirement rate could be argued to create an over provision of sand and gravel, the Government is seeking to increase the delivery of housing and infrastructure and therefore, the Local Requirement rate allows for an up lift in demand and maintenance of supply. As such, it is considered that this issue does not need to be addressed through an update of the Plan.

4.34 In relation to capacity, it is recognised that there has been a reduction in capacity, and that in 2016 the capacity at wharves was below the required 2.0 mtpa. However, the Policy seeks to maintain this level and is not a cap which would prevent further development. Therefore, whilst monitoring suggests that capacities may be reducing the Policy can be used to support further development to enable the capacities to be maintained. As such, it is considered that this issue does not need to be addressed through an update of the Plan.

RAG Review status

4.35 The wording of the policy does not need to be updated but should be kept under review to ensure that it is continuing to enable the right provision of mineral supply.

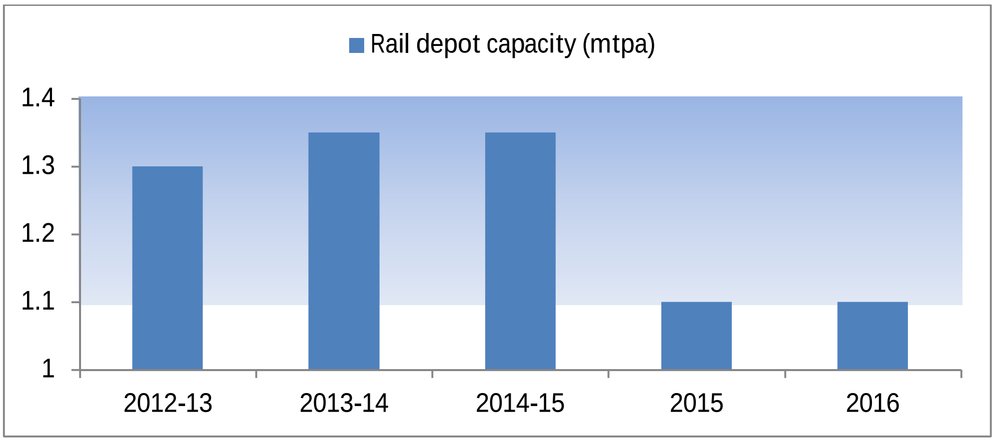
Amber

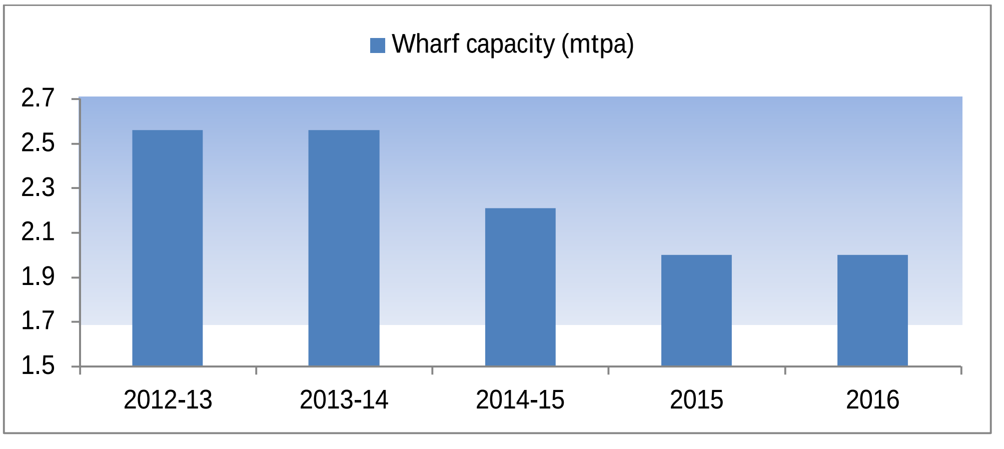
[29] Mineral Products Association – Facts at a Glance (2018) - http://www.mineralproducts.org/documents/Facts-at-a-Glance-2018.pdf

Aggregate wharves and rail depots (Policy 19)

4.36 Policy 19 seeks to ensure that there is sufficient wharf and rail capacity for the importation of marine-won sand and gravel and other aggregates. Capacity is to be provided by existing sites, allocated sites and criteria for determining new proposals.

4.37 The level of capacity of both wharves and depots during the 5-year period are declining but with no significant change between 2015 and 2016.





4.38 In relation to wharves, the monitoring trigger is a reduction of more than 256,000 tonnes per annum (10% of 2.56 mtpa). A significant reduction (350,000 tpa (top estimate)) occurred during 2014-2015 with the loss of Tipner Wharf which was considered unsuitable for wharf operations.

4.39 It should be noted that in 2016, capacity was surveyed for the first time through the Aggregate Monitoring (AM) survey. Prior to receipt of this data, capacity had been judged on the highest level of sales in previous years. It is recognised that circumstances may change at sites over time which can impact on capacity and it is believe this is what has resulted in the reduction of capacity.

4.40 In addition, Tipner Wharf in Portsmouth has now been redeveloped. This regeneration proposal was recognised in the HMWP and therefore, the site was not safeguarded.

4.41 It should also be noted that an application was submitted to extend Kendalls Wharf in Portsmouth[30]. However, this application has stalled as the proposed compensation measures have not been approved by Natural England.

4.42 No new wharf sites have been proposed. However, the safeguarded area 'land located to the north west of Hythe' (also known as Dibden Bay) has been included as a strategic land reserve in the Port of Southampton Port Master Plan – Consultation Draft which was published by Associated British Ports (ABP)[31] in 2016. The draft Master Plan covers 2016 to 2035 and recognises that the strategic land reserve is safeguarded through Policy 34 (see 'Safeguarding potential minerals and waste wharf and rail depot infrastructure' (Policy 34). Should this proposal come forward, consideration will need to be given to the provision of a minerals (and possibly waste) wharf as part of the development. This could have wider implications for existing wharves in the Southampton area. Should the capacity be viewed as a replacement to existing wharf capacity, these sites may be viewed as potential waterside regeneration sites.

4.43 In relation to rail depots, the monitoring trigger is a reduction of more than 130,000 tonnes per annum in capacity (10% of 1.3 mtpa). A significant reduction occurred during 2014-2015. As there was no change in the number of sites, it is assumed that this was due to changes to the operations on the site leading to reports of reduced capacity.

4.44 There are two allocated aggregate rail depot sites in the HMWP: Basingstoke Sidings; and Micheldever Sidings. Whilst there has been some limited interest raised regarding Basingstoke Sidings in the 5-year period, no formal discussions have been held or applications submitted for either of the allocations.

4.45 Micheldever Sidings has featured in previous plans but has not come forward for development.

Relevant national policy updates

4.46 In 2016, the Government announced a programme of development of railway stations and surrounding land to deliver homes and jobs to boost local growth[32]. Network Rail and the Homes and Communities Agency will work with local councils to identify development opportunities with the ambition of delivering 10,000 new homes. Proposals have already been drawn up in York, Taunton and Swindon to deliver housing and regeneration. In order to release land for regeneration, Network Rail will

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[30] Kendalls Wharf Application - http://publicaccess.portsmouth.gov.uk/online-applications/applicationDetails.do?keyVal=OWVWPNMOHRB00&activeTab=summary

[31] Port of Southampton Port Master Plan 2016-2035: Consultation Draft (Associated British Ports, 2016) - http://www.southamptonvts.co.uk/admin/content/files/New%20capital%20projects/Master%20Plan%202016/Master%20Plan%202016%20-%202035%20Consultation%20Document%20Oct%202016.pdf

[32] Government Press Release - https://www.gov.uk/government/news/regeneration-of-stations-set-to-deliver-thousands-of-new-properties-and-jobs

need to provide evidence to the Office of Rail and Road that the land is no longer required for the railway.

4.47 The NPPF states that 'significant development should be focused on locations which are or can be made sustainable, through limiting the need to travel and offering genuine choice of transport modes'[33].

4.48 The drive for delivering homes and jobs at railway stations may create competition on land near railways. This may lead to an increase in pressure on safeguarding existing or allocated minerals and waste sites in these locations.

Should this issue be addressed?

4.49 Policy 19 supports aggregate wharf and rail depot development to ensure sufficient capacity to meet requirements. Whilst it is recognised that proposals for development of the rail depot allocations have not come forward, the opportunity may still arise during the Plan period up to 2030. Although there are limited options, new wharf or rail depot development is supported through the criteria contained in Part 3 of Policy 19. As such, it is considered that this issue does not need to be addressed through an update of the Plan.

RAG Review status

4.50 The wording of the policy does not need to be updated.

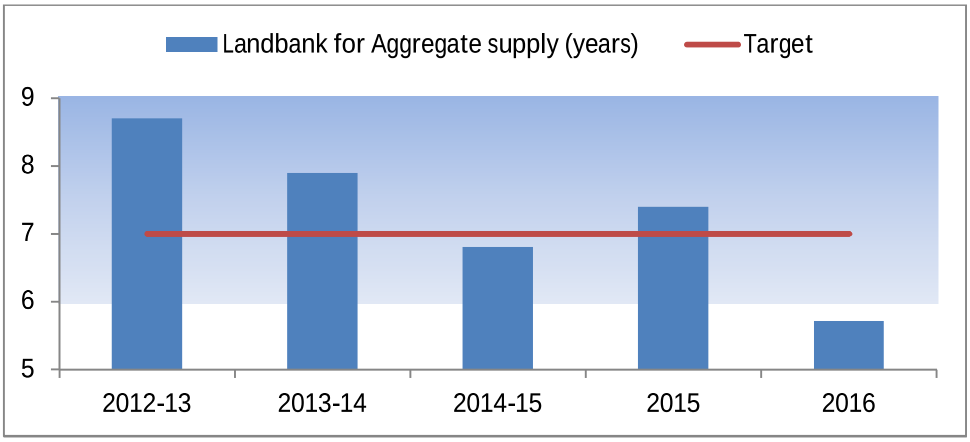
Green

[33] NPPF (Para. 103) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf

Local land-won aggregate (Policy 20)

4.51 Policy 20 seeks to maintain of the landbank for 7 years of permitted reserves of sand and gravel through: the extraction of remaining reserves at permitted sites as listed; extensions to specific sites listed; new listed sand and gravel allocations; and new proposals which meet the criteria in 20 (4).

4.52 The landbank is monitored annually to ensure that sufficient supply is provided. Although, the monitoring trigger is a breach of the 7 years over two years, there have been two occurrences in the 5-year period where the landbank has fallen below 7 years and in 2016 the landbank dropped significantly to 5.71 years (calculated against the Local Requirement rate). Therefore, the provision specified in the NPPF of at least seven years[34] has not been met.



4.53 Part 2 and 3 of Policy 20 outline specific sites which have been allocated as being suitable for development. Table 5 highlights the status of each of the allocations, as of June 2018.

Table 5: HMWP Allocation status in 2018

Site	Proposal	Permitted?	Other information
Bleak Hill Quarry extension	Sand & gravel extraction	No	Application expected 2018
Bramshill Quarry extension	Sand & gravel extraction	No	Application expected 2018
Cutty Brow	Sand & gravel extraction	No	Application not currently anticipated.
Forest Lodge Home Farm	Sand & gravel extraction	Yes[35]	Extraction due to commence in 2018.

[34] NPPF (Para. 207) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf
[35] Forest Lodge Farm Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=17774

Hamble Airfield	Sand & gravel extraction	No	Application expected 2019
Purple Haze	Sand & gravel extraction and reserve landfill	No	The allocation is still being actively promoted and an application is expected in the near future[36].
Roeshot	Sand & gravel extraction	No Planning application has been submitted[37].	Planning application submitted but is yet to be determined.

4.54 Policy 20 recognises that there is a shortfall in supply despite the allocated sites and this is expected to be met through unplanned opportunities. During the 5-year period, the opportunities in Table 6 have contributed to (or may) sand and gravel supply.

Table 6: Unplanned opportunities

Site	Proposal	Permitted	Other information
Kingsley Quarry Extension	Soft sand and silica sand extraction	No Planning application has been submitted[38].	Planning application is yet to be determined.
Downton Manor Farm Extension	Sand & gravel extraction	Yes (subject to the completion of a S106 agreement)[39]	Extraction area extended by 18.4 ha. Estimated tonnage of 760,000 tonnes of sand and gravel, at an extraction rate of between 70,000 – 150,000 tonnes per year. Associated planning application 17/11392 extended the life of the site for a further 15 years from the date of the permission.
Roke Manor Farm Extension	Sand & gravel extraction	No, planning application has been submitted[40]	Planning application is yet to be determined.
Frith End Quarry	Importation of aggregate.	Yes[41]	Importation, handling and re-sale of soft sand from Whitehill Bordon Relief Road scheme. Estimated tonnage of 0.048Mt.

[36] Source: Correspondence with David Jarvis Associates on behalf of the Somerley Estate (18/06/2018)
[37] Roeshot Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=17204
[38] Kingsley Quarry Extension Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=19368
[39] Downton Manor Farm Extension Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=18645
[40] Roke Manor Farm Extension Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=18831
[41] Frith End Application - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=19598

4.55 Alongside the known opportunities outlined in Table 6, on-going discussions are being held with Eastleigh Borough Council and New Forest District Council regarding their proposed Local Plan housing allocations and opportunities for prior extraction. Opportunities to engage in further plan preparation with Hampshire's other districts and boroughs will be sought as plan preparation commences.

4.56 Whilst the landbank in 2016 was below the required 7 years, it should be noted that, an application was submitted for a new quarry at Roeshot in 2016, Forest Lodge Home Farm was permitted in 2017, an extension to Roke Quarry was submitted in 2017, an extension to Kingsley Quarry has been submitted in 2018 but has yet to be determined. In addition, there is a resolution to grant planning permission for an extension to Downton Farm Quarry (approved in 2018, subject to the completion of a legal agreement),

4.57 Each of these proposals, should they all be approved, will have a positive impact on the landbank by increasing the permitted reserves. Although it should be noted that there can be delays to commencement of extraction and therefore, reserves elsewhere will be depleted prior to these proposals contribute to supply.

4.58 Part 4 of Policy 20 seeks support further development proposals to ensure the maintenance of the landbank provided they meet the criteria. Part 4 (a) requires a demonstration that the existing allocations cannot deliver the landbank and / or the proposal maximises an existing quarry. Part 4 (b) supports prior extraction, Part 4 (c) supports proposals for a beneficial use and Part 4 (d) supports proposals for a 'specific local requirement'.

4.59 The HMWP states that soft sand supply will be provided by remaining reserves and new allocated sites, including:

a. Permitted sites:
    i. Blashford Quarry (including Plumley Wood / Nea Farm), Ringwood
    ii. Frith End Sand Quarry, Sleaford
    iii. Kingsley Quarry, Kingsley
b. Allocated sites:
    i. Forest Lodge Home Farm, Hythe
    ii. Purple Haze, Ringwood Forest

4.60 It should be noted that the Kingsley application is for the supply of silica sand not soft sand. Therefore, should this application be permitted, this would not increase the landbank for soft sand.

4.61 The Purple Haze allocation is likely to come forward as an application in the near future. However, this site would serve the south-west Hampshire/Dorset/Christchurch market rather than the north Hampshire market.

4.62 Within Hampshire soft sand reserves are scarce and are concentrated in a small number of areas, in contrast to reserves of sharp sand and gravel which are more widely distributed.

4.63 Soft sand is currently extracted in western Hampshire from Nea Farm (Plumley Wood) in Ringwood Forest and east Hampshire at Frith End and Kingsley. As with sharp sand and gravel sites, the soft sand sites supply all of Hampshire as well as some adjacent market areas. The existing Kingsley site (and the proposed extension) is located just outside the South Downs National Park.

Relevant national policy updates

4.64 Although not national policy, the Minerals Products Association published the UK Minerals Strategy in 2018[42]. The Strategy seeks to highlight the link between the need for more housing and infrastructure and the supply chain of minerals that enables them to be delivered. It states that a demand in supply in likely to increase and that permitted reserves are declining and not replenishing at an equivalent rate to enable a steady supply. The Strategy also identifies that some local shortages of minerals are already evident including certain sands and this issue is likely to increase further.

4.65 In relation to planning and regulation, the UK Strategy highlights that it can take up to 15 years from identifying a potentially viable resource to securing planning permission. Therefore, the Strategy states that up-to-date development plans are required to provide certainty for operators to invest in development.

Should this issue be addressed?

4.66 The 2016 Local Aggregate Assessment reported that the local requirement landbank is below 7 years. Whilst it is recognised that the applications have not yet been determined, there are applications (both for allocations and for unplanned opportunities) in the pipeline which indicates that Policy 20 is encouraging development to maintain the landbank.

4.67 The promoters of the remaining allocations have suggested that these will come forward during the remaining life of the Plan. Policy 20 supports further proposals for new sites to meet the landbank should monitoring indicate that the sites listed within the Policy are unlikely to be delivered.

Therefore, whilst the landbank for both sharp sand and gravel and soft sand are below the required 7 year minimum, the pipeline applications suggest that the policy is not prevent applications to be forthcoming. Delays to the decision making on applications on allocated sites, such as Roeshot, are not due to issues relating to policy. Therefore, it is considered at this time, this issue does not need to be addressed through an update to the Plan as the existing policy makes provision for further development to address any shortfall in reserves.

[42] UK Minerals Strategy (2018) - http://www.mineralproducts.org/documents/UK_Minerals_Strategy.pdf

RAG Review status

4.68 The wording of the policy does not need to be updated but should be kept under review to ensure that it is continuing to enable the right provision of mineral development.

Amber

Silica sand (Policy 21)

4.69 Silica sand, also known as industrial sand, is used by the construction industry (as a non-aggregate) for a range of specialist uses but also high value industrial applications such as glass and chemical manufacture, water filtration and recreational uses.

4.70 The National Planning Policy Framework (NPPF) identifies silica as a mineral of local and national importance[43]. Furthermore, the NPPF requires MPAs to plan for a steady and adequate supply of industrial minerals. This includes the provision of a stock of permitted reserves of at least 10 years for individual silica sand sites[44].

4.71 There are two permitted sand and gravel quarries in Hampshire which provide silica sand: Frith End Quarry and Kingsley Quarry. It is acknowledged that resources at Kingsley and Frith End have properties with silica sand uses. However, historical data identified the quarries as soft sand only.

4.72 Data on silica sand has only been available since 2013. Due to confidentiality, sales data cannot be reported individually and therefore, a three-year average has been applied which shows a decrease in sales during this period. Based on the three-year average (2014-2016), collectively, the permitted reserves amounted to 2.9 years and based on 2016 sales was only 2.7 years. These figures fall significantly short of the 10 years of permitted reserves at each site required by the NPPF.

4.73 The resources at Frith End and Kingsley can be classed as soft sand or silica, any sales of the resources as non-aggregate (silica) depletes the soft sand reserves (see 'Aggregate supply – capacity and source' (Policy 17)). However, it should be noted that although the resources can be classed as silica, the current use of the sand is not currently for industrial purposes. The main use of the silica sand at Kingsley is for sports surfaces[45].

4.74 The majority of resources which have silica sand properties in Hampshire are found either within or very close to the South Downs National Park. National Policy states that great weight should be given to National Parks and planning permission should be refused for major development except in exceptional circumstances[46].

4.75 In May 2018, a planning application was submitted for an extension to Kingsley Quarry[47] which falls just outside of the National Park. This permission (not yet determined) would provide 994,000 tonnes of silica sand.

[43] NPPF (Annex 2: Glossary) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf
[44] NPPF (Para. 208)
[45] Planning Statement (supporting Kingsley Quarry Extension Application (May 2018)
[46] NPPF (Para. 172)
[47] Application No: 51188/003 - https://planning.hants.gov.uk/ApplicationDetails.aspx?RecNo=19368

4.76 Applying the three-year average sales (which also includes Frith End and therefore, is assumed to be higher than the actual sales), the proposal (if granted) would increase the permitted reserves of the Kingsley site to over 10 years. However, the permitted reserves at Frith End would remain below 10 years.

4.77 In 2017, a national silica sand group was established to meet the requirements of the NPPF which required 'co-operating with neighbouring and more distant authorities to co-ordinate the planning of industrial minerals to ensure adequate provision is made to support their use in industrial and manufacturing processes'[48]. Work commenced on a Statement of Common Ground on silica sand.

Relevant national policy updates

4.78 The proposed changes to the NPPF[49] had included the removal of the requirement for 10 years of permitted reserves for individual silica sand sites. However, the NPPF (2018) has retained this requirement in relation to the supply of industrial minerals.

Should this issue be addressed?

4.79 It is recognised that Frith End Quarry and Kingsley Quarry do not currently contain 10 years permitted reserves. However, if the application for an extension to Kingsley Quarry is permitted, this requirement would be met at this site. The proposed changes to the NPPF could also remove the requirement for 10 years at individual sites.

4.80 The existing policy does seek to enable development to maintain permitted reserves provided that 'proposals do not have an unacceptable environmental or amenity impact either alone or in combination with other plans or projects'. Therefore, it is considered that this issue does not need to be addressed through an update of the Plan as the existing policy makes provision for further development to address any shortfall in reserves.

RAG Review status

4.81 The wording of the policy does not need to be updated but should be kept under review.

Amber

[48] NPPF (Para. 208) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf
[49] Draft Revised NPPF (March 2018) - https://www.gov.uk/government/consultations/draft-revised-national-planning-policy-framework

Brick-making clay (Policy 22)

4.82 The National Planning Policy Framework (NPPF) identifies brick clay as a mineral of local and national importance[50]. Furthermore, the NPPF requires MPAs to plan for a steady and adequate supply of industrial minerals. This includes the provision of a stock of permitted reserves of at least 25 years[51].

4.83 Hampshire has two local brickworks: Michelmersh, near Romsey and Selborne in the South Downs National Park. These brickworks produce bricks from local brick-making clay, although only Michelmersh is currently operational.

4.84 In 2014, permission was granted for the extension site allocated in the HMWP and extraction has commenced in 2017. This led to a significant increase permitted reserves. However, despite a relative improvement in permitted reserves in recent years, the 25 years has not and will not be achieved.

4.85 Selborne brickworks does not have a current operational clay reserve and there is no activity at this site.

Relevant national policy updates

4.86 The proposed changes to the NPPF[52] had included the removal of the requirement for 25 years of permitted reserves for brick clay. However, the NPPF (2018) has retained this requirement in relation to the supply of industrial minerals.

4.87 The NPPF (2018) introduces a new criterion in relation to the provision of brick clay for industrial purposes. The criteria states that Minerals Planning Authorities should 'take account of the need for brick clay from a number of different sources to enable appropriate blends to be made'[53].

Should this issue be addressed?

4.88 It is recognised that Michelmersh (and Selborne) do not currently collectively contain 25 years permitted reserves. However, the permission at Michelmersh has increased the permitted reserves at this site significantly. It is considered unlikely, based on the work undertaken during the preparation of the HMWP, that further suitable resources are available in the locality of the brickworks.

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[50] NPPF (Annex 2: Glossary) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf
[51] NPPF (Para. 208)
[52] Draft Revised NPPF (March 2018) - https://www.gov.uk/government/consultations/draft-revised-national-planning-policy-framework
[53] NPPF (Para. 208)

4.89 It is not anticipated that Selborne will operate as brickworks in the near future. Its potential to commence production within the Plan period is unknown and will depend on obtaining the relevant planning permissions.

4.90 The existing policy does seek to enable development to maintain permitted reserves provided that the site allocations are not deliverable (the Michelmersh allocation is currently being delivered and there is no evidence to suggest that the Selborne allocation will be delivered in the near future) and that there is a ‘demonstrable need for the development’ and / or the ‘extraction of brick-making clay is incidental’.

4.91 Whilst it could be argued that further allocations should be identified to provide certainty of supply at Michelmersh, work undertaken to support the HMWP highlighted that alternative site options in the area are limited due to availability of suitable resources. Policy 22 currently makes provision for the need for clay extraction outside of the sites identified and therefore, can enable the supply of brick clay from different sources should this be required for blending. Therefore, it is considered that this issue does not need to be addressed through an update of the Plan as the existing policy makes provision for further development to address any shortfall in reserves.

RAG Review status

4.92 The wording of the policy does not need to be updated but should be kept under review.

Amber

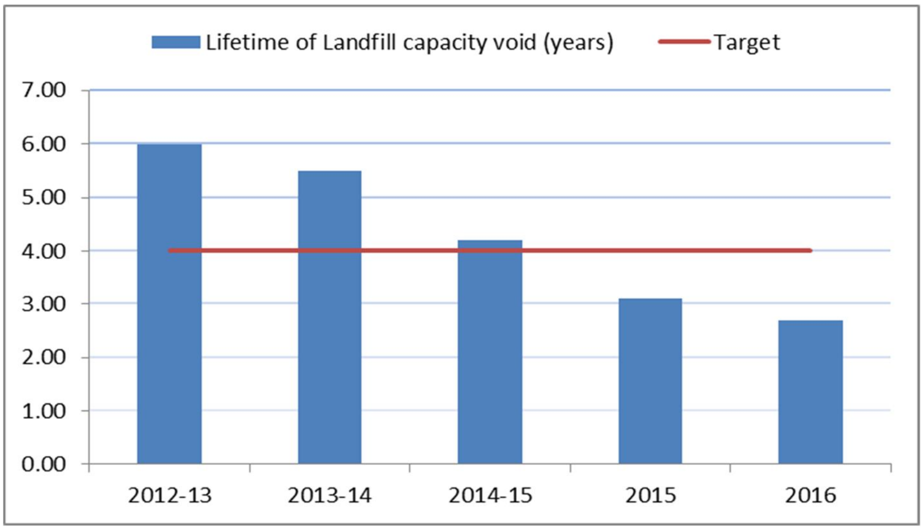
Non-hazardous landfill (Policy 32)

4.93 Policy 32 supports landfill development to enable the capacity necessary to deal with Hampshire's waste to 2030. This is expected to be provided at: remaining permitted capacity at existing listed sites; additional capacity at listed sites; and additional capacity at other suitable sites that accord with the criteria.

4.94 Whilst the majority (93%) of household waste is diverted from landfill, the remaining amount needs to be landfilled. Therefore, sufficient landfill capacity is required to meet these needs in the near future. In the longer them, technological solutions may deliver an alternative treatment option.

4.95 At the time the HMWP was prepared, it was estimated that there was 8 years of remaining capacity which would be exhausted by 2018/19[54]. The trend suggests that the capacity in 2018 will be less than two years.

4.96 The lifetime of landfills is monitored annually to ensure that sufficient capacity is provided. The lifetime of landfill capacity dropped below four years in 2015 and continued to drop in 2016.



4.97 In 2016, Squabb Wood Landfill closed earlier than anticipated and is currently being restored. Squabb Wood is listed in Policy 32 in Part 1 (ii) as an existing site to provide remaining capacity and Part 2 (i) as the site that could provide additional capacity. The closure of the site means that the proposed extension of this site will not be implemented. This has been confirmed by the operator. With the early closure of the landfill both the remaining capacity at the site and any additional capacity that could have been provided have been lost.

4.98 Policy 32 Part 3 lists the allocated soft sand extraction Purple Haze as a reserve site for landfill. Purple Haze has not yet been permitted, though the site promoter has

[54] Assessment of Need for Waste Management Facilities in Hampshire: Landfill and Surcharging Report (2012).

indicated that a planning application should be forthcoming in the near future. It is not yet clear whether the proposed restoration would be for non-hazardous landfill. The potential landfill capacity of this site could be up to 4 million tonnes.

4.99 The South East Waste Planning Advisory Group (SEWPAG) which is formed of all of the Waste Planning Authorities in the South East, has recognised that the closing early and lack of replacement of non-hazardous landfill is a regional issue and is currently preparing a Landfill Joint Position Statement. The issue partly represents the successful diversion of waste from landfill. The Position Statement currently being prepared by SEWPAG sets out the relevant waste data on a regional scale. It is recognised by SEWPAG that there is likely to be a move towards regionally strategically landfill sites in the near future.

Relevant national policy updates

4.100 The National Planning Policy for Waste[55] (NPPW) sets out detailed waste planning policies to which local planning authorities need to have regard. The NPPW recognises that when preparing Waste Local Plans there is a need to drive waste management up the waste hierarchy whilst recognising the need for a mix of facilities as well as adequate provision for waste disposal[56].

Should this issue be addressed?

4.101 Policy 32 seeks to provide sufficient landfill capacity. The estimated capacity forecasts appear to be accurate with limited capacity during 2018/19. However, non-hazardous landfill capacity is recognised as a regional issue and is being addressed by Waste Planning Authorities through the creation of a Position Statements and Statements of Common Ground. Therefore, whilst the capacity is not meeting the required level of 4 years, it is recognised that there is existing reserve capacity in the Purple Haze allocation and additional provision could be met elsewhere in the region which would be established through Statements of Common Ground. As such, it is considered that this issue does not need to be addressed through an update of the Plan.

RAG Review status

4.102 The wording of the policy does not need to be updated.

Green

[55] National Planning Policy for Waste (2014) - https://www.gov.uk/government/publications/national-planning-policy-for-waste
[56] NPPW (Para. 3).

Summary of Review status

Policy Number & Title	RAG status
Policy 14: Community Benefits	Amber
Policy 17: Aggregate supply -capacity and source	Amber
Policy 19: Aggregate wharves and rail depots	Green
Policy 20: Local land-won aggregates	Amber
Policy 21: Silica sand development	Amber
Policy 22: Brick-making clay	Amber
Policy 32: Non-hazardous waste landfill	Green

5. Policy change drivers

5.1 As outlined in the previous sections, there have been a number of Government policy publications and announcements which have an impact on the HMWP policies. Where these relate to the policies outlined in sections 3 and 4, these have already been discussed. However, there are implications on other policies which are outlined in this section.

5.2 Implementation of the HWMP policies by development management practitioners has also highlighted areas where further clarification of the terminology outlined in the policies would make them more effective. Therefore, where these clarifications have been not addressed in sections 3 and 4, these are also outlined in this section.

NPPF (2018)

5.3 The Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on a revision to the National Planning Policy Framework (NPPF) in March 2018[57]. The revised NPPF was published in July 2018[58].

5.4 There is a discreet but strong encouragement given to local planning authorities to move towards strategic plan-making (para 24). This is an improvement on the original NPPF, which focused on the preparation of single all-encompassing local plans containing both strategic and development management policies; which do no easily lend themselves to being jointly prepared with neighbouring authorities.

5.5 Linked to this is the strengthening of the duty to co-operate with the addition of a requirement for the preparation of statements of common ground. These are required to document the cross-boundary issues to be addressed and the progress in dealing with them.

5.6 Other NPPF revisions include (but are not limited to):

- uses of land and developing green and brown field land;
- greater emphasis on design of development;
- more guidance on the change of use of land in the Green Belt;
- more guidance on flood risk;
- consideration of undeveloped coasts and public access to the coast;
- more guidance on designated landscapes;
- consideration of ground conditions and impacts of air quality on natural environment; and
- greater emphasis on energy security.

[57] Draft Revised NPPF (March 2018) - https://www.gov.uk/government/consultations/draft-revised-national-planning-policy-framework
[58] NPPF (2018) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733637/National_Planning_Policy_Framework_web_accessible_version.pdf

5.7 The NPPF (2018) has a direct impact on the implementation of all the policies within the Plan. This Review determines that the revised NPPF does not result in the need for an update of

Planning Practice Guidance (2014 onwards)

5.8 Planning Practice Guidance was launched in 2014, following the adoption of the HWMP. This is a live document, updated as necessary by the Government. The Planning Practice Guidance is implementation guidance for the NPPF. Draft Guidance was prepared in March 2018 following the publication of the proposed changes to the NPPF. The draft Guidance included references to Statements of Common Ground and specifically outlined the requirement for a Statement of Common Ground to be prepared for minerals and waste plans[59].

The 25 Year Environment Plan (Feb 2018)

5.9 This 25 Year Environment Plan sets out Government action to help the natural world regain and retain good health. It aims to deliver cleaner air and water in our cities and rural landscapes, protect threatened species and provide richer wildlife habitats. It calls for an approach to agriculture, forestry, land use and fishing that puts the environment first.

5.10 The Plan strives to ensure that communities are 'Using resources from nature more sustainably and efficiently' and 'Minimising waste'. Great emphasis is being placed on 'natural capital'. The policies in the HMWP are aligned with the protection principles of this plan, particularly policies 2-6.

5.11 There is a noticeable change in focus to not only protect the natural capital that already exists but enhancing this where possible. This extra step is needed to increase resilience to climate change. Policy 9 of the HMWP is most closely aligned with this national policy change and may need strengthening to ensure mineral and waste development is aligned with national policy objectives.

5.12 The detrimental effects of plastic on the environment have been widely covered in the press recently. The 25 Year Environment Plan sets out guidelines on how to transition to materials that can be recycled more easily leading to a reduction in overall waste. Policy 25, the sustainable waste management policy will need to ensure it encompasses this change.

5.13 The Plan sets clear policy direction on 'embedding an 'environmental net gain' for development, including housing and infrastructure' this includes action to work with interested parties and streamline environmental processes but to widen environmental gains to include flood protection, recreation and improved water and air quality.

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[59] Draft NPPG (March 2018) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf

5.14 Following from the publication of the 25 Year Plan, the Government launched a review of National Parks and Areas of Outstanding Natural Beauty[60]. The review will examine whether the landscape designations meet the requirement of the 21st Century. Weakening or undermining the existing protections or geographic scope of the National Parks will not be part of the review. Instead the focus will be on how designated areas can boost wildlife, support the recovery of natural habitats and connect more people with nature.

National Planning Policy for Waste

5.15 The National Planning Policy for Waste[61] (NPPW) sets out detailed waste planning policies to which local planning authorities need to have regard. A framework for Local Plan preparation is provided as well as on the need for waste management facilities and suitable sites on which they should be located. In relation to the determining of applications, provision is made for the consideration of impacts of non-waste development on existing or allocated waste sites.

5.16 The NPPW outlines much of the policy previously contained within Planning Policy Statement 10 which informed the preparation of the HMWP. As such, the HMWP is in conformity with the NPPW. Should an update occur, references to the NPPW would need to be referred to.

Fixing our broken housing market – Housing White Paper (2017)

5.15 This paper[62] re-evaluated the need and the way in which housing numbers are calculated in each local planning authority area.

5.16 This paper introduced the use of the statement of common ground as a way of evidencing joint working and the duty to cooperate which has been included in the revised NPPF.

5.17 Whilst the introduction of statements of common ground does not directly impact the policies within the HMWP, statements would need to be drawn up between interested parties if an update to the Plan occurs.

[60] National Park and AONB Review Launch - https://www.gov.uk/government/news/national-parks-review-launched
[61] National Planning Policy for Waste (2014) - https://www.gov.uk/government/publications/national-planning-policy-for-waste
[62] White paper - https://www.gov.uk/government/publications/fixing-our-broken-housing-market

Strategic Environmental Assessment Regulations

5.18 The screening thresholds for industrial estate development and urban developments were raised in 2015[63]. This has will impact the implementation of Policy 29 (Locations and sites for waste management).

The Town and Country Planning (General Permitted Development) (England) Order 2015[64]

5.19 This change included temporary permitted development rights in respect of change of use of some industrial premises to residential, from a B8 storage and distribution use under 500m2 to residential use. The regulations require prior approval to be sought in respect of specific issues including 'Impact on the sustainability of adjoining uses'. This requirement should therefore ensure that mineral and waste sites remain adequately safeguarded against encroaching non-mineral uses. Therefore, this order is relevant to Policy 16 (Safeguarding – minerals infrastructure) and Policy 26 (Safeguarding – waste infrastructure).

Community Infrastructure Levy

5.20 The Government published updated guidance on the Community Infrastructure Levy (CIL) in 2014[65].

5.21 The supporting text to Policy 1 (Sustainable minerals and waste development) refers to CIL. The charging of CIL is relevant to Southampton and Portsmouth City Councils. However, it is recognised that mineral extraction and some built facilities for waste management activities are exempt from paying charges.

European Court of Justice Ruling

5.22 In April 2018, a court ruling by the European Court of Justice had a significant impact on the Habitats Regulations Assessment. The People over Wind Vs Sweetman[66] had implications for developers and competent authorities in relation to plans and projects which are subject to Habitats Regulations Assessment.

5.23 The effect of the ruling is that where previously, mitigation measures which may modify site selections or the boundary of a site to avoid any effects on European sites such as scheme design, buffer zones or restriction on operating hours, can no longer be considered at the Screening stage.

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[63] SEA Guidance - https://www.gov.uk/guidance/strategic-environmental-assessment-and-sustainability-appraisal
[64] Came into force 23 May 2017
[65] CIL Guidance - https://www.gov.uk/guidance/community-infrastructure-levy
[66] People over Wind Vs Sweetman Ruling - http://curia.europa.eu/juris/document/document.jsf?text=&docid=200970&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=424528

5.24 The HMWP was subject to appropriate assessment[67]. However, the Sweetman ruling is likely to be relevant should an update of the Plan be required.

Government Oil and Gas Consultations

5.25 The Government is currently consulting on proposed changes to the planning system which relate to shale gas.

5.26 The consultations relate to the following areas:

- proposed changes to permitted development rights for non-hydraulic shale gas exploration[68];
- proposed criteria to trigger the inclusion of shale gas production projects into the Nationally Significant Infrastructure Projects regime[69].

5.27 The outcome of these consultations was not known at the time this Review was finalised and therefore, the implications for Policy 24 (Oil and gas development), if any, are not clear.

[67] Hampshire Minerals & Waste Plan Assessment Under the Habitats Regulations: Habitats Regulations Assessment Record – Final (July 2013) - http://documents.hants.gov.uk/planning-strategic/HMWPHRARecordFINALSept2013.pdfhttp://documents.hants.gov.uk/planning-strategic/HMWPHRARecordFINALSept2013.pdf
[68] Government Consultation (Permitted Development Rights) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726916/Consultation_document_-_shale_gas_permitted_development.pdf
[69] Government Consultation (National Infrastructure Projects) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727044/NSIP_Consultation_Document_Final.pdf

6 Conclusion

6.1 This Review has identified that whilst the Monitoring Reports during the 5-year period have highlighted a number of issues, the HMWP remains effective.

6.2 This Review concludes that, in 2018 (5 years since adoption), the policies are working effectively to achieve the Vision and there is no requirement to update the HMWP. The reasons for this decision are as follows:

Waste

6.2.1 In general, the waste forecasts have been relatively accurate and additional capacity is coming on stream albeit focused more on recovery than recycling.

6.2.2 Landfill capacity is identified as not meeting the forecasted need. However, landfills have closed early within the Plan area and the wider south east. Policy 32 allows for landfill capacity to come forward where there is a clear need and there is also remaining reserve capacity within the Purple Haze allocation.

6.2.3 The implications of the Britain's exit from the European Union ("Brexit") on the waste industry are unknown but discussions[70] with industry suggest that the impacts on capacity could be felt relatively quickly. As such, as trade deals are determined in the period up to March 2019, more will be known as to whether policy updated are required to address capacity issues in the UK, particularly in relation to points raised in 6.2.1 and 6.2.2.

Minerals

6.2.4 It is recognised that in relation to mineral supply: the required 7-year landbank for sand and gravel (for both sharp sand and soft sand) is not currently being met; there is not currently 10 years of permitted reserves at the sites providing silica sand; and there is not currently 25 years of permitted reserves at brick-making clay sites. However, review of the relevant policies has highlighted that these do not exclude further development proposals to come forward and that these would be supported where a shortfall in supply is identified.

6.2.5 The allocated sites within the HMWP are coming forward as planning applications and confirmation from site promoters has demonstrated that they will be submitted on a similar timescale to that set out in the HWMP. A number of planned and unplanned opportunities have been permitted since the HMWP was adopted and those currently in the pipeline demonstrate that the policies are flexible and enable development, where required.

[70] Discussion with local operators and at the Hampshire County Council Strategic Planning Customer Event (4th September 2018).

6.2.6 The landbank is being impacted by the delay in decision-making which is the result of a position change regarding minerals development in the floodplain by the Environment Agency. As the implications of this position are made clearer, it is likely that this will need to inform any relevant proposals as well as an update of the Plan.

6.3 It is considered that the effectiveness of the Hampshire Minerals & Waste Plan should be reviewed again in the near future to test whether the delays in decision-making can be over come, the remaining allocations are submitted as applications and the implications of Brexit are better understood.

Review limitations

6.4 It is recognised that there are a number of limitations to this Review.

6.5 The monitoring indicators were set when preparing the Plan and were an attempt to quantify the impacts of the decisions made within the framework of the HMWP.

6.6 Is it understood that the indicators and triggers set out in the HMWP may not, on reflection, be narrowly defined sufficiently to clearly identify an issue from the data alone. However, the indictors do highlight where issues with policy implementation arise and this information has assisted in the Review of the HWMP. The Review has highlighted that through application of the indicators further investigation is required into each issue identified and therefore it is considered that the indicators allow the flexibility required to apply an interpretation of the data.

6.7 It is also recognised that there are a number of current uncertainties which will have an impact on future supply and capacity requirements of minerals and waste. The most prominent is Britain's exit from the European Union. There are significant mineral and waste movements between Britain and Europe and any future alterations could impact local indigenous supply.

6.8 According to the waste industry[71], the European market for Refuse Derived Fuel has helped mitigate the extensive capacity gap for recovery treatment in the UK and offered waste producers in the UK alternative cost-effective treatment routes. Although the impacts of Brexit are unknown, the potential impact on the value of the pound and unknown trade agreements may impact the UK's future ability to rely on Europe's existing capacity. Imposed tariffs on waste movements could have numerous implications for waste management projects.

6.9 The Government is also driving forward development to boost the housing market and enable the necessary infrastructure to support this. An increase in development will have a direct impact on demand for construction aggregates.

[71] Policy implications of Brexit (2017) - http://ciwm-journal.co.uk/3d/Post-Brexit-Compliance-Report/offline/download.pdf

Next Steps

6.10 The HMWP will be reviewed again in two years (2020) to determine the effectiveness of the policies and whether there is a need to amend the allocations. A review within 12 months was considered to be insufficient time to understand the implications of wider issues such as Britain's exit from the European Union.

6.11 However, to support the next Review a Stakeholder Workshop will be undertaken in 2019 to investigate the issues raised within this Review and how the trends of minerals supply and sustainable waste management provision are developing.

6.12 Due to the relevance of the issue, soft sand supply is recognised to be a likely item for discussion. Soft sand studies are currently being undertaken neighbouring areas including West Sussex and West Berkshire and it is hoped that the timing of the Workshop can be determined to allow the findings of these studies to be fed into the discussion.

6.13 The HMWP Local Development Scheme will be updated to reflect the commitment to a future review in 2020 and Stakeholder event in 2019.

From PLANNING, REGENERATION & ECONOMIC DEVELOPMENT held on 26 February 2019

Council Agenda Item 12 (Minute No 3)

Review of Hampshire Minerals and Waste Plan

Recommend to Council to

- **Endorse the decision that a review of the Hampshire Minerals and Waste Plan is not necessary at this time, as per the recommendations in the 2018 Review of the Hampshire Minerals & Waste Plan (2013) report (attached in Appendix 1 and summarised in this report).**

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Title of meeting:	Employment Committee
Date of meeting:	26th February 2019
Subject:	Pay Policy Statement 2019/20
Report by:	Jon Bell, Director of HR, Legal and Performance
Wards affected:	None
Key decision:	Yes/No
Full Council decision:	Yes

1. Purpose of report

The Council is required by section 38(1) of the Localism Act 2011 (openess and accountability in local pay) to prepare a Pay Policy Statement.

The Local Government Transparency Code 2014 further clarifies and describes the information and data local authorities are required to publish to increase democratic accountability.

A Pay Policy Statement must articulate the Council's policies towards a range of issues relating to the pay of its workforce, particularly its senior staff, Chief Officers and its lowest paid employees.

A Pay Policy Statement must be prepared for each financial year. It should be approved by Full Council no later than 31st March of each year, prior to the financial year to which it relates and be published on the council's website.

Members have previously approved a draft of this statement, and must now approve it before final approval by Full Council. Members should note that the policy does not take account of the current senior management restructuring proposals.

2. Recommendations

The Employment Committee is recommended to:

2.1 Approve the Pay Policy Statement attached as **Appendix 1,** to go forward for approval by the Full Council prior to 31 March 2019.

2.2 Note the following revisions to the statement contained in Appendix 1

- reporting dates which have been amended from 2018/19 to 2019/20
- revision to section 2.1 to clearly define the living wage rate as set by the Living Wage Foundation
- the annual salaries have been updated to reflect the 2019 pay award. However the data used for the pay multiples is based on 31 March 2018 so remains the same as the pay multiple contained in the previous report submitted in December 2018.

3. Background

3.1 Increased transparency about how taxpayers' money is used, including the pay and reward of public sector staff is now a legislative requirement under section 38(1) of the Localism Act 2011. The Department for Communities and Local Government published a revised Local Government Transparency Code on 3rd October 2014. The code enshrines the principles of transparencey and asks relevant authorities to follow these three principles when publishing the data they hold. These are as follows:

- Responding to public demand
- Releasing data in open format available for re-use; and
- Releasing data in a timely way

This includes data on senior salaries and how they relate to the rest of the workforce (pay multiple).

3.2 The Council must have regard to the Secretary of State's guidance "Openess and accountability in local pay: Draft guidance under section 40 of the Localism Act". It is now essential that an authority's approach to pay, as set out in a Pay Policy Statement, is accessible for citizens and enables taxpayers to take an informed view of whether local decisions on all aspects of remuneration are fair and make the best use of public funds.

Approved statements must be published on the authority's website and in any other manner that the authority thinks appropriate, as soon as reasonably practical after they have been approved by Full Council.

3.3 The Act also requires that authorities include in their pay policy statement, their approach to the publication of and access to information relating to the remuneration of chief officers. Remuneration includes salary, expenses, bonuses, performance related pay as well as severance payments.

3.4 The definition of a chief officer as set out in the Act is not limited to Head of Paid Service or statutory chief officers. It also includes those who report directly to them.

3.5 The Portsmouth Pay Policy statement is attached as **Appendix 1.** The pay multiple data used for this report is based on 31 March 2018, so has not changed from the Pay Policy Statement submitted in December 2018 and is based on the difference between the highest salary and the median salary which is 6.5, the same as the previous financial year.

The Council also considers that the relationship between the base salaries of its highest and lowest paid employees, which is currently a ratio of 1:9.2, represents an appropriate, fair and equitable internal pay relationship. This has reduced from last year's figure of 10.1, which is a result of implementing the Foundation Living Wage Rate, which increased the rate of pay for the lowest paid employees.

3.6 Whilst the Pay Policy Statement relates to the year 2019/20, Members' attention is drawn to the changing shape of the council and the environment in which it operates, and the impact this may have in future on its pay structure. In particular:

- The need for officers to operate across organisational boundaries, e.g. with the health sector and other local authorities

- The increased commercialisation of the council and the need to recruit and retain suitably skilled staff (who may expect alterntive reward packages)
- The council's role as accountable body for commercial or quasi-commercial bodies
- The increased specialisation of skills in some employment markets, driving pay inflation that the council's pay structure is not well suited to meet

Members approval will be sought for any significant changes to the Council's pay structure resulting from these, or other factors.

4. Reasons for recommendations

The Council is required by the Localism Act 2011, section 38(1) to publish a Pay Policy Statement on a yearly basis which is approved by Full Council.

5. Equality impact assessment

An equality impact assessment is not required as the recommendation doesn't have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

6. Legal implications

6.1 The Director of HR, Legal and Performance is satisfied the Pay Policy Statement at Appendix 1 meets the legislative requirements under Section 38 Pay Accountability, of the Localism Act 2011 and is in line with the Local Government Transparency Code 2014.

6.2 The Council is required to prepare a Pay Policy Statement for the financial year 2019/20 and each subsequent year, which sets out the policies, remuneration and other benefits of its chief officers and lowest paid employees and the relationship between its chief officers and every other officer.

6.3 The Pay Policy Statement must be approved by Full Council before 31st March 2019 and can only be amended thereafter by resolution to Full Council.

7. Director of Finance's comments

7.1 There are no direct financial implications arising from the recommendation in this report.

………………………………………………
Signed by:

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ……………………………… on ………………………………

………………………………………………
Signed by:

Portsmouth
CITY COUNCIL

PAY POLICY STATEMENT FOR THE FINANCIAL YEAR 2019/20

INTRODUCTION

This policy statement has been produced in accordance with Sections 38 to 43 of the Localism Act 2011 (the Act), and is compliant with the Local Government Transparency Code 2014.

The Act requires each local authority to produce a Pay Policy Statement (the 'statement') explaining its approach to the pay of its 'chief officers' and its 'lowest paid' employees and the relationship between the two. The statement has to be published and accessible to the public. The statement must be approved annually before 31 March each year prior to the financial year to which it relates.

SECTION 1: REMUNERATION OF STATUTORY AND NON-STATUTORY CHIEF OFFICERS, DEPUTY CHIEF OFFICERS, AND MONITORING OFFICER

1.1 REMUNERATION COVERED IN THIS SECTION OF THE POLICY

This section covers the Council's policies in relation to the remuneration of its senior employees, including:

- Its Chief Executive (who is its Head of Paid Service);
- Its Deputy Chief Executive (and Monitoring Officer);
- The Directors, who report to and are directly accountable to the Chief Executive or Deputy Chief Executive. These Directors fulfil the roles of statutory Chief Officers, Section 151 Officer, and non-statutory Chief Officers;
- The Port Director;
- The managers who report to and are directly accountable to the Port Director.

1.2 OVERALL POLICY ON REMUNERATION FOR SENIOR ROLES

The Council's remuneration policy complies with the Equality Act 2010and other relevant legislation.

The Council's Job Evaluation Support Scheme (JESS) is used when setting pay levels for all posts within the Council. This system is a factor-based analytical job evaluation scheme designed to measure the relative responsibilities of all jobs fairly and accurately.

1.3 THE REMUNERATION OFFERED TO SENIOR EMPLOYEES

At Chief Executive, Deputy Chief Executive and Director level (and for the Port Director and his direct reports), the Council offers only an annual salary, access to the Local Government Pension Scheme, and the payment of a small number of allowances, details of which are set out below. No other cash benefits or benefits in kind are offered. The Council does not offer performance related payments or bonuses to its senior employees.

All are employed on PAYE taxation arrangements. However in exceptional circumstances e.g. interim appointments, an alternative form of engagement/employment may if appropriate be used.

Annual salaries

Annual salary levels for senior employees are set in accordance with the overall principles set out in section 1.3, above. At Chief Executive and Director level, they consist of a grade range which is determined locally by the Council. This grade range consists of a number of incremental salary points, through which employees may progress until the top of the grade is reached.

The pay ranges with effect from 1 April 2019 (including the pay award) are:

Chief Executive	£145,973 - £158,014
Deputy Chief Executive	£107,292 to £116,139
Port Manager	£107,292 to £116,139
Director (upper band)	£107,292 to £116,139
Director (mid band)	£93,802 to £101,541
Director (lower band)	£80,402 to £87,034
Senior Managers	£72,586 to £78,572

The Council has entered into shared working arrangements with Gosport Borough and Isle of Wight Councils to share senior management and their related statutory functions. All Councils have retained their clear identities as individual councils under this arrangement. Gosport Borough and Isle of Wight Council pay a contribution under this arrangement to Portsmouth City Council. Additional payments are made to these Chief Officers for carrying out the statutory functions under this shared working arrangement. These payments are separate to the level of pay received for performing their duties within Portsmouth City Council - see Section 4 - Honoraria payments.

Other groups of employees are paid in accordance with salaries or salary scales agreed by the relevant national negotiating bodies. These groups include such workers as, NHS workers (statutory transfer from Primary Care Trusts), Coroner and those falling within the group of the Soulbury Committee or School Teachers' Pay and Conditions agreements.

Remuneration of senior employees on recruitment

The Council's policy is that any newly appointed senior employee will commence employment at the lowest pay point in the pay range for their job, other than in circumstances where it is necessary to pay at a higher point within the range in order to match the salary of their previous post with another organisation. Any decision to appoint a senior employee on a higher pay point within the relevant pay range would be made by the Members Appointment Committee.

Pay progression

Pay progression is by annual increment, payable from 1st April. Pay progression is based on the period of time the employee has served in that grade. Increments are due on 1 April each year, or 6 months after appointment if less than 6 months in the new grade by 1 April, i.e. an increment is paid after 6 months if the employee is appointed between 1 October and 31 March.

There is no scope for accelerated progression beyond one increment per annum, or for progression beyond the top of the grade's pay range.

Pay awards

The salaries of Directors will be increased in line with any pay increase agreed nationally in line with the Joint National Councils (JNCs) for Chief Executives and Chief Officers. Senior Managers pay will be increased with any pay increase agreed nationally in line with the National Joint Council (NJC).

Eligibility of Pay awards for TUPE employees will be reviewed on an annual basis as these are not automatically applied in order to preserve the employee's terms and conditions of employment. Employees who TUPE into the Council on existing NJC terms and conditions will continue to receive the NJC pay award applied.

Bonuses
The Council does not pay bonuses to any of its employees.

Other Allowances and Payments
Other payments and allowances that the Chief Officers may be eligible for are detailed in Section 4 – **POLICIES COMMON TO ALL EMPLOYEES.** This includes Market Supplements, Local Government Pension Scheme (LGPS), Payments on Termination of Employment, Allowances.

Election fees
Returning Officer fees will be paid where there is a statutory entitlement available. This is usually available for General and European Elections, but not local elections.
Where a Director acts as the Deputy Returning Officer the appropriate fee at that time is paid.

SECTION 2: REMUNERATION OF LOWEST PAID EMPLOYEES

2.1 DEFINITION OF LOWEST PAID EMPLOYEES
The definition of the "lowest-paid employees" adopted by the Council for the purposes of this statement is as follows:

> The lowest paid employees within the Council are those employees who are paid on the minimum salary point of the Council's substantive pay structure, i.e. spinal column point 1, within Band 1 of its salary scales.

However, with effect from 1st September 2018, the Employment Committee made the commitment to Portsmouth City Council Employees (subject to agreement by governing bodies of schools) to pay the Living Wage rate as set by the independent Living Wage Foundation as a supplement to base pay. Therefore, all employees* from SCP1 to SCP8 will receive a minimum hourly rate of £8.75 per hour with effect from 1st September 2018.

The current annual full-time equivalent value of this pay level, based on a 37-hour standard working week at £8.75 per hour is £16,882. This will increase to £9.00 per hour with effect from 1 April 2019 with the full time equivalent value of pay being £17,364.

(*This excludes Apprentices).

SECTION 3: PAY RELATIONSHIPS

Under the provisions of the Code of Recommended Practice for Local Authorities on Data Transparency, issued by the Department for Communities and Local Government under Section 2 of the Local Government Planning and Land Act 1980, the Council is expected to publish its "pay multiple", i.e. the ratio between the highest paid salary and the median salary of the whole of the local authority's workforce based on data as at 31st March 2018. This multiple is 6.5 with a median salary of £23,866.

(The median salary figure is the salary value at which 50% of the salaries which apply to the whole of the local authority's workforce are below that value and 50% are above it. The lowest pay point in the overall salary range which has been used by the Council in calculating the median salary is that which applies to its lowest paid employees, as defined in section 2 of this pay policy statement.)

The Council considers that the current pay multiple, as identified above, represents an appropriate, fair and equitable internal pay relationship between the highest salary and the pay levels which apply to the rest of the workforce. It will therefore seek to ensure that, as far as possible, the multiple remains at its current level.

The Council also considers that the relationship between the base salaries of its highest and lowest paid employees, which is currently a ratio of 1:9.2, represents an appropriate, fair and equitable internal pay relationship.

SECTION 4: POLICIES COMMON TO ALL EMPLOYEES

The following elements of remuneration are determined by corporate policies or arrangements which apply to all permanent employees of the Council (including its Chief Executive, Deputy Chief Executive, Directors and the lowest paid employees as defined above), regardless of their pay level, status or grading within the Council:

Market Supplements
A Market Supplement payment may be made if there is a clear business need, supported by effective market data, where a post is difficult to recruit to or to retain key members of staff, in addition to the normal reward package.
The supplement payment will be made in strict accordance with the Recruitment and Retention Policy and will be reviewed biennially. The full Recruitment and Retention Policy will be provided on request.

Payments on Termination of Employment
Other than payments made under the LGPS, the Council's payments to any employee whose employment is terminated on grounds of redundancy or in the interests of the efficiency of the service will be in accordance with the policy the Council has adopted for all its employees in relation to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. This policy (Early Termination of Employment Payments**)** has been published in accordance with the requirements of Regulation 7 of these regulations and is available on request.

Reimbursement of removal/relocation costs on appointment
The Council's relocation scheme is to enable financial assistance (within pre-defined limits) to be given to any employee who is required to relocate to the Portsmouth area to take up an appointment in a post deemed 'hard to fill' by the appropriate Director. Full details of the policy can be provided on request.

Honoraria
The Council pays honoraria to any employee only in accordance with its corporate scheme for such payments. This scheme provides that honoraria payments may be made to any employee who undertakes exceptional additional duties unrelated to those of a higher post, for example a special project. Such payments must be approved by the Director for HR where payments will exceed £1,000 per annum.

Acting-up/additional responsibility payments
Where employees are required to "act-up" into a higher-graded post and take on additional responsibilities beyond those of their substantive post, for a temporary/time-limited period (which must exceed 4 weeks), they may receive an additional payment in accordance with the terms of the Council's policy. The payment will be based on the percentage of the higher duties and responsibilities undertaken and on the salary that would apply were the employee promoted to the higher post. (i.e. the lowest spinal column point of the higher grade).

Standby and call out allowances
Any employee who is required to undertake standby and call-out duties will be paid at the appropriate rate and in accordance with the policy. A full copy of the policy can be provided on request.

Mileage rates
The Council compensates employees who are authorised to use their own car, motorcycle or bicycle on Council business, in accordance with the mileage rates set out by HMRC.

Subsistence allowance
The Council reimburses expenditure on meals and accommodation and any other expenses necessarily incurred by employees who have to be away from home on Council business on the basis of actual expenditure incurred and in accordance with the Travel and Subsistence Policy. These allowance rates are set out by HMRC.

Child care (salary sacrifice scheme)
Childcare vouchers are available to existing users via the HMRC-approved salary sacrifice scheme. New users will be able to access the Government Tax-Free Childcare scheme. There is no direct subsidy towards childcare costs by the Council.

SECTION 5: DECISION MAKING ON PAY

The provisions of this pay policy statement will apply to any determination made by the Council in the relevant financial year in relation to the remuneration, or other terms and conditions, of a Chief Officer of the Authority and of its lowest paid employees, as defined in this statement, The Council will ensure that the provisions of this pay policy statement are properly applied and fully complied with in making any such determination.

Any proposal to offer a new chief officer appointment on terms and conditions which include a total remuneration package of £100,000 or more, which would routinely be payable to the appointee and any benefits in kind to which the officer would be entitled as a result of their employment (but excluding employer's pension contributions), will be referred to the Full Council for approval before any such offer is made to a particular candidate.

Additionally, any severance payments over £100,000 are referred to Full Council for approval.

SECTION 6: AMENDMENTS TO THIS PAY POLICY STATEMENT

The Council may agree any amendments to this pay policy statement after it has been approved, but only by a resolution of the full Council.

The finalised Pay Policy Statement will be agreed by the Council by end of March 2019 for the financial year 2019/20.

SECTION 7: PUBLICATION OF AND ACCESS TO INFORMATION

The Council will publish this pay policy statement on its website as soon as is reasonably practicable after it has been approved by the Council. Any subsequent amendments to this pay policy statement made during the financial year to which it relates will also be similarly published.

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From EMPLOYMENT COMMITTEE held on 26 February 2019

Council Agenda Item 13 (Minute No 8)

EMP **Pay Policy Statement**

RECOMMENDED that the Pay Policy Statement attached as Appendix 1 to the report be approved by the Full Council.

Councillor Gerald Vernon-Jackson CBE
Chair

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Portsmouth CITY COUNCIL

Title of meeting:	Governance and Audit and Standards Committee 8th March 2019
Date of meeting:	Council, 19th March 2019
Subject:	Health and Wellbeing Board Constitution
Report From:	Chief Executive
Report by:	Kelly Nash, Corporate Performance Manager
Wards affected:	All
Key decision:	No
Full Council decision:	Yes

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1. Purpose of report

1.1. To seek approval for proposed changes to the constitution for the Health and Wellbeing Board (HWB). The changes are recommended to improve the effectiveness of the HWB as it fulfils its leadership role across the health and wellbeing system locally.

2. Recommendations

2.1. Governance and Audit and Standards Committee is recommended to support the changes to the constitution for the Health and Wellbeing Board set out below, and recommend these to Council on 19th March.

3. Background

3.1. Health and Wellbeing Boards (HWBs) were introduced as part of the Health and Social Care Act 2012. They are statutory in all upper tier local authorities in England. The Portsmouth HWB brings together Elected Members, key council officers, the Portsmouth Clinical Commissioning Group (PCCG), the NHS Commissioning Board and local Healthwatch to develop a Joint Strategic Needs Assessment and deliver it through a Joint Health and Wellbeing Strategy.

3.2. The HWB is a committee of the council and has been formally established as such since April 2013.

3.3. A recent review of partnerships has concluded that there would be benefits for efficiency of working, and effectiveness of decision-making, if the current three cross-organisation partnerships that look at issues around health and wellbeing in the city (the HWB, the Safer Portsmouth Partnership and the Children's Trust Partnership) came together as one grouping with a single Terms of Reference and membership, and that this should be under the auspices of the Health and Wellbeing Board as the statutory body.

4. Proposed changes recommended by the HWB

4.1 In order to ensure that the HWB is able to perform the wider function, it is proposed that the constitution as agreed in 2015 is amended to:

- broaden the core membership to include the superintendent of police, representation from Hampshire Fire and Rescue, from the National Probation Service, Community Rehabilitation Company and from the Portsmouth Education Partnership

- broaden the objectives to include specifically the strategic assessment of needs and issues in relation to Crime and Disorder and children's wellbeing; and the requirement to maintain a relationship with the office of the Police and Crime Commissioner and city safeguarding boards.

- note that from time to time, the Board may establish sub-boards to deal with matters that are delegated to it.

4.2 No changes to voting rights are proposed as these relate specifically to the role of a Health and Wellbeing Board in the commissioning of the local Health and Care system (for example, in relation to local pharmacy provision).

4.3 These changes have been incorporated into the revised Constitution for the Health and Wellbeing Board at appendix A.

5. Reasons for recommendations

5.1 Governance and Audit and Standards Committee is recommended to support these proposals as they will support the Health and Wellbeing Board to operate effectively and continue to enable the council to fulfil its statutory requirements with regard to the Health and Wellbeing Board and in relation to the requirements of the Crime and Disorder Act 1998.

6. Equality impact assessment (EIA)

6.1. A preliminary EIA has been completed, indicating that there is no requirement for a full EIA at this stage.

7. City Solicitor comments

7.1. The basis and legality for the proposed amendments is set out in the body of the report. The appendix attached reflects the proposed changes to the Health and Wellbeing Constitution.

8. Head of finance's comments

8.1 As far as possible these changes need to be achieved within existing available resources. The proposals currently focus on utilising existing resources to consolidate functions and reduce duplication.

………………………………………………
Signed by:

Appendices:

Appendix A - constitution for Portsmouth's Health and Wellbeing Board

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ……………………………… on ………………………………

………………………………………………
Signed by: Name and Title

Appendix A – revised constitution for Portsmouth's Health and Wellbeing Board (February 2019)

Constitution for Portsmouth's Health and Wellbeing Board

1. Aims

1.1 The Health and Wellbeing Board (HWB) will provide strategic leadership to improve the health and wellbeing of the population of Portsmouth through the development of improved and integrated health and social care services along with a range of other public service dependencies, including public health, the criminal justice system and children's services. It will:

a) identify health and wellbeing needs and priorities across Portsmouth, and oversee the refresh and publication of the Joint Strategic Needs Assessment (JSNA) to support evidence-based prioritisation, commissioning and policy decisions, including a strategic assessment of crime and disorder in the local area as required by the Crime and Disorder Act 1998 (as amended) and a children's needs assessment.

b) prepare and publish a Joint Health and Wellbeing Strategy (JHWS) for approval by the city council and Portsmouth Clinical Commissioning Group (CCG), which sets objectives and describes how stakeholders will be held to account for delivery, taking account of the JSNA, strategic analysis of crime and disorder, children's needs assessment, Director of Public Health Annual Report as well as national policy developments and legislation.

c) monitor and review the delivery of the JHWS and take action where evidence is indicating a failure to achieve agreed outcomes.

d) receive annual reports and regular updates from the Portsmouth Safeguarding Children Board and Safeguarding Adults Board; and to consult with safeguarding boards when considering how the welfare of children and vulnerable adults is to be safeguarded and protected.

e) encourage integrated working between health and social care and oversee, where appropriate, partnership arrangements under the NHS Act such as pooled budgets.

f) establish and maintain a relationship with the Police and Crime Commissioner to fulfil the mutual duty to co-operate and have regard to the priorities set out in their respective plans; and respond to requests to the Police and Crime Commissioner as set out in legislation.

g) undertake the governance role, as the community safety partnership, in relation to domestic homicide reviews.

h) oversee, where appropriate, the use of resources across a wide spectrum of services and interventions, to achieve its strategy and priority outcomes and to drive a genuinely collaborative approach to commissioning, including the co-ordination of agreed joint strategies.

i) support the inclusion of the voice of the public, patients and communities in the setting of strategic priorities, including (but not solely) through the involvement of local Healthwatch and the voluntary and community sector.

a) Communicate and engage with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their own personal health and wellbeing.

2. Membership

2.1 Membership of the HWB shall reflect the fact that the HWB has a role in setting strategic direction for the whole health, care and wellbeing system. It will also contain provisions that allow it to be given greater executive powers on behalf of the city council and in partnership with the CCG, with provision for voting on certain matters to be reserved. Those items on which all members of the HWB can vote shall be termed 'part A items' while those on which voting is reserved shall be termed 'part B items'.

2.2 The members of the HWB, who shall have voting rights on all non-reserved items (part a items) shall comprise the following:

- Lead Member for Health and Social Care (Joint-Chair)
- Clinical Commissioning Group Chief Clinical Officer* (Joint-Chair)
- Lead Member for Children's Services
- Leader of the Council (or their nominated representative)
- Leader of the largest opposition group (or their nominated representative)
- Clinical Commissioning Group Chief Operating Officer*
- Two nominated CCG representatives chosen by the CCG Board
- Two nominated representatives from the Portsmouth Education Partnership
- Portsmouth Police Commander
- Portsmouth Group Manager, Hampshire Fire and Rescue
- Community Rehabilitation Company
- National Probation Service
- Director of Public Health
- Director of Adults Services
- Director of Children's Services
- Healthwatch Portsmouth nominated representative*
- NHS Commissioning Board (Wessex) nominated representative*
- Portsmouth Hospitals NHS Trust nominated representative*
- Solent NHS Trust nominated representative*
- Portsmouth Voluntary and Community Network representative

2.3 The members of the HWB who have reserved powers to vote on 'part B items' are as follows:

- Lead Member for Health and Social Care (Joint-Chair)
- Clinical Commissioning Group Chief Clinical Officer* (Joint-Chair)
- Lead Member for Children's Services
- Leader of the Council (or their nominated representative)
- Leader of the largest opposition group (or their nominated representative)
- Clinical Commissioning Group Chief Operating Officer*
- Two nominated representatives from Portsmouth's Clinical Commissioning Group

*voting rights for co-opted members on what is a committee appointed under section 102 of the Local Government Act 1972 are provided for in Statutory Regulations published in February 2013 "unless the local authority which established the board otherwise directs" and "before making a direction [to empower co-opted members], the local authority must consult the Health and Wellbeing Board"[1]. The provisions above are therefore subject to direction from the council in consultation with the board.

3. Chairing arrangements

3.1 The HWB will appoint the Lead Member for Health and Social Care at the City Council and the Chief Clinical Officer of the CCG as joint chairs of the HWB, with chairmanship alternating between the two on an annual basis. The other joint-chair shall act as vice chair during that year.

3.2 In the event that neither Chair nor Vice chair are present but the meeting is quorate, the voting members present at the meeting shall choose a chair for that meeting from amongst their number who has power to vote on 'part B items'.

4. Quorum

4.1 It is important that sufficient members are present at all meetings so that decisions can be made and business transacted. The quorum for the Board will comprise of four voting members and must include at least one voting Member from the City Council and one voting member of the CCG. If a meeting has fewer members than this figure it will be deemed inquorate - matters may be discussed but no decisions taken.

5. Substitutes

5.1 Nominating groups may appoint a named substitute member for each position. Substitute members will have full voting rights when taking the place of the ordinary member for whom they are designated substitute.

6. Appointments

6.1 In line with the Health and Social Care Act, before appointing another person to be a member of the Board (other than those that are statutorily obliged to be a member) the local authority must first consult the Health and Wellbeing Board. Nominations by the local authority must be in accordance with the Act.

7. Decisions and Voting

7.1 The HWB will be accountable for its actions to its individual member organisations and representatives will be accountable through their own organisation's decision making processes for the decisions they make.

7.2 It is expected that decisions will be reached by consensus, however, if a vote is required any matter will be decided by a simple majority of those members voting and present in the room at the time the motion is put. This will be by a show of hands, or if no dissent, by the affirmation of the meeting. If there are equal votes for and against,

[1] The Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 No.218 regulation 6

the Chair will have a second or casting vote. There will be no restriction on how the Chair chooses to exercise a casting vote.

7.3 Decisions within the terms of reference will be taken at meetings and will not normally be subject to ratification or a formal decision process by partner organisations. However, where decisions are not covered by the HWB's statutory functions and power or within the delegated authority of the Board members, these will be subject to ratification by constituent bodies.

7.4 Decisions within the current terms of reference will be deemed 'part A items'. In the event that the city council or the CCG delegate additional decisions to the HWB, it will be for the delegating authority to determine whether these are deemed 'part B items' with reserved voting rights as set out above.

7.5 From time to time, the Board may establish sub-boards to deal with particular areas of business delegated to the Board, including in respect of the governance of domestic homicide reviews.

8. Status of Reports

8.1 Meetings of the Board shall be open to the press and public and the agenda, reports and minutes will be available for inspection at Portsmouth City Council's offices and on the City Council's website at least five working days in advance of each meeting. This excludes items of business containing confidential information or information that is exempt from publication in accordance with Part 5A and Schedule 12A to the Local Government Act 1972 as amended.

9. Members' Conduct

9.1 With the exception of those referred to at 9.2 below, the Councillors Code of Conduct of Portsmouth City Council will apply to all Board members, and such members should note in particular the obligations relating to Disclosable Pecuniary Interests (so described within the Councillors Code of Conduct), which they must declare upon appointment to the committee to the Monitoring Officer (unless they have made such a declaration).

9.2 The Code of Conduct for Employees of Portsmouth City Council will apply to all Board members who are officers of Portsmouth City Council.

9.3 The Monitoring Officer of Portsmouth City Council shall provide Board members with guidance in relation to these provisions

10. Review

10.1 This constitution and any conflicts of interest will be reviewed as and when required but at least annually.

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Portsmouth
CITY COUNCIL

Equality Impact Assessment

Preliminary assessment form v5 / 2013

www.portsmouth.gov.uk

The preliminary impact assessment is a quick and easy screening process. It should:

- identify those policies, projects, services, functions or strategies which require a full EIA by looking at:
  - negative, positive or no impact on any of the equality groups
  - opportunity to promote equality for the equality groups
  - data / feedback
- prioritise if and when a full EIA should be completed
- justify reasons for why a full EIA is not going to be completed

Directorate: Chief executive

Function e.g. HR, IS, carers: Health and Wellbeing Board

Title of policy, service, function, project or strategy (new or old) :

Health and Wellbeing Board constitution

Type of policy, service, function, project or strategy:

- ☐ Existing
- ☐ New / proposed
- ★ Changed

Q1 - What is the aim of your policy, service, function, project or strategy?

Health and Wellbeing Boards (HWBs) were introduced as part of the Health and Social Care Act 2012. They are statutory in all upper tier local authorities in England. The Portsmouth HWB brings together Elected Members, key council officers, the Portsmouth Clinical Commissioning Group (PCCG), the NHS Commissioning Board and local Healthwatch to develop a Joint Strategic Needs Assessment and deliver it through a Joint Health and Wellbeing Strategy.
The HWB is a committee of the council and has been formally established as such since April 2013.

A recent review of partnerships has concluded that there would be benefits for efficiency of working, and effectiveness of decision-making, if the current three cross-organisation partnerships that look at issues around health and wellbeing in the city (the HWB, the Safer Portsmouth Partnership and the Children's Trust Partnership) came together as one grouping with a single Terms of Reference and membership, and that this should be under the auspices of the Health and Wellbeing Board as the statutory body.

Q2 - Who is this policy, service, function, project or strategy going to benefit or have a detrimental effect on and how?

It is not expected that the change will have a direct benefit or detriment to any section of the community or any indivudial as the changes proposed are purely to the strategic decision-making function.

Q3 - Thinking about each group below, does, or could the policy, service, function, project or strategy have a negative impact on members of the equality groups below?

Group	Negative	Positive / no impact	Unclear
Age		★	
Disability		★	
Race		★	
Gender		★	
Transgender		★	
Sexual orientation		★	
Religion or belief		★	
Pregnancy and maternity		★	

Other excluded groups		★	

If the answer is "negative" or "unclear" consider doing a full EIA

Q4 - Does, or could the policy, service, function, project or strategy help to promote equality for members of the equality groups?

Group	Yes	No	Unclear
Age		★	
Disability		★	
Race		★	
Gender		★	
Transgender		★	
Sexual orientation		★	
Religion or belief		★	
Pregnancy or maternity		★	
Other excluded groups		★	

If the answer is "no" or "unclear" consider doing a full EIA

Q5 - Do you have any feedback data from the equality groups that influences, affects or shapes this policy, service, function, project or strategy?

Group	Yes	No	Unclear
Age		★	
Disability		★	
Race		★	
Gender		★	
Transgender		★	

Sexual orientation		★	
Religion or belief		★	
Pregnancy and maternity		★	
Other excluded groups		★	

If the answer is "no" or "unclear" consider doing a full EIA

Q6 - Using the assessments in questions 3, 4 and 5 should a full assessment be carried out on this policy, service, function or strategy?

☐ yes ★ No

Q7 - How have you come to this decision?

The terms of reference for the board will not directly impact any group - decisions that they take on policy or service delivery will be subject to impact assessments in their own right.

If you have to complete a full EIA please contact the Equalities and diversity team if you require help Tel: 023 9283 4789 or email:equalities@portsmouthcc.gov.uk

Q8 - Who was involved in the EIA?

Kelly Nash, Corporate Performance Manager, PCC

This EIA has been approved by: David Williams

Contact number: 023 9268 8157

Date: 26th February

Please email a copy of your completed EIA to the Equality and diversity team. We will contact you with any comments or queries about your preliminary EIA.

Telephone: 023 9283 4789

Email: equalities@portsmouthcc.gov.uk

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From GOVERNANCE & AUDIT & STANDARDS COMMITTEE held on 8 March 2019

Council Agenda Item 14 (Minute No 22)

GAS **Health and Wellbeing Board Constitution**

The Governance & Audit & Standards Committee

(1) Supported the changes to the constitution for the Health and Wellbeing Board set out in the report and

(2) Recommended these be approved by Council on 19 March 2019.

Councillor Leo Madden
Chair

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Portsmouth CITY COUNCIL

Title of meeting: Council

Date of meeting: 19 March 2019

Subject: Appointment of Monitoring Officer

Report by: Chief Executive

Wards affected:

Key decision: No

Full Council decision: Yes

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1. Purpose of report

1.1 Under Section 5 of the Local Government and Housing Act 1989 (as amended), the Council has a duty to appoint a Monitoring Officer. Following the decisions of the Employment Committee on 13 February 2019, the Council is asked to consider the appointment of a Monitoring Officer following the retirement of the present post holder on 19 May 2019

2. Recommendations

2.1 It is recommended that the current Deputy City Solicitor and Monitoring Officer, Peter Baulf, be appointed as Monitoring Officer.

3. Background

3.1 The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

3.2 The Monitoring Officer has a number of statutory duties and responsibilities relating to the council's constitution and the arrangements for effective governance. These duties are contained in the council's constitution and include the obligation to ensure that the Council acts lawfully at all times and in accordance with its constitution. The Monitoring Officer also has an important role to pay in relation to the Members Code of Conduct and in particular in relation to the consideration and investigation of complaints against Members.

3.3 Neither the Head of Paid Service (Chief Executive) nor the Chief Finance Officer (S151 Officer) can hold the position of Monitoring Officer. Although many councils appoint their most senior legal officer as their Monitoring Officer this is not a requirement. Whoever is appointed must though ensure that the Council receives correct and appropriate advice on the lawfulness of its decision making.

3.4 Peter Baulf has been undertaking the role of Deputy City Solicitor and Monitoring Officer since October 2012.

3.5 Peter has a number of years' experience at councils as senior legal officer and is a qualified solicitor who was admitted to the Roll in 1994 He is considered to have the appropriate skills, experience at a senior level and ability to undertake the duties of the role.

4. Reasons for recommendations

4.1 To ensure that the Council meets its legal obligations in the appointment of a Monitoring Officer

5. Equality impact assessment

5.1 An Equality Impact Assessment was carried out as part of the report to Employment Committee on 13 February 2019.

6. Legal implications

6.1 These are contained within the report.

7. Director of Finance's comments

7.1 The financial consequences of the SMT review were reflected in the report to Employment Committee on 13 February 2019. The report concluded that there would be an estimated net saving of £149,000 to the Council in a full year as a result of the restructure (subject to the job evaluation process).

………………………………………………
Signed by:

Appendices:

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ……………………………… on ………………………………

………………………………………………
Signed by:

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QUESTIONS FOR THE CABINET OR CHAIR
UNDER STANDING ORDER NO 17

CITY COUNCIL MEETING – 19 MARCH 2019

QUESTION NO 1

FROM: COUNCILLOR JUDITH SMYTH

TO REPLY: CABINET MEMBER FOR TRAFFIC & TRANSPORTATION
COUNCILLOR LYNNE STAGG

Are you aware of the problems that the introduction of the MB and MC zones have caused for many residents and to the people living in the surrounding areas and the fears of people living in the proposed zone MD?

QUESTION NO 2

FROM: COUNCILLOR LUKE STUBBS

TO REPLY: CABINET MEMBER FOR HEALTH, WELLBEING & SOCIAL CARE
COUNCILLOR MATTHEW WINNINGTON

The lifting of the cap on contributions for day care services within the Learning Disability service will have a huge impact on a small number of clients.

There is one service user who faces a weekly extra charge in excess of £400 per week. The family involved have only recently been made aware of this extra charge. Will the Cabinet Member consider providing some form of relief or an extended transition period in this particular case?

QUESTION NO 3

FROM: COUNCILLOR JUDITH SMYTH

TO REPLY: LEADER OF THE COUNCIL
COUNCILLOR GERALD VERNON-JACKSON CBE

Are there any plans to reform the City Council's constitution to give Full Council appropriate decision making powers?