



# Agenda & minutes

Full Council meeting of  
Tuesday, 15 March 2022



# *Portsmouth City Council*

AN ORDINARY MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall, Portsmouth on Tuesday, 15 March 2022 at 2.00pm and all members of the council are hereby summoned to attend to consider and resolve upon the following business detailed from agenda item 1 onwards:-

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## **Information with regard to public access due to Covid precautions**

- Following the government announcement 'Living with COVID-19' made on 21<sup>st</sup> February, attendees will still be requested to undertake an asymptomatic/ lateral flow test within 48 hours of the meeting until the end of March (This guidance will be updated at that point). Around one in three people who are infected with COVID-19 have no symptoms so could be spreading the virus without knowing it. Asymptomatic testing – getting tested when you don't have symptoms - helps protect people most at risk by helping to drive down transmission rates.
- We strongly recommend that attendees should be double vaccinated and have received a booster.
- If symptomatic we encourage you not to attend the meeting but to stay at home, avoid contact with other people and to take a PCR test in line with current UKHSA advice.
- We encourage all attendees to wear a face covering while moving around crowded areas of the Guildhall.
- Although not a legal requirement, attendees are strongly encouraged to keep a social distance and take opportunities to prevent the spread of infection by following the 'hands, face, space' and 'catch it, kill it, bin it' advice that also protects us from other winter viruses.
- Hand sanitiser is provided at the entrance and throughout the Guildhall. All attendees are encouraged to make use of hand sanitiser on entry to the Guildhall.
- Those not participating in the meeting and wish to view proceedings are encouraged to do so remotely via the livestream link.

# *Agenda*

## **1 Declaration of Members' Interests**

- 2 **To approve as correct records the Minutes of the Ordinary and Extraordinary Council meetings held on 15 February 2022** (Pages 13 - 56)
- 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**

Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (stewart.agland@portsmouthcc.gov.uk) by 12 noon of the working day before the meeting (so Monday 14 March for this meeting), and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted
- 5 **Questions from the Public under Standing Order 25** (Pages 57 - 58)
- 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 **Update on Planning Development Management and increase in capacity** (Pages 59 - 72)

To receive and consider the attached report from Cabinet held on 8 February (recommendation also attached).
- 9 **Capital Strategy 2022/23 - 2031/32** (Pages 73 - 114)

To receive and consider the attached report from Cabinet held on 8 March (recommendation to follow)
- 10 **Treasury Management Policy 2022/23** (Pages 115 - 150)

To receive and consider the attached report from Cabinet held on 8 March (recommendation to follow)
- 11 **Health & Wellbeing Strategy** (Pages 151 - 200)

To receive and consider the attached report from Cabinet held on 8 March (recommendation to follow)
- 12 **Solent Freeport Full Business Case** (Pages 201 - 252)

To receive and consider the attached report from Cabinet held on 8 March (recommendation to follow)
- 13 **Carbon Budget Methodology** (Pages 253 - 256)

To receive and consider the attached report from Cabinet held on 8 March (recommendation to follow)
- 14 **Pay Policy Statement** (Pages 257 - 266)

To receive and consider the attached report from Employment Committee held on 9 March (recommendation to follow)

## **Notices of Motion: Process information**

In accordance with Standing Orders, all Notices of Motions on the agenda will, subject to the 6 month rule, automatically be dealt with at this meeting, thereby dispensing with a three-minute presentation from the proposer and subsequent vote to enable its consideration.

### **15 Notices of Motion**

#### **(a) Defibrillators in Portsmouth**

Proposed by Councillor Kimberly Barrett  
Seconded by Councillor Ian Holder

Ever since the harrowing scenes of Danish footballer Christian Eriksen receiving cardiac treatment were broadcast onto the screens of millions of people during a game at Euro 2020, the recognition of the need of public defibrillators has become more apparent.

On average, 30,000 people each year suffer a sudden cardiac arrest outside of hospital, and 20% of these incidents occur in public spaces. Only 10% of victims of cardiac arrests survive when the incident occurs outside hospital.

Automated External Defibrillators (AEDs) can play a significant role in saving the lives of people who suffer heart attacks in public. It is estimated that a shock from an AED, alongside CPR treatment, increases survival rates to 75-80%.

This Council commends the many organisations, schools and communities who have already installed community defibrillators that are accessible not just to the organisations themselves, but, that are also accessible to members of the public. It acknowledges that places like Fratton Community Centre are raising funds to make sure that the centre will have access to this life saving equipment.

The council also congratulates the pupils, their parents and the teachers of Meon Infant School, Meon Junior School and Moorings Way School as well as the Thinking Schools Academy Trust who recently raised a significant amount of money to buy and install 2 new defibrillators alongside CIL contributions from Milton councillors for use by the schools and for public use as well.

This Council also commends the outstanding work and care that the South Central Ambulance Service, Queen Alexandra Hospital and staff across all areas of the NHS provide Portsmouth residents 24/7, 365 days a year. The Council would also like to thank the work that the British Heart Foundation are doing to continue to research into cardiac arrests but also, the campaigning that they

have done alongside other organisations to get CPR onto the curriculum at English secondary schools by the end of this school year. This is alongside the work that they are doing regarding 'The Circuit' to create a national network of defibrillators which will link to every ambulance service in the country and in the public domain to help save more lives from 'Out of Hospital Cardiac Arrests' (OHCA).

Although there are a number of public defibrillators on council premises and assets and further more on non-council owned land and buildings, there may be gaps in the provision of publicly accessible AEDs across the city.

Council resolves to ask Cabinet:

- To add as many existing defibrillator locations to the list hosted on the council's website, and to also add those not already on the South Central Ambulance Service's 'Save a life' App, to make sure that there is a log of as many locations as possible of public defibrillators in Portsmouth including those in non-council premises.
- Review and, where appropriate, seek to increase the provision of defibrillators across council-owned spaces including public parks, community centres, leisure facilities, and areas of high public footfall and to continue to support businesses, community associations and schools who may wish to install their own and bring an update report to Cabinet to demonstrate progress.

(b) **Elections Bill**

Proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Hugh Mason

Portsmouth City Council recognises the importance of ensuring that elections are fair and accessible for all voters.

The City Council notes that the Elections Bill is set to bring in major changes to national elections, including the introduction of compulsory photographic ID to vote.

The City Council believes that this change will act as a barrier to people voting and increase inequality in the electoral process.

The City Council notes with concern that currently 3.5 million people in the UK do not have any form of expensive photographic ID.

The City Council notes that these changes are estimated to cost the taxpayer £180 million and will create unnecessary bureaucracy to Councils.

The City Council believes that at a time when voter turnout is declining, we should be doing all we can to make it easier, not harder for people to vote.

Portsmouth City Council doesn't want to see people being turned away at the ballot box because of these changes and resolves to support the #HandsOffOurVote campaign by:

1. Writing to Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities
2. Writing to Portsmouth's local MPs asking them to raise these concerns in Parliament.

(c) **Support for Adults with ADHD**

Proposed by Councillor Tom Coles  
Seconded by Councillor Kirsty Mellor

Around 5% of adults are diagnosed with ADHD, many other adults suffer with the condition but lack an official diagnosis.

Those with ADHD may struggle with inattentiveness, hyperfocus, hyperactivity, emotional dysregulation and excessive mind wandering.

Adults with ADHD present with persistent difficulties in following directions, remembering information, concentrating, organizing tasks, completing work within specified time frames and appearing timely in appointments. These difficulties affect several different areas of an ADHD adult's life, causing emotional, social, vocational, marital, legal, financial and/or academic problems.

Studies on adults with ADHD have shown that, more often than not, they experience self-stigma and depression in childhood, commonly resulting from feeling neglected and different from their peers.

These problems may play a role in the high levels of depression, substance abuse, and relationship problems that affect adults with ADHD later in life.

This Council notes that adults in the UK can face waiting lists of over three years before receiving a diagnosis, even those diagnosed in childhood can expect a lengthy wait if seeking support later in life.

This Council notes that, for those in Portsmouth, the nearest NHS-run Adult ADHD and Autism unit is more than thirty miles away in Basingstoke and covers much of Hampshire and Surrey, stretching the service.

This Council recognises services for Adults with ADHD are underfunded and overstretched.

This Council calls upon the Cabinet Member for Health, Wellbeing and Social Care and the Leader of the Council to write to the Secretary for Health and Social Care urging a full review of Adult ADHD services and implementation of improvements in accessibility to treatment and support.

Furthermore, the Council calls upon the Cabinet Member for Health, Wellbeing and Social Care to review with the CCG any improvements in accessibility to treatment and support that could be implemented locally.

<sup>1</sup> Kooij JJ, Bijlenga D, Salerno L, Jaeschke R, Bitter I, Balázs J, et al. (February 2019). "Updated European Consensus Statement on diagnosis and treatment of adult ADHD". *European Psychiatry*. 56: 14–34.

<sup>1</sup> Gentile JP, Atiq R, Gillig PM (August 2006). "Adult ADHD: Diagnosis, Differential Diagnosis, and Medication Management". *Psychiatry*. 3 (8): 25–30.

<sup>1</sup> McKeague L, Hennessy E, O'Driscoll C, Heary C (June 2015). "Retrospective accounts of self-stigma experienced by young people with attention-deficit/hyperactivity disorder (ADHD) or depression". *Psychiatric Rehabilitation Journal*. 38 (2): 158–163.

(d) **In-sourcing first: reversing the privatisation of council services**

Proposed by Councillor George Fielding  
Seconded by Councillor Judith Smyth

Full Council notes:

1. During the 2021 local election campaign, Portsmouth Labour made a key manifesto pledge to bring back in-house contracts totalling over £30m a year, including housing repairs and maintenance as well as refuse collection.
2. Councils across the country spend hundreds of millions of pounds buying in essential goods, services and expertise from the private sector each year.
3. The Public Services (Social Value) Act was introduced in 2012. It provides a legal basis for public authorities to look for wider social, economic and environmental benefits when undertaking procurement exercises.
4. Evidence shows that insourcing public services can deliver lower costs, more efficiency, a public sector ethos, economies of scale and an enhanced level of democratic accountability to local residents.

Full Council believes:

1. Residents are more likely to trust local councillors to take decisions on their behalf over and above private companies.
2. While residents support their local councils to run services and redistribute wealth, Local Government still requires the

financial resources to catalyse new social contracts and make public services local.

3. Public service workers and their trade unions support the insourcing of public services.
4. Investing in strengthening the council's capacity, skills and ability to deliver services in-house will make the council more sustainable, innovative and effective for the long term.
5. In-sourcing gives the council greater control over how public money is spent, creating more possibilities for supporting small, local businesses in addition to ensuring environmental and social value is recognised.
6. The council must always strive to achieve value for money but this does not just mean choosing the cheapest option. It also means if it is more expensive to insource there may be other benefits to the council and residents such as environmental responsibility, better pay and conditions for staff, supporting local businesses etc.

Full Council resolves to call on Cabinet:

1. To develop and introduce an 'Insourcing First' policy that makes an assumption that all local authority services should be delivered in-house by the council and that all expiring contracts should be considered for insourcing, unless there are strong countervailing reasons not to (e.g. the need for independence to prevent a conflict of interest).
2. To develop and introduce a rolling calendar review programme for all contracts and purchasing decisions carried out by the council. This should include key dates, contract values, provider names and services covered.
3. To commit to seriously considering the viability of insourcing the housing repairs and maintenance, refuse collection, port security and domiciliary care contracts with associated public reports brought to either Full Council or the relevant portfolio meeting by the fourth quarter of 2022.

(e) **Her Majesty Queen Elizabeth II - Platinum Jubilee**

Proposed by Councillor Benedict Swann  
Seconded by Councillor Simon Boshier

This council offers its congratulations to Her Majesty Queen Elizabeth II on her Platinum Jubilee . This council requests that an Official Letter is sent to Her Majesty in the name of the people of Portsmouth, in advance of the occasion of the seventieth anniversary of her coronation, wishing Her Majesty the City's heartiest best wishes and congratulations on a long and glorious

reign.

(f) **Constitutional Review**

Proposed by Councillor Scott Payter-Harris  
Seconded by Councillor Matthew Atkins

Portsmouth City Council's constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and answerable to local people. Some of these processes are required by the law, while others are a matter for us to choose.

However, it is noted that the council has significantly changed in recent years with regards to how it functions, which means the Constitution is somewhat inflexible. This council now believes it is time for the Constitution to be reviewed along with the Council's standing orders and officer member protocol.

Therefore the Council requests that a Constitution Working Review group is set up and reports into Governance, Audit and Standards Committee while also reporting back into this Full Council by May 2023.

(g) **Local Plan**

Proposed by Councillor Ryan Brent  
Seconded by Cllr Scott Payter-Harris

The council condemns the Liberal Democrat Administration's mismanagement of the Local Plan and notes that the effect of such sustained mismanagement in a financial and strategic sense in pushing back the Local Plan Timetable has clear ramifications in terms of reputation and service delivery, and further that upon any objective basis such behaviour and omission on the part of the Administration is reprehensible.

**16 Questions from Members under Standing Order No 17 (Pages 267 - 270)**

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.Aglan@portsmouthcc.gov.uk](mailto:Stewart.Aglan@portsmouthcc.gov.uk).

Civic Offices  
Guildhall Square  
PORTSMOUTH  
7 March 2022

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# Agenda Item 2

15 February 2022 1

MINUTES OF AN EXTRAORDINARY MEETING OF THE COUNCIL held at the Guildhall Portsmouth on Tuesday, 15 February 2022 at 2.00 pm

## **Council Members Present**

The Right Worshipful The Lord Mayor  
Councillor Frank Jonas BEM (in the Chair)

### Councillors

Rob Wood	George Madgwick
Dave Ashmore	Hugh Mason
Chris Attwell	Lee Mason
Kimberly Barrett	Kirsty Mellor
Simon Boshier	Terry Norton
Ryan Brent	Gemma New
Hannah Brent	Robert New
Stuart Brown	Scott Payter-Harris
Cal Corkery	Darren Sanders
Ben Dowling	Jeanette Smith
George Fielding	John Smith
Charlotte Gerada	Lynne Stagg
Lewis Gosling	Judith Smyth
Graham Heaney	Luke Stubbs
Ian Holder	Benedict Swann
Jo Hooper	Linda Symes
Suzy Horton	Claire Udy
Lee Hunt	Gerald Vernon-Jackson CBE
Leo Madden	Daniel Wemyss

### **1. Declarations of Interest and Apologies**

There were no declarations of interest from the members present.

Apologies for absence had been received from Councillor Matthew Atkins, Councillor Tom Coles and Councillor Jason Fazackarley.

### **2. Deputations from the Public under Standing Order No 24**

The Lord Mayor advised that no deputation requests had been received for this extraordinary Full Council meeting.

### **3. Freedom of the City - Transfer of Honorary Grant To Reflect Subsumed Changes in Royal Naval Structure**

It was Proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Simon Boshier

***To transfer the Honorary Freedom of the City Grant to Reflect Subsumed Changes in Royal Naval Structure.***

2 15 February 2022

The Lord Mayor advised that just a-simple majority was necessary in order for the proposal to be carried.

The Leader of the Labour Group Councillor Fielding and Leader of the Portsmouth People Progressive Group, Councillor Udy, also confirmed their support for the proposal.

The proposal was agreed unanimously.

**RESOLVED that in pursuance of Section 249 of the Local Government Act 1972:-**

**Council Approved the transfer of the honorary grant of the Freedom of the City of Portsmouth originally having been bestowed onto Portsmouth Command of the Royal Navy on 10<sup>th</sup> November 1964 to Portsmouth Naval Base and Portsmouth Ships this being the successor command having subsumed Portsmouth Home Command within its changed structure over several decades.**

**That the Council wishes to continue to promote the essence of the original Freedom grant which was to 'pay tribute to the glorious traditions of the Royal Navy over many centuries of gallant and distinguished service to our Sovereign and country and to acknowledge the great part which the Royal Navy plays and has for so long played in the life and the development of the City and further wishing to strengthen and foster the close bonds which exist between the City and the Royal Navy'.**

The meeting concluded at 2.11 pm.

.....  
Lord Mayor

MINUTES OF AN ORDINARY MEETING OF THE COUNCIL held at the Guildhall Portsmouth on Tuesday, 15 February 2022 at 2.11 pm

### **Council Members Present**

The Right Worshipful The Lord Mayor  
Councillor Frank Jonas BEM (in the Chair)

#### Councillors

Rob Wood	Leo Madden
Dave Ashmore	George Madgwick
Matthew Atkins	Hugh Mason
Chris Attwell	Lee Mason
Kimberly Barrett	Kirsty Mellor
Simon Boshier	Terry Norton
Ryan Brent	Gemma New
Hannah Brent	Robert New
Stuart Brown	Scott Payter-Harris
Tom Coles	Darren Sanders
Cal Corkery	Jeanette Smith
Ben Dowling	John Smith
Jason Fazackarley	Lynne Stagg
George Fielding	Judith Smyth
Charlotte Gerada	Luke Stubbs
Lewis Gosling	Benedict Swann
Graham Heaney	Linda Symes
Ian Holder	Claire Udy
Jo Hooper	Gerald Vernon-Jackson CBE
Suzy Horton	Daniel Wemyss
Lee Hunt	

#### **4. Declaration of Members' Interests**

Councillor Cal Corkery declared a personal, non-prejudicial interest in minute 10 as he was a member and paid official of a union.

Councillor Jeanette Smith declared a personal, non-prejudicial interest in minute 10 as a paid official of Unison.

#### **5. To approve as correct records, the Minutes of the Extraordinary Council meeting and Ordinary Council meeting held on 7 December 2021**

It was Proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Simon Boshier

That the minutes of the Extraordinary Full Council meeting held on 7 December 2021 be confirmed as a correct record.

These were agreed by assent and signed by the Lord Mayor.

It was Proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Simon Boshier

That the minutes of the ordinary Full Council meeting held on 7 December 2021 be confirmed as a correct record.

These were agreed by assent and signed by the Lord Mayor.

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

Apologies for lateness had been received on behalf of Councillor Matthew Atkins, Councillor Tom Coles and Councillor Jason Fazackarley.

On behalf of the Council the Lord Mayor offered his congratulations to Councillors Hannah Brent and Ryan Brent on their recent marriage.

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

The City Solicitor advised that two verbal deputation requests had been made for this meeting.

The first was from Mr Bonner in respect of Minute 10 and the second was from Mr Burns in respect of Minute 12.

At the invitation of the City Solicitor, Mr Bonner and Mr Burns delivered their deputations to Council.

**8. Appointments**

The Lord Mayor advised that there were no appointments to be made at this meeting.

**9. 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 he was not aware of any urgent business to be transacted at this meeting.

**10. Portsmouth City Council Budget and Council Tax 2022/2023 and Medium Term Budget Forecast 2023/24 to 2025/26 and Capital Programme**

The Lord Mayor advised that the recommendations from the Cabinet meeting had previously been circulated to members.

Cabinet Minute/recommendation 14 - PCC Budget and Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26 and Capital Programme.

This item was opposed by Councillor Simon Boshier.

The Lord Mayor reminded councillors that the speaking time limit did not apply to group leaders on budget items.

It was

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

That the recommendations from the Cabinet meeting held on 8 February 2022 be approved.

The Lord Mayor invited the Leader of the Council to speak to his budget.

The Leader of the Council outlined the Liberal Democrat Group's budget proposals which were based upon four key principles of:

- being ambitious for the city;
- strategic and long term in nature;
- follow a financially prudent model; and
- meet the stated needs of residents.

In forming the budget he had invited input from all members and he was pleased to be able to incorporate some of the PPP Group's suggestions into the recommendation:

- Funding for a family hub worker to support families coming out of lockdown;
- Additional funding for the HIVE; and
- Funding for an additional resource to maintain open spaces on the eastern side of Portsea Island.

Councillor Gerald Vernon-Jackson commended the Liberal Democrat budget proposals to Council.

As an amendment it was

Proposed by Councillor Simon Boshier  
Seconded by Councillor Ryan Brent

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

Councillor Simon Boshier (Conservative Group Leader) then spoke to his group's proposed budget amendment. He outlined the key aspects of the amendment.

Councillor Simon Boshier commended the amendment to Council.

As an amendment it was

Proposed by Councillor George Fielding  
Seconded by Councillor Cal Corkery

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

Councillor George Fielding (Labour Group Leader) then spoke to his group's proposed budget amendment.

He believed that the amendment built upon the foundations of the administration's proposal and commended the Labour Group's proposed budget amendments to Council.

Councillor Claire Udy spoke in support of the Cabinet recommendation and confirmed that the Portsmouth Progressive People Group did not wish to table any amendments.

The Lord Mayor then called an adjournment after which the Lord Mayor then opened the budget proposals for debate.

As an amendment put under Standing Order 45b it was

Proposed by Councillor Graham Heaney  
Seconded by Councillor Hugh Mason

That the recommendations set out in Appendix 3 attached to these minutes be adopted.

Following debate, the Lord Mayor called upon the Leader of the Council, Councillor Vernon-Jackson to sum up, which he duly did.

In closing, the Leader of the Council confirmed that he was happy to subsume the amendment standing in the name of Councillor Graham Heaney into the Cabinet recommendations proposed by him and seconded by Councillor Suzy Horton at the beginning of the item. He did not wish to subsume the proposed amendments in the names of Councillor Simon Boshier or Councillor George Fielding.

The Lord Mayor reminded Members that all votes on the budget would be by recorded to comply the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014.

Council voted on the Conservative Group and Labour Group amendments in turn before voting on the substantive motion.

Upon the Conservative Group amendment standing in the name of Councillor Simon Boshier on the Portsmouth City Council Budget and Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26 and Capital Programme being put to the vote

**The following members voted in favour**

Councillor Matthew Atkins	Councillor Simon Boshier
Councillor Hannah Brent	Councillor Ryan Brent
Councillor Lewis Gosling	Councillor Jo Hooper
Councillor Frank Jonas	Councillor George Madgwick
Councillor Lee Mason	Councillor Gemma New
Councillor Robert New	Councillor Terry Norton
Councillor Scott Payter-Harris	Councillor John Smith
Councillor Luke Stubbs	Councillor Benedict Swann
Councillor Linda Symes	Councillor Daniel Wemyss

**The following members voted against**

Councillor Dave Ashmore	Councillor Chris Attwell
Councillor Kimberly Barrett	Councillor Stuart Brown
Councillor Tom Coles	Councillor Cal Corkery
Councillor Ben Dowling	Councillor Jason Fazackarley
Councillor George Fielding	Councillor Charlotte Gerada
Councillor Graham Heaney	Councillor Ian Holder
Councillor Suzy Horton	Councillor Lee Hunt
Councillor Leo Madden	Councillor Hugh Mason
Councillor Kirsty Mellor	Councillor Darren Sanders
Councillor Lynne Stagg	Councillor Jeanette Smith
Councillor Judith Smyth	Councillor Claire Udy
Councillor Gerald Vernon-Jackson	Councillor Rob Wood

No members abstained from voting

The Conservative Group amendment was therefore declared **LOST**.

Upon the Labour Group amendment standing in the name of Councillor George Fielding on the Portsmouth City Council Budget and Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26 and Capital Programme being put to the vote.

**The following members voted in favour**

Councillor Matthew Atkins	Councillor Tom Coles
Councillor Cal Corkery	Councillor George Fielding
Councillor Charlotte Gerada	Councillor Graham Heaney
Councillor Kirsty Mellor	Councillor Terry Norton
Councillor Judith Smyth	

**The following members voted against**

Councillor Dave Ashmore	Councillor Chris Attwell
Councillor Kimberly Barrett	Councillor Simon Boshier
Councillor Stuart Brown	Councillor Ben Dowling
Councillor Jason Fazackarley	Councillor Lewis Gosling
Councillor Ian Holder	Councillor Suzy Horton
Councillor Lee Hunt	Councillor Leo Madden

Councillor George Madgwick  
Councillor Scott Payter-Harris  
Councillor Jeanette Smith  
Councillor Luke Stubbs  
Councillor Linda Symes  
Councillor Gerald Vernon-Jackson

Councillor Hugh Mason  
Councillor Darren Sanders  
Councillor Lynne Stagg  
Councillor Benedict Swann  
Councillor Claire Udy  
Councillor Rob Wood

**The following members abstained**

Councillor Hannah Brent  
Councillor Jo Hooper  
Councillor Lee Mason  
Councillor Robert New  
Councillor Daniel Wemyss

Councillor Ryan Brent  
Councillor Frank Jonas  
Councillor Gemma New  
Councillor John Smith

The Labour Group amendment was therefore declared **LOST**.

Upon the original recommendations in Cabinet minute 14 - Portsmouth City Council Budget and Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26 and Capital Programme with the subsumed amendment in the name of Councillor Graham Heaney being put to the vote

**The following members voted in favour**

Councillor Dave Ashmore  
Councillor Kimberly Barrett  
Councillor Tom Coles  
Councillor Ben Dowling  
Councillor George Fielding  
Councillor Graham Heaney  
Councillor Suzy Horton  
Councillor Leo Madden  
Councillor Hugh Mason  
Councillor Darren Sanders  
Councillor Judith Smyth  
Councillor Claire Udy  
Councillor Rob Wood

Councillor Chris Attwell  
Councillor Stuart Brown  
Councillor Cal Corkery  
Councillor Jason Fazackarley  
Councillor Charlotte Gerada  
Councillor Ian Holder  
Councillor Lee Hunt  
Councillor George Madgwick  
Councillor Kirsty Mellor  
Councillor Jeanette Smith  
Councillor Lynne Stagg  
Councillor Gerald Vernon-Jackson

**The following members voted against**

Councillor Matthew Atkins  
Councillor Ryan Brent  
Councillor Jo Hooper  
Councillor Terry Norton  
Councillor Luke Stubbs  
Councillor Daniel Wemyss

Councillor Hannah Brent  
Councillor Simon Boshier  
Councillor Lee Mason  
Councillor John Smith  
Councillor Benedict Swann

**The following members abstained**

Councillor Lewis Gosling  
Councillor Gemma New  
Councillor Scott Payter-Harris

Councillor Frank Jonas  
Councillor Robert New  
Councillor Linda Symes

This was declared **CARRIED**. The Cabinet recommendations in Cabinet minute 14, with the subsumed amendment in the name of Councillor Graham Heaney was therefore APPROVED.

## RESOLVED

3.1) That the following be APPROVED in respect of the Council's Budget:

- 1) The revised Revenue Estimates for the financial year 2021/22 and the Revenue Estimates 2022/23 as set out in the General Fund Summary (Appendix A Amended) (as contained in Appendix 3 to these minutes) including the changes described below but noting 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

<i>Indicative Portfolio Savings Proposal</i>	<b>Impact on Level of Service &amp; Service Outcomes</b>	2022/23	2023/24 & Future Years
		£	£
<b>Other Expenditure</b>			
Reduction in Revenue Contribution to the Capital Programme	Reduction in funding for New & Existing Capital Investment proposals (Appendix D)	234,000	0
<b>Total</b>		<b>234,000</b>	<b>0</b>

ii) **Additions to Revenue Estimates**

Saving No.	Increases to Portfolio Cash Limits	2022/23	2023/24 & Future Years
		£	£
<i>Children, Families &amp; Education Portfolio</i>			
<b>New</b>	<b>Additional support for a Family Hub worker to operate from Family Hubs providing advice, guidance and support for mental health needs (including ASD and other conditions) to parents for themselves and their children</b>	40,000	0
<i>Communities &amp; Central Services Portfolio</i>			
<b>New</b>	<b>Equalities and Community Initiatives Grants - Voluntary and Community Sector grants to promote equality and tackle discrimination (e.g. Violence against women and girls, anti-racism and the annual Pride event)</b>	100,000	0
<b>New</b>	<b>Money and Benefits Advice Grants - For the Voluntary and Community sector to deliver money and benefits advice services</b>	64,000	0
<b>New</b>	<b>Grant to the Hive - Supporting Poverty Strategies</b>	30,000	0
<b>Total</b>		<b>234,000</b>	<b>0</b>

- 2) The Portfolio Cash Limits for the Revised Budget for 2021/22 and Budget for 2022/23 incorporating the savings amounts for each Portfolio and amounting to £1.825m as set out in Sections 7 and 11, respectively as amended by the following:

Portfolio / Committee	2022/23 £	Future Years £
Children, Families & Education	40,000	0
Communities & Central Services Portfolio	194,000	0
Other Expenditure	(234,000)	0
<b>Total</b>	<b>0</b>	<b>0</b>

- 3) To maintain the overall financial resilience of the Council, any underspendings arising at the year-end (outside of those made by Portfolios) be transferred either to Capital Resources to fund future Capital Programmes, the COVID-19 Reserve, the MTRS Reserve or General Reserves with the level of each transfer to be determined by the S.151 Officer

- 4) 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
- 5) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts
- 6) That the level of Council Tax be increased by 1.99% for general purposes in accordance with the referendum threshold<sup>1</sup> for 2022/23 announced by Government (as calculated in recommendation 3.4 (d))
- 7) That the level of Council Tax be increased by a further 1.0% beyond the referendum threshold (as calculated in recommendation 3.4 (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 £872,400 is passported direct to Adult Social Care
- 8) That Revenue Contributions to Capital be made in 2021/22 in the sum of £1.0m and in 2022/23 in the sum of £1.766m in order to provide sufficient funding for the New Capital Investment proposals as set out in Appendix D as amended by tables iii) and iv) below:

iii) Reductions to the Capital Programme (Appendices D & E)

<i>Scheme Deletions / Reductions</i>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Communities &amp; Central Services Portfolio</b>			
<b>Delete</b>	<b>Bring Your Own Device Phase 2</b>	75,000	75,000
<i>Community Safety &amp; Environment Portfolio</i>			
<b>Reduce</b>	<b>Southsea Sea Defences - Public Realm Enhancements (Nelson Statue and Saluting Platform Area)</b>	28,000	0
<i>Culture, Leisure &amp; Economic Development Portfolio</i>			
<b>Delete</b>	<b>Seafront Enhancements 'Festoon' Lighting</b>	156,000	0
<b>Total</b>		<b>259,000</b>	<b>75,000</b>

<sup>1</sup> Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

iv) Additions to Capital Programme (Appendices D & E)

<i>Scheme Additions / Increases</i>		<b>2022/23</b>	<b>2023/24</b>
		<b>£</b>	
<b>Community Safety &amp; Environment Portfolio</b>			
<i>Add</i>	<i>Greening the City Fund (increase to proposed scheme) - e.g. Benches, lighting, tree planting and other green infrastructure</i>	100,000	0
<i>Total</i>		<b>100,000</b>	<b>0</b>

- 9) Managers be authorised to incur routine expenditure against the Cash Limits for 2022/23 as set out in Section 11
- 10) That no savings requirement for 2023/24 be set but that this is kept under review, pending the outcome of the forthcoming Fair Funding Review and Business Rate Retention Scheme
- 11) 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
- 12) The minimum level of General Reserves as at 31 March 2023 be maintained at £8.0m to reflect the known and expected budget and financial risks to the Council
- 13) The Revised Capital Programme 2021/22 to 2026/27 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables iii) and iv) above and approved
- 14) The S.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
- 15) That the S.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)
- 16) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D as amended by tables iii) and iv) above be reflected within the recommended Capital Programme 2021/22 to 2026/27
- 17) That the S.151 Officer be given delegated authority to amend the Prudential Indicators set out in Appendix F to accommodate any changes arising from this amendment.

**18) Members have had regard for the Statement of the S.151 Officer in accordance with the Local Government Act 2003 as set out in Section 16.**

**3.2) That the following be NOTED in respect of the Council's Revenue Budget and Capital Programme:**

- 1) The Revenue Estimates 2022/23 as set out in Appendix A have been prepared on the basis of a 1.0% tax increase for the "Social Care Precept" (amounting to £872,400) 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 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 1.0% tax increase is not taken, then equivalent savings will need to be made in Adult Social Care in 2022/23**
- 3) In general, any reduction to the proposed increase in the level of Council Tax for 2022/23 will require equivalent offsetting savings to be made in order for the Budget 2022/23 to be approved. Each 1% reduction requires additional savings of £872,400 to be made.**
- 4) The indicative savings proposals set out in Appendix C which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 2) above are robust and deliverable**
- 5) The likely impact of savings as set out in Appendix C**
- 6) 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 within those Portfolios / Committees**
- 7) That it is the responsibility of the individual Portfolio Holders (not Full Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix C with alternative proposal(s) amounting to the same value within their Portfolio**
- 8) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process**

- 9) **The Revenue Forecast for 2023/24 to 2025/26 as set out in Section 12 and Appendix B**
- 10) **That at this stage the Council's Future Forecast for the 3 Year Period 2023/24 to 2025/26 is estimated to be in balance; this is the Council's "central base case scenario" but due to the uncertainty associated with Local Government Funding reform and potential further unanticipated budget pressures in essential Care Services, this could vary by +/- £3m**
- 11) **In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Resources (S.151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in Section 8.**
- 12) **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 £4.8m 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**
- 13) **The Council's share of the Council Tax element of the Collection Fund surplus for 2021/22 is estimated to be £1,834,866**
- 14) **The Council's share of the Business Rate element of the Collection Fund deficit for 2021/22 is estimated to be £13,337,014 (noting that this is offset by Government Grants of £13,413,300)**
- 15) **The Retained Business Rate income<sup>2</sup> for 2022/23 is based on the estimated Business Rate element of the Collection Fund deficit as at March 2022, the Non Domestic Rates poundage for 2022/23 and estimated rateable values for 2022/23 and has been determined at £42,491,554**
- 16) **That Cabinet Members, in consultation with the S.151 Officer, have authority to vary Capital Schemes and their associated funding within or across Portfolios in order to manage any potential overspending or funding shortfall or to respond to emerging priorities**
- 17) **That Cabinet Members, in consultation with the S.151 Officer, have authority to vire funding between Portfolios (both Revenue and Capital Budgets) in order to manage any potential overspending or funding shortfall or to respond to emerging priorities**

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<sup>2</sup>Includes Retained Business Rates £35,567,038, "Top Up" £6,952,434, a deficit on the Collection Fund of £13,337,014 plus S.31 Grants of £13,309,096 for compensation due to national Government business rate relief initiatives

**18) The City Council note that Prudential Borrowing can only be used as a source of capital finance for Invest to Save Schemes**

**3.3) That the S.151 Officer has determined that the Council Tax base for the financial year 2022/23 will be 57,209.7 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the “Act”)].**

**3.4) That the following amounts be now calculated by the Council for the financial year 2022/23 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:**

(a)	£485,732,005	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£395,886,460	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£89,845,545	Being the amount by which the aggregate at 3.4 (a) above exceeds the aggregate at 3.4 (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)	£1,570.46	Being the amount at 3.4(c) above (Item R), all divided by Item 3.3 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 £
1,046.97	1,221.47	1,395.96	1,570.46	1,919.45	2,268.44	2,617.43	3,140.92

Being the amounts given by multiplying the amount at 3.4 (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.

- 3.5) That it be noted that for the financial year 2022/23 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 £
157.64	183.91	210.19	236.46	289.01	341.55	394.10	472.92

- 3.6) That it be noted that for the financial year 2022/23 Hampshire and Isle of Wight Fire and Rescue Authority it is estimated that 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 and Isle of Wight Fire & Rescue Authority)**

A £	B £	C £	D £	E £	F £	G £	H £
50.29	58.67	67.05	75.43	92.19	108.95	125.72	150.86

- 3.7) That having calculated the aggregate in each case of the amounts at 3.4(e), 3.5 and 3.6 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 2022/23 for each of the categories of dwellings shown below:

**Valuation Bands (Total Council Tax)**

A £	B £	C £	D £	E £	F £	G £	H £
1,254.90	1,464.05	1,673.20	1,882.35	2,300.65	2,718.94	3,137.25	3,764.70

**3.8) 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 2022/23, which represents a 2.99% 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 2.99% increase includes a 1.0% 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 and Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2022/23 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.**

**3.9) 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 and Isle of Wight Fire and Rescue Authority precepts.**

## **11. Update on Planning Development Management and Increase in Capacity**

Council Agenda Item 8 (Cabinet minute 10)

Update on Planning Development Management and increase in capacity.

It was proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Suzy Horton

That this item be deferred for consideration at the 15 March 2022 Council meeting.

Upon being put to a vote the motion to defer the item to the 15 March 2022 meeting was CARRIED.

**RESOLVED that the Update on Planning Development Management and Increase in Capacity be deferred and placed on the agenda for the 15 March 2022 Council meeting.**

## **12. Portsmouth International Port 20-Year Development Master Plan**

Council Agenda Item 9 (Cabinet minute 19)

Portsmouth International Port 20-Year Development Master Plan

16 15 February 2022

The Lord Mayor advised that before formally proceeding with this item, Mike Sellers, the Port Director, would give the Council a presentation on this matter, which he duly did.

Cllr Boshier indicated under Standing Order 28 that he wished this item (Cabinet minute 19) to be debated.

It was therefore proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor Suzy Horton

That the recommendation in Cabinet minute 19 be approved.

Upon being put to a vote the recommendation to endorse the report was  
**CARRIED.**

**RESOLVED that Council endorsed the report.**

**13. Notices of Motion**

**14. Elections Bill**

This motion was withdrawn by the proposer, Councillor Gerald Vernon-Jackson, with the intention of it being resubmitted to the March 2022 Council meeting.

**15. Nature Emergency**

It was Proposed by Councillor Kimberly Barrett  
Seconded by Councillor Dave Ashmore

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

Following a vote, the motion was declared **CARRIED**

**RESOLVED that:**

This council:

1. Declares that we are experiencing a nature emergency, recognising that:
  - a. Nature is in long term decline and urgent action must be taken to reverse this.
  - b. A thriving natural environment underpins a healthy, prosperous society.
  - c. The nature crisis and the climate emergency are intrinsically linked and that the impacts of the climate crisis drive nature's decline, while restoring nature can help to tackle the climate crisis.
2. Commits to embedding nature's recovery at the heart of all strategic plans, policy areas and decision-making processes.

3. Commits to tackling the climate and nature emergencies together and investing in nature-based solutions to climate change.

Cabinet be asked to -

4. Develop and agree on an evidence-based strategy and action plan for nature's recovery and report on the progress made. This could be part of a Local Nature Recovery Strategy.
5. Set clear strategic goals for nature's recovery by 2030, for example, covering the following areas:
  - a. Committing to protect 30% of land for nature by 2030, in line with national and international commitments to biodiversity.
  - b. Increasing space for wildlife and long-term maintenance and expansion of a Nature Recovery Network.
  - c. Reducing pressure on wildlife.
  - d. Improving doorstep access to nature, particularly for those from disadvantaged backgrounds.
  - e. Supporting communities and businesses to make better decisions and take action to support nature's recovery.
6. Work with local communities and organisations to achieve the strategic goals, particularly engaging with disadvantaged and underrepresented sections of society.

#### **16. Question from Members under Standing Order No 17**

One question from a member had been received under Standing Order No 17.

The question was from Councillor George Madgwick.

" Now the Highway Code has been updated to allow Cyclist to ride on the road, two abreast, and extending the passing space between cars, will the council look to abandon all plans for new cycle lanes to be installed and not renew any lanes when roads are resurfaced to save the council money?"

This question was answered by the Cabinet Member for Traffic & Transportation, Councillor Lynne Stagg.

The meeting concluded at 8.27 pm.

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Lord Mayor

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## **Amendment proposed by the Conservative Group**

### **Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26**

That the recommendations of the Cabinet of 8<sup>th</sup> February 2022 (Minute 14/22) on "Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26" be amended as follows:-

#### **Recommendation 3.1 1) be amended to:**

- 1) The revised Revenue Estimates for the financial year 2021/22 and the Revenue Estimates 2022/23 as set out in the General Fund Summary (Appendix A Amended) including the changes described below but noting 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	2022/23	2023/24 & Future Years
		£	£
<b>Communities &amp; Central Services Portfolio</b>			
5% reduction in Members' Allowance plus 10% reduction in Special Responsibility Allowance*	No impact	28,000*	28,000*
Move to "All Out" Elections**		0**	0**
Re-organisation of the HR Service (Reduction of 3 Full Time Equivalent (FTE) Staff across Management and Non-Management Roles)	<p>The existing management span of control is high at 1 manager to 16 staff. Over 65% of staff support Adult and Children's Social Care and Housing Services with recruitment, absence and disciplinary support. 25% of all staff are involved in Payroll processing. A reduction of 3 FTEs represents a reduction in HR capacity of 9% which at that level would:</p> <ul style="list-style-type: none"> <li>• Reduce the Council's ability to manage recruitment and absence in front line services</li> <li>• Introduce greater risk of employment tribunal cases</li> <li>• Hinder the ability of the Service to maintain external contracts worth £0.4m</li> </ul>	105,000	105,000

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2022/23	2023/24 & Future Years
		£	£
Re-organisation of Marketing and Communications functions across all areas of the Council (Reduction of 2 FTE Posts)	<p>The Corporate function contains a budget for 3 FTE, all other budgets are contained within the relevant front line service. Many posts are externally funded or engaged on time-limited projects. A reduction of 2 permanent FTE's would:</p> <ul style="list-style-type: none"> <li>• Reduce the Council's capacity to undertake proactive communications (primarily reactive activity will take place)</li> <li>• Remove some communication and consultation activity from Front Line Services' "business as usual activity"</li> <li>• Potentially reduce the ability to maintain external income for work provided to external partners</li> </ul>	80,000	80,000
Cease Publication of Flagship	Increased reliance placed on other channels of communication with residents (e.g. digital)	26,000	26,000
<b>Culture, Leisure &amp; Economic Development Portfolio</b>			
Reduction in the Directorate Senior Management Function (1FTE)	The Directorate operates with a lean management team. The reduction will lead to a reduction in the range of Culture and Leisure projects and activities that can be managed by the Service	61,000	61,000

Indicative Portfolio Savings Proposal	Impact on Level of Service & Service Outcomes	2022/23	2023/24 & Future Years
		£	£
<b>Leader Portfolio</b>			
Delete Leaders Initiatives budget	Fewer opportunities to celebrate success, engage and network with partner organisations and prospective investors in the City	21,000	21,000
<b>Planning Policy &amp; City Development Portfolio</b>			
Reduction in Strategic Developments Support	Reduction in the speed at which regeneration projects of the Council will progress	17,000	17,000
<b>Other Expenditure</b>			
Senior Management Re-organisation***	The recent Peer Challenge report found that Portsmouth is a good council that is performing well, with a strong senior leadership team. However, they raised the question "Are people spread too thinly across too many priorities?" A reduction in the Senior Management Team will lead to a reduction in capacity to deliver Council priorities for services, improvement and change and will diminish the Council's ability to build partnerships and influence regional strategy.	0***	0***
Reduction in Revenue Contribution to the Capital Programme	Reduction in funding for New Capital Investment proposals (Appendix D)	21,000	0
<b>Total</b>		<b>359,000</b>	<b>338,000</b>

**\* Members should have regard to the report of the Independent Remuneration Panel and recommendations of Council on 14 November 2017 and 16 March 2021.**

**\*\* 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 2023)**
- 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 2023 and the saving is estimated to be £44,000 per annum.

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)

**\*\*\* This is a decision for the Employment Committee, a regulatory committee under the City Council Constitution and to be taken upon the advice of the Chief Executive as Head of Paid Service following necessary consultation.**

ii) **Additions to Revenue Estimates**

Saving No.	Increases to Portfolio Cash Limits	2022/23	2023/24 & Future Years
		£	£
<b>Communities &amp; Central Services Portfolio</b>			
016	Re-instate - Delete vacant apprentice post	18,000	18,000
New	Additional apprentice post in 2022/23 and a further Apprentice post from 2023/24	18,000	36,000
New	Grant to Moving on Project Portsmouth	5,000	5,000
New	Grant to Portsmouth Pride	10,000	10,000
New	Grant to Hive	50,000	50,000
New	Grant to Foxes Forest Education Centre	50,000	0
<b>Community Safety &amp; Environment Portfolio</b>			
New	Dedicated Community Safety Warden for Cosham, Wymering and Cosham High Street	38,000	38,000
New	Dedicated Community Safety Warden for Old Portsmouth & Somerstown	38,000	38,000
<b>Housing &amp; Preventing Homelessness Portfolio</b>			
042	Re-instate - Henderson Road & Cliffdale Gardens Mobile Home Parks - Charge commission on sales of mobile homes	50,000	50,000
New	Houses in Multiple Occupation Officer Post	42,000	42,000
<b>Traffic &amp; Transportation Portfolio</b>			
048	Re-instate - Rationalise budget to actually reflect the real average number of school crossing patrol wardens in place over the last year	40,000	40,000
<b>Total</b>		<b>359,000</b>	<b>327,000</b>

**Recommendation 3.1 2) be amended to:-**

- 2) The Portfolio Cash Limits for the Revised Budget for 2021/22 and the Budget 2022/23 incorporating the savings amounts for each Portfolio and amounting to £1.825m as set out in Sections 7 and 11, respectively as amended by the following:

<b>Portfolio / Committee</b>	<b>2022/23 £</b>	<b>Future Years £</b>
Communities & Central Services Portfolio	(88,000)	(120,000)
Community Safety & Environment Portfolio	76,000	76,000
Culture, Leisure & Economic Development Portfolio	(61,000)	(61,000)
Housing & Prevention Homelessness Portfolio	92,000	92,000
Leader Portfolio	(21,000)	(21,000)
Planning Policy & City Development Portfolio	(17,000)	(17,000)
Traffic & Transportation Portfolio	40,000	40,000
Other Expenditure	(21,000)	0
<b>Total</b>	<b>0</b>	<b>(11,000)</b>

**Recommendation 3.1 8) be amended to:**

- 8) That Revenue Contributions to Capital be made in 2021/22 in the sum of £1.0m and in 2022/23 in the sum of £1.979m in order to provide sufficient funding for the New Capital Investment proposals as set out in Appendix D as amended by tables iii) and iv) below:

iii) **Reductions to the Capital Programme (Appendices D & E)**

<b>Scheme Deletions / Reductions</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Communities &amp; Central Services Portfolio</b>			
Delete	Bring Your Own Device Phase 2	75,000	75,000
<b>Community Safety &amp; Environment Portfolio</b>			
Delete	Southsea Sea Defences - Public Realm Enhancements (Nelson Statue and Saluting Platform Area)	176,000	0
<b>Total</b>		<b>251,000</b>	<b>75,000</b>

iv) **Additions to Capital Programme (Appendices D & E)**

<b>Scheme Additions / Increases</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Community Safety &amp; Environment Portfolio</b>			
Add	Greening the City Fund (increase to proposed scheme)	70,000	70,000
Add	Redeployable CCTV cameras (increase to proposed scheme)	30,000	30,000
Add	Sea Defences - Public Realm Enhancements (increase to Scheme 15 Appendix E)	60,000	0
<b>Culture, Leisure &amp; Economic Development Portfolio</b>			
Add	Additional lighting in parks	30,000	0
<b>Traffic &amp; Transportation Portfolio</b>			
Add	LED Speed Reduction Signs	15,000	0
<b>Total</b>		<b>205,000</b>	<b>100,000</b>

**Recommendation 3.1 13) be amended to:**

- 13) The Revised Capital Programme 2021/22 to 2026/27 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables iii) and iv) above and approved

**Recommendation 3.1 16) be amended to:**

16) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D (as amended by tables iii) and iv) above be reflected within the recommended Capital Programme 2021/22 to 2026/27

**Recommendation 3.1 17) be amended to:**

17) That the S.151 Officer be given delegated authority to amend the Prudential Indicators set out in Appendix F to accommodate any changes arising from this amendment.

**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 16 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.

# GENERAL FUND SUMMARY - 2021/22 to 2025/26

## (APPENDIX A Amended)

Original Budget 2021/22 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2021/22 £	Original Budget 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £
56,428,700	Children, Families & Education	57,899,500	59,409,200	62,280,500	63,942,700	65,634,000
25,280,000	Communities & Central Services	32,452,100	26,957,400	27,919,100	28,651,100	29,113,500
16,503,800	Community Safety & Environment	17,297,700	17,621,200	17,272,300	17,679,200	18,097,700
13,111,200	Culture, Leisure & Economic Development	12,944,600	13,327,100	14,064,300	14,190,100	14,486,300
54,446,000	Health, Wellbeing & Social Care	57,177,600	57,264,100	62,732,200	66,900,800	70,206,100
7,421,700	Housing & Preventing Homelessness	7,362,000	7,370,800	7,665,300	7,826,000	7,991,500
(25,708,200)	Leader	(25,637,100)	(28,280,400)	(27,922,300)	(28,697,600)	(29,234,100)
1,229,100	Planning Policy & City Development	1,266,800	1,141,000	1,383,700	1,425,200	1,468,200
21,097,000	Traffic & Transportation	22,220,200	22,017,800	23,964,500	23,691,700	23,890,400
(126,500)	Licensing Committee	(124,900)	(132,300)	(148,400)	(158,400)	(168,800)
<b>169,682,800</b>	<b>Portfolio Expenditure</b>	<b>182,858,500</b>	<b>176,695,900</b>	<b>189,211,200</b>	<b>195,450,800</b>	<b>201,484,800</b>
	<i>Other Expenditure</i>					
1,394,900	Pension Costs	1,305,200	1,375,000	1,508,100	1,542,100	1,576,900
26,295,700	Contingency Provision	17,810,100	18,629,000	4,800,900	3,917,000	3,917,000
(22,047,800)	Transfer to / (from) Reserves	(8,298,900)	(10,083,700)	2,472,300	2,664,800	(335,200)
(17,661,500)	Treasury Management	(20,183,100)	(16,820,000)	(18,369,200)	(18,508,800)	(19,506,900)
3,670,000	Other Expenditure	2,484,000	3,705,000	6,830,600	6,726,900	7,567,700
<b>(8,348,700)</b>	<b>Other Expenditure</b>	<b>(6,882,700)</b>	<b>(3,194,700)</b>	<b>(2,757,300)</b>	<b>(3,658,000)</b>	<b>(6,780,500)</b>
<b>161,334,100</b>	<b>TOTAL NET EXPENDITURE</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,453,900</b>	<b>191,792,800</b>	<b>194,704,300</b>
	<b>FINANCED BY:</b>					
2,041,226	Contribution (to) from Balances and Reserves	1,961,735	(92,122)	(280,570)	(453,315)	152,990
11,734,229	Revenue Support Grant	11,734,229	12,096,876	12,544,460	12,795,349	13,051,257
30,730,310	Business Rates Retention	43,494,866	42,491,554	55,530,218	57,052,110	57,233,153
31,511,241	Other General Grants	33,467,876	27,324,481	26,368,522	26,321,130	26,277,375
85,317,094	Council Tax	85,317,094	91,680,411	92,291,270	96,077,526	97,989,525
<b>161,334,100</b>	<b>BALANCES &amp; RESERVES</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,453,900</b>	<b>191,792,800</b>	<b>194,704,300</b>
23,374,350	Balance brought forward at 1 April	23,373,614	21,411,879	21,504,001	21,784,571	22,237,886
(2,041,226)	Deduct (Deficit) / Add Surplus for Year	(1,961,735)	92,122	280,570	453,315	(152,990)
<b>21,333,124</b>	<b>Balance carried forward at 31 March</b>	<b>21,411,879</b>	<b>21,504,001</b>	<b>21,784,571</b>	<b>22,237,886</b>	<b>22,084,896</b>
<b>8,000,000</b>	<b>Minimum Level of Balances</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>2,041,226</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>1,961,735</b>	<b>(92,122)</b>	<b>(280,570)</b>	<b>(453,315)</b>	<b>152,990</b>

## Amendment proposed by the Labour Group

### **Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26**

That the recommendations of the Cabinet of 8<sup>th</sup> February 2022 (Minute 14/22) on "Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26" be amended as follows:-

#### **Recommendation 3.1 1) be amended to:**

- 1) The revised Revenue Estimates for the financial year 2021/22 and the Revenue Estimates 2022/23 as set out in the General Fund Summary (Appendix A Amended) including the changes described below but noting 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	2022/23	2023/24 & Future Years
		£	£
<b>Other Expenditure</b>			
Reduction in Revenue Contribution to the Capital Programme	Reduction in funding for New & Existing Capital Investment proposals (Appendix D & E)	1,764,000	0
<b>Total</b>		<b>1,764,000</b>	<b>0</b>

ii) **Additions to Revenue Estimates**

Saving No.	Increases to Portfolio Cash Limits	2022/23	2023/24 & Future Years
		£	£
<b>Communities &amp; Central Services Portfolio</b>			
New	Equalities and Community Initiatives Grants - Voluntary and Community Sector grants to promote equality and tackle discrimination (e.g. Violence against women and girls, anti-racism and the annual Pride event)	100,000	0
New	Money and Benefits Advice Grants - For the Voluntary and Community sector to deliver money and benefits advice services	64,000	0
<b>Health Wellbeing &amp; Social Care Portfolio</b>			
New	Living Wage for Carers Fund - For care providers to uplift wages to the Real Living Wage whilst the Council seeks to identify on-going funding in future years (See Note Below)	1,600,000	0
<b>Total</b>		<b>1,764,000</b>	<b>0</b>

**Note**

The Director of Adult Social Care has advised as follows in relation to the establishment of a Living Wage for Carers Fund:

1. It could potentially complicate the current project being undertaken by the Council for Government to determine the fair cost of care in the LA area
2. It is likely cause a narrowing of the pay differential between carer and line manager pay, further increasing the difficulty in recruiting and retaining these posts.
3. The majority of social care is provided through the independent sector and the City Council cannot oblige providers to pass on any increase.

**Recommendation 3.1 2) be amended to:-**

- 2) The Portfolio Cash Limits for the Revised Budget for 2021/22 and Budget for 2022/23 incorporating the savings amounts for each Portfolio and amounting to £1.825m as set out in Sections 7 and 11, respectively as amended by the following:

<b>Portfolio / Committee</b>	<b>2022/23 £</b>	<b>Future Years £</b>
Communities & Central Services Portfolio	164,000	0
Health Wellbeing & Social Care Portfolio	1,600,000	0
Other Expenditure	(1,764,000)	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Recommendation 3.1 8) be amended to:**

- 8) That Revenue Contributions to Capital be made in 2021/22 in the sum of £1.0m and in 2022/23 in the sum of £0.236m in order to provide sufficient funding for the New Capital Investment proposals as set out in Appendix D as amended by tables iii) and iv) below:

iii) **Reductions to the Capital Programme (Appendices D & E)**

<b>Scheme Deletions / Reductions</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Communities &amp; Central Services Portfolio</b>			
Delete	Bring Your Own Device Phase 2	75,000	75,000
<b>Community Safety &amp; Environment Portfolio</b>			
Delete	Southsea Sea Defences - Public Realm Enhancements (Nelson Statue and Saluting Platform Area)	176,000	0
<b>Culture, Leisure &amp; Economic Development Portfolio</b>			
Delete	Seafront Enhancements 'Festoon' Lighting	156,000	0
<b>Leader Portfolio</b>			
Delete	Cosham Land Assembly (Phase 1 Development) (Deletion of Scheme 16 Appendix E) (See Note Below)	1,600,000	0
<b>Total</b>		<b>2,007,000</b>	<b>75,000</b>

**Note**

Heads of Terms for the land transactions at the PCMI site, Fire Station and Police Station have been agreed.

iv) **Additions to Capital Programme (Appendices D & E)**

<b>Scheme Additions / Increases</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Community Safety &amp; Environment Portfolio</b>			
Add	Greening the City Fund (increase to proposed scheme) - e.g. Benches, lighting, tree planting and other green infrastructure	100,000	0
Add	Sea Defences - Public Realm Enhancements (increase to Scheme 15 Appendix E)	70,000	0
<b>Traffic &amp; Transportation Portfolio</b>			
Add	Travel Safety Fund - Road Safety, Active Travel and Accessibility projects	148,000	0
<b>Total</b>		<b>318,000</b>	<b>0</b>

**Recommendation 3.1 13) be amended to:**

- 13) The Revised Capital Programme 2021/22 to 2026/27 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables iii) and iv) above and approved

**Recommendation 3.1 16) be amended to:**

- 16) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D as amended by tables iii) and iv) above be reflected within the recommended Capital Programme 2021/22 to 2026/27

**Recommendation 3.1 17) be amended to:**

- 17) That the S.151 Officer be given delegated authority to amend the Prudential Indicators set out in Appendix F to accommodate any changes arising from this amendment.

## **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 16 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.

# GENERAL FUND SUMMARY - 2021/22 to 2025/26

## (APPENDIX A Amended)

Original Budget 2021/22 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2021/22 £	Original Budget 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £
56,428,700	Children, Families & Education	57,899,500	59,409,200	62,280,500	63,942,700	65,634,000
25,280,000	Communities & Central Services	32,452,100	27,209,400	28,041,900	28,776,400	29,241,500
16,503,800	Community Safety & Environment	17,297,700	17,545,200	17,194,100	17,598,800	18,015,100
13,111,200	Culture, Leisure & Economic Development	12,944,600	13,388,100	14,127,700	14,255,700	14,554,200
54,446,000	Health, Wellbeing & Social Care	57,177,600	58,864,100	62,732,200	66,900,800	70,206,100
7,421,700	Housing & Preventing Homelessness	7,362,000	7,278,800	7,569,900	7,727,800	7,890,300
(25,708,200)	Leader	(25,637,100)	(28,259,400)	(27,900,700)	(28,675,500)	(29,211,400)
1,229,100	Planning Policy & City Development	1,266,800	1,158,000	1,401,300	1,443,500	1,487,100
21,097,000	Traffic & Transportation	22,220,200	21,977,800	23,923,700	23,650,000	23,847,700
(126,500)	Licensing Committee	(124,900)	(132,300)	(148,400)	(158,400)	(168,800)
<b>169,682,800</b>	<b>Portfolio Expenditure</b>	<b>182,858,500</b>	<b>178,438,900</b>	<b>189,222,200</b>	<b>195,461,800</b>	<b>201,495,800</b>
	<i>Other Expenditure</i>					
1,394,900	Pension Costs	1,305,200	1,375,000	1,508,100	1,542,100	1,576,900
26,295,700	Contingency Provision	17,810,100	18,629,000	4,800,900	3,917,000	3,917,000
(22,047,800)	Transfer to / (from) Reserves	(8,298,900)	(11,826,700)	2,472,300	2,664,800	(335,200)
(17,661,500)	Treasury Management	(20,183,100)	(16,820,000)	(18,369,200)	(18,508,800)	(19,506,900)
3,670,000	Other Expenditure	2,484,000	3,705,000	6,830,600	6,726,900	7,567,700
<b>(8,348,700)</b>	<b>Other Expenditure</b>	<b>(6,882,700)</b>	<b>(4,937,700)</b>	<b>(2,757,300)</b>	<b>(3,658,000)</b>	<b>(6,780,500)</b>
<b>161,334,100</b>	<b>TOTAL NET EXPENDITURE</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,464,900</b>	<b>191,803,800</b>	<b>194,715,300</b>
	<b>FINANCED BY:</b>					
2,041,226	Contribution (to) from Balances and Reserves	1,961,735	(92,122)	(269,570)	(442,315)	163,990
11,734,229	Revenue Support Grant	11,734,229	12,096,876	12,544,460	12,795,349	13,051,257
30,730,310	Business Rates Retention	43,494,866	42,491,554	55,530,218	57,052,110	57,233,153
31,511,241	Other General Grants	33,467,876	27,324,481	26,368,522	26,321,130	26,277,375
85,317,094	Council Tax	85,317,094	91,680,411	92,291,270	96,077,526	97,989,525
<b>161,334,100</b>	<b>BALANCES &amp; RESERVES</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,464,900</b>	<b>191,803,800</b>	<b>194,715,300</b>
23,374,350	Balance brought forward at 1 April	23,373,614	21,411,879	21,504,001	21,773,571	22,215,886
(2,041,226)	Deduct (Deficit) / Add Surplus for Year	(1,961,735)	92,122	269,570	442,315	(163,990)
<b>21,333,124</b>	<b>Balance carried forward at 31 March</b>	<b>21,411,879</b>	<b>21,504,001</b>	<b>21,773,571</b>	<b>22,215,886</b>	<b>22,051,896</b>
<b>8,000,000</b>	<b>Minimum Level of Balances</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>2,041,226</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>1,961,735</b>	<b>(92,122)</b>	<b>(269,570)</b>	<b>(442,315)</b>	<b>163,990</b>

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## Amendment proposed by the Labour Group and the Liberal Democrat Group

### **Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26**

That the recommendations of the Cabinet of 8<sup>th</sup> February 2022 (Minute 14/22) on "Portsmouth City Council - Budget & Council Tax 2022/23 & Medium Term Budget Forecast 2023/24 to 2025/26" be amended as follows:-

#### **Recommendation 3.1 1) be amended to:**

- 1) The revised Revenue Estimates for the financial year 2021/22 and the Revenue Estimates 2022/23 as set out in the General Fund Summary (Appendix A Amended) including the changes described below but noting 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	2022/23	2023/24 & Future Years
		£	£
<b>Other Expenditure</b>			
Reduction in Revenue Contribution to the Capital Programme	Reduction in funding for New & Existing Capital Investment proposals (Appendix D)	234,000	0
<b>Total</b>		<b>234,000</b>	<b>0</b>

ii) Additions to Revenue Estimates

Saving No.	Increases to Portfolio Cash Limits	2022/23	2023/24 & Future Years
		£	£
<b>Children, Families &amp; Education Portfolio</b>			
New	Additional support for a Family Hub worker to operate from Family Hubs providing advice, guidance and support for mental health needs (including ASD and other conditions) to parents for themselves and their children	40,000	0
<b>Communities &amp; Central Services Portfolio</b>			
New	Equalities and Community Initiatives Grants - Voluntary and Community Sector grants to promote equality and tackle discrimination (e.g. Violence against women and girls, anti-racism and the annual Pride event)	100,000	0
New	Money and Benefits Advice Grants - For the Voluntary and Community sector to deliver money and benefits advice services	64,000	0
New	Grant to the Hive - Supporting Poverty Strategies	30,000	0
<b>Total</b>		<b>234,000</b>	<b>0</b>

**Recommendation 3.1 2) be amended to:-**

- 2) The Portfolio Cash Limits for the Revised Budget for 2021/22 and Budget for 2022/23 incorporating the savings amounts for each Portfolio and amounting to £1.825m as set out in Sections 7 and 11, respectively as amended by the following:

Portfolio / Committee	2022/23 £	Future Years £
Children, Families & Education	40,000	0
Communities & Central Services Portfolio	194,000	0
Other Expenditure	(234,000)	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Recommendation 3.1 8) be amended to:**

- 8) That Revenue Contributions to Capital be made in 2021/22 in the sum of £1.0m and in 2022/23 in the sum of £1.766m in order to provide sufficient funding for the New Capital Investment proposals as set out in Appendix D as amended by tables iii) and iv) below:

**iii) Reductions to the Capital Programme (Appendices D & E)**

<b>Scheme Deletions / Reductions</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Communities &amp; Central Services Portfolio</b>			
Delete	Bring Your Own Device Phase 2	75,000	75,000
<b>Community Safety &amp; Environment Portfolio</b>			
Reduce	Southsea Sea Defences - Public Realm Enhancements (Nelson Statue and Saluting Platform Area)	28,000	0
<b>Culture, Leisure &amp; Economic Development Portfolio</b>			
Delete	Seafront Enhancements 'Festoon' Lighting	156,000	0
<b>Total</b>		<b>259,000</b>	<b>75,000</b>

**iv) Additions to Capital Programme (Appendices D & E)**

<b>Scheme Additions / Increases</b>		<b>2022/23 £</b>	<b>2023/24</b>
<b>Community Safety &amp; Environment Portfolio</b>			
Add	Greening the City Fund (increase to proposed scheme) - e.g. Benches, lighting, tree planting and other green infrastructure	100,000	0
<b>Total</b>		<b>100,000</b>	<b>0</b>

**Recommendation 3.1 13) be amended to:**

- 13) The Revised Capital Programme 2021/22 to 2026/27 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables iii) and iv) above and approved

**Recommendation 3.1 16) be amended to:**

- 16) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D as amended by tables iii) and iv) above be reflected within the recommended Capital Programme 2021/22 to 2026/27

**Recommendation 3.1 17) be amended to:**

- 17) That the S.151 Officer be given delegated authority to amend the Prudential Indicators set out in Appendix F to accommodate any changes arising from this amendment.

**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 16 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.

# GENERAL FUND SUMMARY - 2021/22 to 2025/26

## (APPENDIX A Amended)

Original Budget 2021/22 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2021/22 £	Original Budget 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £	Forecast 2025/26 £
56,428,700	Children, Families & Education	57,899,500	59,449,200	62,280,500	63,942,700	65,634,000
25,280,000	Communities & Central Services	32,452,100	27,239,400	28,041,900	28,776,400	29,241,500
16,503,800	Community Safety & Environment	17,297,700	17,545,200	17,194,100	17,598,800	18,015,100
13,111,200	Culture, Leisure & Economic Development	12,944,600	13,388,100	14,127,700	14,255,700	14,554,200
54,446,000	Health, Wellbeing & Social Care	57,177,600	57,264,100	62,732,200	66,900,800	70,206,100
7,421,700	Housing & Preventing Homelessness	7,362,000	7,278,800	7,569,900	7,727,800	7,890,300
(25,708,200)	Leader	(25,637,100)	(28,259,400)	(27,900,700)	(28,675,500)	(29,211,400)
1,229,100	Planning Policy & City Development	1,266,800	1,158,000	1,401,300	1,443,500	1,487,100
21,097,000	Traffic & Transportation	22,220,200	21,977,800	23,923,700	23,650,000	23,847,700
(126,500)	Licensing Committee	(124,900)	(132,300)	(148,400)	(158,400)	(168,800)
<b>169,682,800</b>	<b>Portfolio Expenditure</b>	<b>182,858,500</b>	<b>176,908,900</b>	<b>189,222,200</b>	<b>195,461,800</b>	<b>201,495,800</b>
	<b>Other Expenditure</b>					
1,394,900	Pension Costs	1,305,200	1,375,000	1,508,100	1,542,100	1,576,900
26,295,700	Contingency Provision	17,810,100	18,629,000	4,800,900	3,917,000	3,917,000
(22,047,800)	Transfer to / (from) Reserves	(8,298,900)	(10,296,700)	2,472,300	2,664,800	(335,200)
(17,661,500)	Treasury Management	(20,183,100)	(16,820,000)	(18,369,200)	(18,508,800)	(19,506,900)
3,670,000	Other Expenditure	2,484,000	3,705,000	6,830,600	6,726,900	7,567,700
<b>(8,348,700)</b>	<b>Other Expenditure</b>	<b>(6,882,700)</b>	<b>(3,407,700)</b>	<b>(2,757,300)</b>	<b>(3,658,000)</b>	<b>(6,780,500)</b>
<b>161,334,100</b>	<b>TOTAL NET EXPENDITURE</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,464,900</b>	<b>191,803,800</b>	<b>194,715,300</b>
	<b>FINANCED BY:</b>					
2,041,226	Contribution (to) from Balances and Reserves	1,961,735	(92,122)	(269,570)	(442,315)	163,990
11,734,229	Revenue Support Grant	11,734,229	12,096,876	12,544,460	12,795,349	13,051,257
30,730,310	Business Rates Retention	43,494,866	42,491,554	55,530,218	57,052,110	57,233,153
31,511,241	Other General Grants	33,467,876	27,324,481	26,368,522	26,321,130	26,277,375
85,317,094	Council Tax	85,317,094	91,680,411	92,291,270	96,077,526	97,989,525
<b>161,334,100</b>	<b>BALANCES &amp; RESERVES</b>	<b>175,975,800</b>	<b>173,501,200</b>	<b>186,464,900</b>	<b>191,803,800</b>	<b>194,715,300</b>
23,374,350	Balance brought forward at 1 April	23,373,614	21,411,879	21,504,001	21,773,571	22,215,886
(2,041,226)	Deduct (Deficit) / Add Surplus for Year	(1,961,735)	92,122	269,570	442,315	(163,990)
<b>21,333,124</b>	<b>Balance carried forward at 31 March</b>	<b>21,411,879</b>	<b>21,504,001</b>	<b>21,773,571</b>	<b>22,215,886</b>	<b>22,051,896</b>
<b>8,000,000</b>	<b>Minimum Level of Balances</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>2,041,226</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>1,961,735</b>	<b>(92,122)</b>	<b>(269,570)</b>	<b>(442,315)</b>	<b>163,990</b>

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# Agenda Item 5



**Portsmouth**  
CITY COUNCIL

## **COUNCIL MEETING**

### **QUESTIONS BY THE PUBLIC AT COUNCIL MEETINGS UNDER STANDING ORDER NO 25**

**CITY COUNCIL MEETING – 15 MARCH 2022**

#### **QUESTION NO 1**

**FROM: MR JOHN THURSTON**

Could the Cabinet Member for Health, Wellbeing and Social Care tell us what action the Council is taking to bring our GP services back to Portsea?

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# Agenda Item 8



Portsmouth  
CITY COUNCIL

<b>Title of meeting:</b>	Cabinet
<b>Date of meeting:</b>	8 February 2022
<b>Subject:</b>	Update on Planning Development Management and increase in capacity
<b>Report by:</b>	Ian Maguire - Assistant Director Planning and Economic Growth
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## 1. Purpose of report

- 1.1 To provide an update on the performance of the Planning Development Management service including responding to a statistical request arising from a motion at the Full Council meeting of 7<sup>th</sup> December 2021; and
- 1.2 To approve a new approach to the creation of capacity for the determination of planning applications in the Development Management team.

## 2. Recommendations

- 2.1 Cabinet is asked to note the report and refer any necessary information to Full Council for noting.
- 2.2 Cabinet is asked to approve the creation of a 'bank' of external planning staff utilising flexible contracting to support the capacity of the Development Management team
- 2.3 Cabinet is approve the use of Corporate Contingency to fund a bank of external planning staff to the 31<sup>st</sup> March 2023. This is anticipated to be around £45,000.

## 3. Background

- 3.1 Historic delays in the determination of planning applications, exacerbated by service reductions in the early covid period has resulted in a backlog of applications awaiting determination by the Planning Service.
- 3.2 A number of different approaches have been taken to reduce this backlog. Principal among them has been the carrying out of a full process review using the Council's System Thinking interventionist. This process review has identified a number of areas where efficiencies can be created and process wastage



removed. The completion of this review was itself delayed by Covid restrictions, but has now been completed with a number of efficiencies introduced that should cumulatively improve the through-put and timeliness of application determination. Further details of the Systems Review outcomes are detailed in section 4.2 below.

- 3.3 While steps are being taken to improve the process whereby applications are being determined the Council has also sought to increase manpower capacity. This has been done in two ways; the outsourcing of a number of cases to a private sector company experienced at managing planning applications, and the recruitment of additional temporary contract staff to increase the number of professional planners assessing and processing applications.
- 3.4 The outsourcing of applications, to a company called Terraquest, has not resulted in the outcomes sought within the contract. The contractor's performance, despite being a large and well established consultancy, has been consistently below the expectations of the contract in respect of quality, productivity and customer service and payments have been consequently withheld. A number of cases remain with this contractor and agreements are being reached for the imminent resolution of this contract.
- 3.5 The more traditional recruitment of temporary staff to increase capacity has been more successful with professionally competent Town Planners brought on board to increase the number of applications that can be assessed and processed. However, there is a long established shortage of professional Town Planners across the Country, leading to a 'sellers' market' for high quality temporary staff. This has led to churn from those staff brought on board as higher hourly rates or more attractive contracts are secured elsewhere. Recent recruitment to maintain the level of temporary resource has shown repeated failure with too few candidates available to meet demand in the region and potential temporary staff declining offers from Portsmouth, or leaving shortly after appointment, to take up temporary posts that are more geographically convenient, better paid, or both.
- 3.6 In addition to these challenges to capacity the service has seen the turnover of some permanent staff. While reasons for leaving PCC will vary for each member of staff a key component has been identified as the high workload, with case officers managing an active caseload, due to the lack of staff resource, that hinders their ability to deliver high quality customer service and professional assessment.

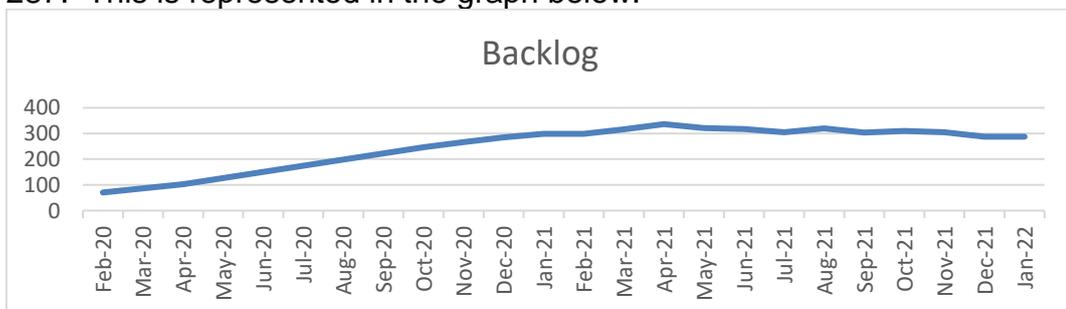
#### **4. Reasons for recommendations**

##### **Development Management Performance Data**

- 4.1.1 Quantitative data showing the number of cases received and resolved each month is monitored by the Portfolio Holder for Planning Policy and City Development through regular presentations and shared with the opposition spokespeople through that forum.

4.1.2 A Local Planning Authority will always have a number of applications 'on hand' as they are progressed through the regulated process of assessing and determining planning applications. This process usually involves prescribed public consultation for a set period and many applications require a period of negotiation and intervention to ensure they will result in development that will comply with national and local policy and result in well-designed sustainable development that can be granted planning permission. The period provided through national legislation for the determination of applications is 8 weeks (56 days) for most applications, rising to 13 or 16 weeks for larger and more complex applications. However, it is open to Applicants and LPAs to agree a longer period of determination, a process usually referred to as an 'extension of time' if they consider it appropriate. Extensions of time are frequently an essential tool for both Applicants and LPAs to allow necessary amendment or supplementation, and associated re-consultation, in preference of refusing an application that has the potential to be made acceptable. However, if an LPA has a number of cases 'on-hand' that exceeds that which it can reasonable expect to be able to determine within either the statutory time limit or a reasonable time limit agreed with Applicants then this can be considered a 'backlog'. This circumstance leads to applications that may be uncontentious and approvable being unnecessarily delayed due to a lack of resource to process them to resolution. This outcome in Portsmouth has been exacerbated by additional delays imposed on certain types of development in recent years due to external factors such as the 'nitrates' problem. To describe a 'backlog' within an LPA therefore it is considered appropriate to identify whether the total number of applications on-hand at any given period notably exceeds that which the LPA has traditionally had under consideration utilising a similar process and resource.

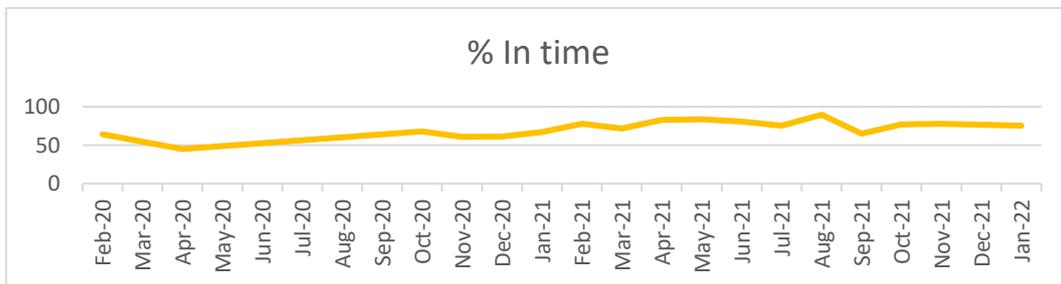
4.1.3 To enable quantitative assessment of the 'backlog' at PCC therefore example months were used in the 2018 and 2019 years to identify a "normal" workload of applications to have on hand. This was assessed to be 384 applications at any one time. Reviewing the proceeding 2 years (February 2020 - January 2022) it can be seen that the number of applications steadily increased to a peak of 720 in April 2021, resulting in a 'backlog' of 336 in that month. The backlog has been reduced in the period since that peak to now (w/e 7<sup>th</sup> January 2021) being 287. This is represented in the graph below.



4.1.4 Retaining an excessing number of applications on hand has significant customer service implications, primarily from the general resultant delay in determination

but also to individual applications that are awaiting determination behind applications that require a disproportionate amount of resource or are being managed by a case officer or team with a workload that prevents quick and efficient assessment and resolution. Consequently as well as monitoring the total number of application on-hand within the service the timeliness of application determination of those applications that have been resolved is regularly reported to the Portfolio Holder. This is done both as a percentage of applications that are determined 'in time', either within the statutory time limit or other time limit agreed with the Applicant, and through monitoring the median number of days taken to assess applications to ensure extension of time agreements are not unnecessarily elongating determination periods. It must be noted however that while this provides the best illustration of overall performance it cannot show the outliers that are taking longer to determine, or are still awaiting resolution, each of which is a development proposal of financial and/or personal significance to the individual applicants.

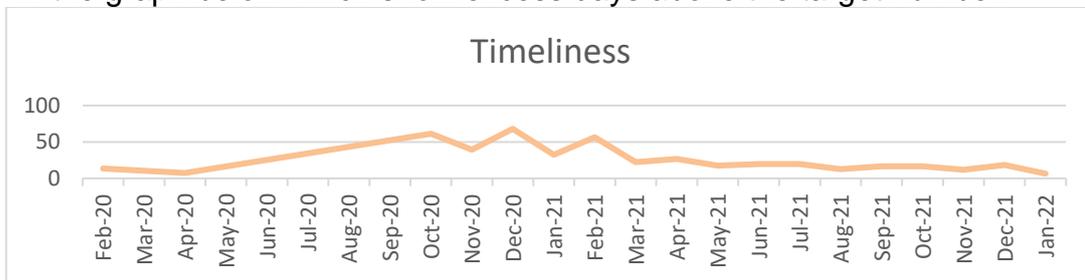
4.1.5 The monitoring of applications against the statutory or agreed time limit shows that in the sample months in 2018 and 2019 PCC performed at a rate of around 67% of applications being determined on time. During these same sample periods national statistics show that across the country 90% of householder and Major applications were determined in time<sup>1</sup>. This discrepancy highlights the fact that Portsmouth planning services has long held a focus and priority on intervening to add value to applications rather than determining them as submitted, a process that otherwise would lead to a higher level of refusal or a degradation of quality of development outcomes. This historical performance is of course not ideal with the best services creating the environment for high quality development and decision making and the determination of applications in time. In the monitoring period (February 2020 - January 2022), it can be seen that this normal performance dipped to only 45% in April 2020, due to significant restrictions associated with Covid, but has increased since that time peaking with well over 80% of applications determined in time in the first half of 2021, and performance now relative static with around 75% of applications determined in time. This performance is described in the graph below:



4.1.6 The assessment of the median days to determine an application is a more general 'litmus test' to ensure the use of extension of time agreements has not

<sup>1</sup> MHCLG Planning applications in England October to December 2018 and Planning Applications in England April to June 2019

unnecessarily elongated the determination of applications. An appropriate maximum position for the median number of days to determine an application was selected as 67.5 days, again reviewing the sample months from 2018 and 2019 and also reflecting the statutory determination periods of 8-16 weeks and recognising that extension of time agreements are often reasonable and necessary to allow applications to be amended and supplemented. An increase above this 'reasonable' median determination has therefore been monitored. This monitoring identifies that actual determination periods extended excessively from the last quarter of 2020 through to the first quarter of 2021. However, since that time the median number of days to determine applications has reduced to below 90 days. While this is still two weeks longer than the 'reasonable' period aimed for it demonstrates a good recovery following the significant delays of Covid and adaptation to new ways of working. The monitoring is demonstrated in the graph below which show excess days above the target number:



4.1.7 While performance has significantly improved since the peaks of concern in early 2021 there remain a significant number of applications undetermined in the backlog. Many of these have been with the Council for an unacceptable period of time and as they are resolved this will be reflected in the monitoring statistics. As noted above these delays cause reasonable concern for Applicants and such delays also result in significant unnecessary burdens to Council resources as they generate understandable complaints which require resources to investigate and resolve. The recovery in performance for those applications that are being determined has however not yet resulted in a significant reduction in the backlog of applications, as shown in the graph above at 4.1.3. Further intervention is therefore necessary to supplement the ongoing work of officers, please see section 4.2 and 4.3 below.

4.1.8 Through a motion at the 7<sup>th</sup> December 2021 Full Council specific statistical information was also requested for average "duration of all planning applications, in addition to the longest and shortest across the city as well as within each ward". The shortest duration for applications is of course zero days as new applications are received every day of the year. The longest durations include a number of applications that have been open over 1,000 days. These anomalies are either data relics (the 'oldest' case within the Council's system is over 6,000 days old and is of course not an active piece of work), or remain open with the extraordinary agreement of the relevant applicants. Consequently in order to produce meaningful data that enables a comparison between wards an assessment of the average, shortest and longest determination period in each ward over the 4 weeks to the week commencing 7<sup>th</sup> January 2022, being

the last full week prior to the drafting of this report has been undertaken. This data is provided in the table below:

Ward	Median average days to determine	Fastest resolution (minimum days to determine)	Slowest resolution (maximum days to determine)
Baffins	174	106	304
Central Southsea	44	29	304
Charles Dickens	186.5	52	694
Copnor	205	35	1257
Cosham	67	29	274
Drayton & Farlington	71	53	100
Eastney & Craneswater	74	10	114
Fratton	33.5	12	55
Hilsea	60	42	337
Milton	43	14	56
Nelson	147	130	229
Paulsgrove	48	48	48
St Jude	55	38	671
St Thomas	57	53	308

## Business Process Improvements

- 4.2.1 A key further intervention that has been undertaken has been a full 'Systems Thinking Review' of processes with the Development Management team. This review was undertaken with the assistance of the interventionists employed in the Council's Systems thinking team and followed a number of process enhancements already introduced prior to and during the Covid period by the Development Management team itself. The Systems Thinking Review was unfortunately delayed in 2020/2021 as the 'Check' process to study the existing systems and process could not be delivered remotely during the periods where staff could not safely work within the Civic Offices. In accordance with national guidance and local risk assessment staff were however able to return to the Civic Office to enable the review team to observe and question them about the existing processes during 2021 and this led to a series of suggested interventions identified through the 'redesign' process that were then trailed on a small cohort of cases at the end of 2021. This trail work was considered successful and new processes are now being rolled-in across the Development Management service with staff training currently being carried out with the intention that these new procedures will imminently be the new 'business as usual'. The results of the Systems Review 'Check' and the steps being taken were presented to all Members of the Council on 30<sup>th</sup> November 2020.
- 4.2.2 A key matter identified at the 'Check' is the significant amount of failure demand currently being carried by the service. 'Failure demand' is the term used to describe the activities that take resources to complete but add no value to the final outcome, and arises from the failure to do something correctly. The significant delays in current outputs has, as noted, resulted in customers both



chasing the Council for updates and complaints about the delays; both common examples of failure demand and common outcomes from services with prolonged demand/capacity issues. This has resulted in a 'failure demand feedback loop', wherein time and resource is taken responding to these understandable customer concerns that otherwise would be put towards meeting the value demand within the service, such as determining the applications. As more and more resource is diverted to deal with complaints about delays more and more delays are caused due to that reduction in resource. This self-reinforcing loop is a significant concern for current customer service and efficiency, but will be remedied through the reduction in the scale of the backlog and the improvements in the efficiencies of the Council's processes introduced through the current review.

- 4.2.3 One important element of the amended processes is the removal, as far as possible, of fragmentation within the process flow. Work on individual planning applications stops and starts as periods of external consultation are undertaken or amendments are sought, however reducing unnecessary fragmentation will reduce the need for officers and managers to reacquaint themselves with case files and enables a single piece flow for the assessment of applications when they are ready for determination. This has been identified as a way to reduce determination periods significantly.
- 4.2.4 Another key process improvement is the introduction of more streamlined template formats of less contentious applications, including the integration of photographic evidence into the report. Steps have been taken to ensure all material considerations for the assessment of applications are still captured within the report and more complex and contentious applications, including those that will require determination by the Planning Committee will continue to be described in longer format reports. This approach allows senior officer support to focus on supporting the quality of decision making and the professional outputs of planning officers rather than administrative report-checking. This process change has again been identified as a significant reduction in the time needed to determine an application, but also better reflects the confidence held in the planning officers of the Council and their professional opinions.
- 4.2.5 It can also be noted that it has been identified that the various software solutions currently in use by the service are considered to be a major cause of waste work within the process flow. The current primary database, document and workflow management tool and planning register has been in operation by PCC for many years and demonstrates a lack of investment during that period. In addition to this core software it is common for three to five other network or online applications to be required to validate an application or assess the key material considerations. This has led to steps to avoid some systems wherever possible. While some of these sensible solutions will form part of the new processes where they do not create any data risks a more comprehensive review of the software and digital solutions for planning services is needed. This has already

begun, timed to seek resolution in 2023 when the procurement of new systems will be undertaken when current licences expire.

- 4.2.6 The new processes have been reviewed through the trial of a small cohort of applications (49) as part of the redesigned process. This demonstrated a reduction in the median determination period to just 23 days. This performance was of course achieved in the relatively 'hot house' environment of the testing team so is unlikely to be sustainable across the whole service, but serves to indicate the scope of improvement the new processes are introducing. This more efficient approach was also measured with customer feedback from the effected Applicants, with positive comments received from all respondents and failure demand associated with the applications reduced to a single occurrence.
- 4.2.7 As noted above, these new redesigned processes are now being rolled-in across the service with the steam lined and more efficient process and systems being operated by all staff once training has been completed. This is part of a continuous process of improvement with staff invited to continue to assist to identify ways greater efficiency can be introduced based both on customer feedback and best practice as it is identified. Further process improvement will be introduced as new IT systems are procured and brought online, and as the Council's adopted procedures, such as the Statement of Community Involvement and Constitution are reviewed. These are likely to be the subject of further reports as progress continues.

### **Staffing Capacity**

- 4.3.1 While it is anticipated that the new, more efficient processes will enable faster determination of applications they will take time to bed in and work to reduce the current backlog. It is therefore recommended that enhanced staffing capacity is retained to deal with current customer demand. To ensure adequate staff capacity is available to meet demand with the service the use of temporary full-time staff will continue to cover vacancies in the staffing establishment and to enhance capacity, however an alternative way of increasing capacity is considered necessary as the traditional solutions, discussed above, are not proving to be effective. This alternative solution is the creation of a 'bank' of flexible contracting professional planning staff working remotely to respond to the demand of smaller scale applications. The creation of 'banks' of casual staff is used across a number of sectors to provide flexible workforce to respond to peaks and troughs of demand. It is not frequently used in Local Planning Authorities due to the locally specific knowledge and access needed to deliver such services but is, for example, often used by Building Control Authorities to provide demand responsive resource.
- 4.3.2 The proposed 'Bank Staff' for Portsmouth Planning Services would be created by the recruitment of appropriately qualified and experienced planners to join a bank to whom smaller scale applications could be allocated to. This would be on a flexible basis with no commitment from either PCC or the Planner to a regular or defined number of cases. It is anticipated that cases would be

allocated on a fixed fee basis, with agreed rates for different application types. The specific fee paid to the planner would have to be explored with the market, but the intention would be set it at a level below the application fee to reflect the fact that the internal administration of the cases would be handled by the PCC validation team. It is noted however that the national set planning fees are not set at cost-recovery basis and as such the determination of almost any application notwithstanding the fee received from the applicant is done at a net cost to the Local Authority. However, it is hoped that a fee rate to the Bank Planner could be set proportionate to the application fee to reduce the overall cost to the Council.

- 4.3.3 As the internal administration of the cases would be handled by the PCC validation team the bank staff would not need log in details to any PCC system, reducing GPDR risks, though specific protocols would have to be put in place to manage information governance, and allowing PCC to retain oversight of customer service and customer contact for the application.
- 4.3.4 The structure for delivering work to and from this bank of staff is also capable of being offered as overtime work to appropriately qualified PCC staff, which is considered likely to provide a retention benefit to existing staff while also enhancing capacity. The externally recruited bank of staff would need to be carefully recruited and vetted to ensure a high degree of professionalism and expertise as they would be expected to work autonomously with minimal management oversight. Risk of conflict of interest is also high, with recruitment outside of the immediate Portsmouth area therefore recommended and any Planner identified asked to make appropriate declarations regarding conflicts so that PCC can consider them.
- 4.3.5 Additional tasks for the Validation team would be introduced, both in data input and document handling and in customer contact and engagement. Consideration will also need to be give as to whether any other aspects of the application assessment should be delegated to the Validation Team, such as the assessment of relevant planning history. Additional training may be necessary and careful monitoring of workload undertaken. The capacity of the management tier of the Development Management Team will also need to be carefully monitored as this increase in productivity intended through this process will require a greater number of decisions to be approved by the management team each day.
- 4.3.6 The type and nature of applications that would be allocated in this way will need to be carefully considered. Householder, 'Other' and smaller scale minor applications are the only type that would be appropriate, as there will be limited, if any, opportunity for renegotiation of plans once submitted and complex responses from statutory consultees would be more difficult to manage. This will leave the larger and more complex applications to be assessed by the permanent PCC staff. This is considered beneficial in respect of customer service to applicants, but as importantly to the delivery of high quality outputs for planning decisions with the opportunity maximised to enhance design quality

and other value-added interventions. The retention of more complex applications with PCC permanent staff will also support staff development and retention.

- 4.3.7 While the necessary administrative processes will need to be refined in parallel with the recruitment of appropriate Bank Planners it must be noted that this approach would be an additional unfunded cost for the Council. While the fixed fees would be intended to be set at a proportionate rate to the application fees received this fee income is already anticipated and accounted for in the Council's budget setting. The actual cost to the Council of this new process would of course be dependent on the number of cases processed in this way, either from the existing back log of cases, or applied to new applications as they are made. The current backlog of cases is around 250, and has been maintained at that level for most of this year with the determination output of the team roughly keeping pace with the number of applications received. Around a quarter to a third of applications determined by the Council are smaller scale developments or householder applications potentially appropriate for this process. That would result in 200-300 applications potentially available to be processed in this way. While fees are yet to be set, a potential fixed fee of £150 per application would result in a resultant cost to the Council of £30,000-£45,000.

## **Conclusion**

- 4.4.1 Through the review and amendment of internal processes to remove duplication and wastage it is considered that the Council will be in a position to retain a sustainable workforce to meet demand and ensure all applications have a decision within the expected timeframe. As new processes are bedded in the process of continuous improvement will continue and the structure of permanent and temporary staff will be kept under review. It is however considered necessary to retain and enhance the temporary staffing capacity to manage the existing backlog now, to ensure current customers within that backlog receive quality decisions as quickly as possible while the new ways of working are introduced.

## **5. Integrated impact assessment**

n/a

## **6. Legal implications**

The recommendation within this report is for the Local Planning Authority to engage workers on a casual basis. This basis of engaging workers is already established in other departments of PCC. Casual workers have fewer employment rights than employees and therefore, workers employed on a casual basis must enter into a clear and unequivocal contract to set out the nature of the engagement. The use of casual workers must be reviewed regularly as if the casual worker is later determined to be an employee, they will qualify for the protection and rights afforded to such a status.

- 7.1 The report requests the use of Corporate Contingency to fund Planning Consultants on a flexible contract basis to help expedite planning applications. If these consultants are not required nothing will be drawn from Corporate Contingency. If the resource required is in excess of the £45,000 in this report a further approval will be required, and a report will be brought back to Cabinet.
- 7.2 The use of corporate contingency is requested as this is a key risk area for the Council's finances. The use of reserves has been considered but currently the obligations against them mean they are fully committed.

.....  
Signed by:

**Appendices:** None

**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
None	

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

.....  
Signed by:

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From CABINET held on 8 February 2022

Council Agenda Item 8 (Cabinet minute 10)

**Update on Planning Development Management and increase in capacity**

**RECOMMENDED that the report is referred to Council for noting (at its meeting on 15 March 2022).**

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# Agenda Item 9



<b>Title of meeting:</b>	Cabinet City Council
<b>Date of meeting:</b>	Tuesday 8 March 2022
<b>Subject:</b>	Capital Strategy 2022/23 - 2031/32
<b>Report by:</b>	Director of Finance & Resources
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes
<b>Full Council decision:</b>	Yes

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## 1. Executive Summary

- 1.1. The Council's ten year capital strategy was first approved in March 2020. The Capital Strategy is dynamic and is therefore updated annually as capital investment plans mature.
- 1.2. The Capital Strategy sets out the overarching capital aspirations and how both capital expenditure and investment decisions are made, whilst taking into consideration risks and rewards. There are 2 parts to the Capital Strategy.

### Part I - Capital Strategy

- 1.3. 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 be predicted with a high degree of certainty to adequately service the debt.
- 1.4. 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 until a later date. 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.

- 1.5. 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.

#### Part II - Borrowing and Investing

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

#### *Making Provision for the Repayment of Debt*

- 1.7. 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 of calculation. 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*

- 1.8. 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 as a source of finance for capital expenditure. The resulting loss of interest earned on investments can be more cost effective than borrowing the required funds straight away. However, this delays taking external borrowing rather than avoiding the need to borrow completely.

#### *Investments in Property*

- 1.9. According to the 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**.
  - The Government issued revised statutory guidance on local government investments early in 2018 coming into effect from 1<sup>st</sup> April 2018. The guidance requires Councils not to borrow purely for financial gain either within, or outside its area. Prior to this guidance coming into effect, as 31 March 2018, the Council had spent £117.3m on acquiring commercial properties outside the Portsmouth economic area solely to generate income to support the services that the Council provides. The Council has since spent a further £41.6m on acquiring commercial properties outside the Portsmouth economic area to create a balanced commercial property portfolio. There are no further commercial property acquisitions outside the Portsmouth economic area in the Capital Programme, although there is a scheme to refurbish one of the investment properties.

- 1.10. 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 the Appendix of Part II.

#### Skills and Knowledge of Staff

- 1.11. 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

- 1.12. The Council's strategy for borrowing and investing surplus cash is contained in its Treasury Management Policy elsewhere on the agenda. 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**

- 2.1. The purpose of this report is to:

- enable the City Council to adopt a long term Capital Strategy from 2022/23 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 inter-relationship between business planning 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 / Medium / Long-term Aspirations set out in Appendix 1.
- 3.2. That Part II of the Capital Strategy (Borrowing and Investing) be approved including:
- a) The Minimum Revenue Provision (MRP) for Debt Repayment Policy (Part II, (paragraph 2.5)
  - b) The investment indicators in Part II - Appendix 2 (Part II, paragraph 3.5)
  - c) That the Director of Finance and Resources (Section 151 Officer) will bring a report to the next Cabinet and City Council if (Part II, paragraph 3.5):
    - (i) The Council's gross General Fund (GF) debt exceeds 500% of GF net service expenditure or;
    - (ii) Overall investment income from investment properties and long term treasury management investments exceeds 7.5% of GF net service expenditure.

#### **4. Background**

- 4.1. In March 2021, the City Council approved the 10 year Capital Strategy starting in 2021/22
- 4.2. The Capital Strategy establishes the approach to both capital expenditure and investment decisions.
- 4.3. This report outlines the Council's Capital Strategy and aspirations for the next 10 years, starting from 2022/23. 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.
- 4.4. The Capital Strategy fulfils the requirements of the revised Prudential Code for Capital Finance in Local Authorities 2017.

#### **5. Reasons for recommendations**

- 5.1. 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. Integrated impact assessment**

- 6.1. 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 Integrated Impact Assessment will be undertaken.

#### **7. Legal implications**

- 7.1. 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's comments**

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

.....  
Signed by: Director of Finance and Resources (Section 151 Officer)

**Appendices:**

Part I Capital Strategy

Sub Appendices:

Appendix 1 Capital Aspirations

Part II Borrowing and Investment including Investment Indicators

Sub Appendices:

Appendix 2 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

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

.....  
Signed by:



Portsmouth  
*CITY COUNCIL*

# **CAPITAL STRATEGY**

## **2022/23- 2031/32**

**“Portsmouth People Value Collaboration,  
Community, Equality, Respect and Innovation”**

# **Part I Capital Expenditure and Aspirations**

## **CONTENTS**

- 1. Definition, Purpose & Scope**
- 2. Portsmouth Vision & Corporate Plan – “Strategic Fit”**
- 3. Key Capital expenditure Principles**
- 4. Capital Resources**
- 5. Short & Medium Term Capital expenditure Needs & Priorities**
- 6. Long Term Capital expenditure Aspirations**
- 7. Summary**
- 8. Appendices**

## 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).

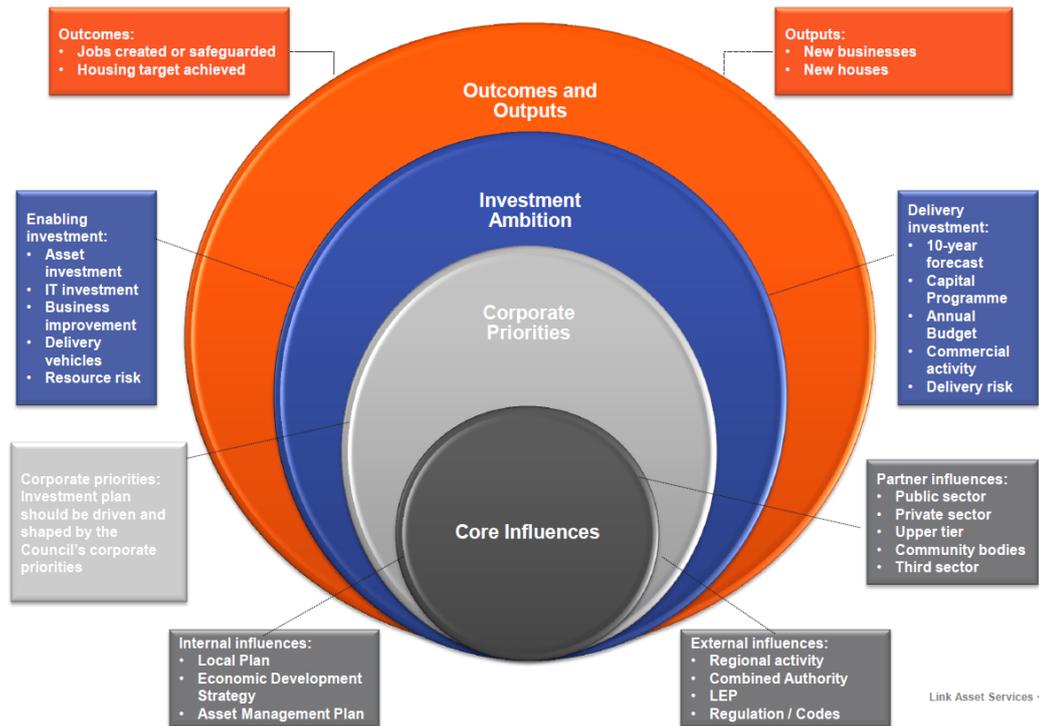
Capital expenditure also includes grants and advances made to the public or private sector for capital purposes, such as advances to Registered Social Landlords to provide adaptations to houses meet the needs of vulnerable people

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)

# Capital Strategy



## Purpose

- 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. Unless there is a compelling case in the wider public interest, any capital receipts received from assets previously appropriated between the General Fund and the Housing Revenue Account be used in any way to relieve the Council (HRA or General Fund) of its associated ongoing debt burden. Such uses will include:
  - i. A voluntary contribution to the repayment of debt (i.e. Voluntary Minimum Revenue Provision)
  - ii. The funding of (or contribution to) a capital scheme that will generate long term income streams that exceed the ongoing debt burden

- iii. The funding of a capital scheme that will reduce expenditure or avoid costs at a level that exceeds the ongoing debt burden
  - iv. Any combination of the above
- h. Following the December 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities' regulations guidance, there is also a requirement for full Council to approve an annual Capital Strategy linking with the Council's asset management plans and its 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

- i. 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.
- j. 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.
- k. New Capital Expenditure will be targeted towards those schemes that meet the Council's statutory responsibilities and that are most likely to drive cost reduction for the Council, innovation and clean economic growth and productivity for the City.
- l. The top 3 most important service areas for residents at present are, in order of popularity:
  - i. Collecting bins and keeping the city clean
  - ii. Ensuring older people and vulnerable adults are looked after and supported to live independently
  - iii. Supporting education, early years and children with special educational needs
- m. Additionally, for future investment of the Council's capital budget, the three most popular project areas selected by respondents are, in order of popularity:
  - i. Building new homes in the city, including flats offering special care for elderly residents
  - ii. Investing in greening projects across the city
  - iii. Creating better facilities for sustainable transport such as cycling and walking

## 2. Portsmouth Vision & Corporate Plan – “Strategic Fit

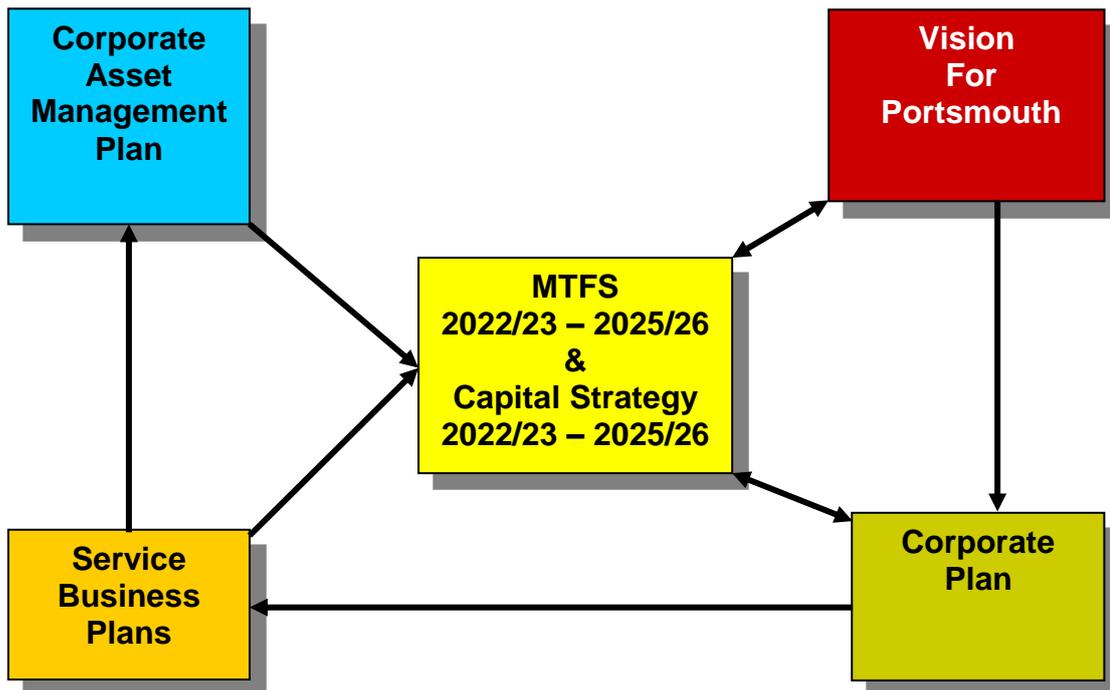
a. The Vision for Portsmouth is:

**“Portsmouth people value collaboration, community, equality, respect and innovation”.**

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

- A healthy and happy city
  - A city rich in culture and creativity
  - A city with a thriving economy
  - A city of lifelong learning
  - A green city
  - A city with easy travel
- b. 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.
- c. 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.
- d. 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.
- e. 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



- f. The Corporate Asset Management Plan and Service Business Plans are the more immediate “needs analysis” and “bottom up” drivers that feed the MTFS and Capital Strategy. 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
- g. A core feature of this Capital Strategy is to 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 cost reduction, innovation and clean economic growth and productivity for the City.

### 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.

#### **Principle 1 – Contribution to Council Plan / Priorities**

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 security of the investment with 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 4 – 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 5 - 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.

## **Principle 6 – Approved Schemes in Progress (overspends)**

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. Capital Resources**

The financial framework governing the allocation of Capital Resources has evolved from the previous framework based on passporting of funding, to one that is based on pooling resources designed to offer Members greater choice and transparency with the overall aim of delivering better outcomes from the resources available. It seeks to strike the correct balance of allocating capital resources between short and medium term needs and priorities and longer term aspirations, in order to support the delivery of the long term Capital Strategy.

Allocation of corporate capital resources (i.e. non passported sources of finance) available to the City Council for new capital schemes comprise the following:

- Contributions to the “Corporate Pool” of all non ring-fenced capital grants from Government, commonly referred to as the “Single Capital Pot” allocations
- The anticipated balance on the Revenue Reserve for Capital
- Changes to the existing Capital Programme - additions or deductions for any changes in the costs or funding requirements associated with the existing capital programme
- Any allowances for Prudential Borrowing
- Other Corporate Capital Grants & Contributions e.g. Community Infrastructure Levy
- Any Revenue Contributions to Capital
- The forecast value of additional capital receipts taking into account:
  - New assets declared surplus to requirements
  - Any increase or decrease in the estimated value of existing assets to be disposed of
  - Any requirements to provide for affordable housing, parking or any other conditions which could have a significant impact on the disposal value and other costs associated with disposal

Unless there is a compelling case in the wider public interest, any capital receipts received from assets previously appropriated between the General Fund and the Housing Revenue Account be used in any way to relieve the Council (HRA or General Fund) of its associated ongoing debt burden. Such uses will include:

- A voluntary contribution to the repayment of debt (i.e. Voluntary Minimum Revenue Provision)
- The funding of (or contribution to) a capital scheme that will generate long term income streams that exceed the ongoing debt burden
- The funding of a capital scheme that will reduce expenditure or avoid costs at a level that exceeds the ongoing debt burden
- Any combination of the above

## **5. 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.

## **6. 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 Appendix 1.
- 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 partial funding, but the majority of which, are currently unfunded. Section 7 (Appendix 1) 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 1.

## **7. Summary**

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

**APPENDIX 1**

**Capital Aspirations (Short / Medium / Long-term) 2022/23 Onwards**

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A City of lifelong learning	Additional School Places - SEND	30,000	20,000	10,000	Investing in school buildings to create additional places and provide learning environments that meet the needs of all children, including for Tipner Infrastructure
A City of lifelong learning	Maintenance of School Buildings (rolling programme)	10,000		10,000	Maintain and improve PCC Assets
A City of lifelong learning	Improving IT Infrastructure for Education and Children's Social Care	1,500		1,500	Maintain and improve PCC Assets
A healthy and happy City	Maintenance of Children, Families and Education Portfolio Buildings	2,000	2,000		Maintain and improve PCC Assets
A healthy and happy City	Carer's adaptations	3,000	3,000		Improve the number of children who can be cared for in homes in the city.
A City with a thriving economy and a green City	Cruise Expansion	30,000	30,000		Income generation for both the Council and the City
A City with a thriving economy and a green City	North Quay and Associated Development	30,000		30,000	Income generation for both the Council and the City
A green City	Shore Power	51,000	12,750	38,250	Maintain and improve PCC Assets, whilst protecting income for both the Council and the City
A green City	Living Walls	1,000		1,000	To facilitate improvements to the city's environment
A City with a thriving economy	Crane Replacement - 40 Tonne	350	350		Maintain and improve PCC Assets
A City with a thriving economy	Berth 5 Linkspan Replacement	15,000	3,750	11,250	Protect income to both the Council and the City
A City with a thriving economy	Berth 3 Linkspan Replacement	20,000	5,000	15,000	Protect income to both the Council and the City
A City with a thriving economy and a green City	Freight Gate Automation	2,000	500	1,500	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Freight Inspection Point	500	125	375	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Switch Room 1	750	188	563	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Check-In Booths Automation	2,000	500	1,500	Maintain and improve PCC Assets

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A healthy and happy City	Development of new burial site for faith Group	500		500	Dedicated burial space for different faith groups
A healthy and happy City - supporting people to live active, healthy lives	Sports and Leisure Facility improvements (mainly Mountbatten Centre)	5,000	5,000		To ensure that the Mountbatten Centre remains fit for purpose and that it can respond to the latest needs in line with the next re-procurement. Improved physical participation and mental and physical health
A healthy and happy City - supporting people to live active, healthy lives	Replace Farlington Pavilion (7-10 years) plus match funding	5,000	2,500	2,500	Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Replace Langstone Pavilion	1,000	1,000		Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Invest in Young People's Play (£1m in alternate years)	5,000	5,000		Replace equipment over a period of years to spread life expectancy and to include works that are not necessarily fixed equipment in fenced sites
A healthy and happy City - supporting people to live active, healthy lives	Invest in Public Open Spaces	1,000	1,000		build outcomes of Covid 19 and invest in public open spaces to increase their value as public assets further-increasing maintenance and green features to cope with demand and meet public expectation
A healthy and happy City - supporting people to live active, healthy lives	Horsea Island Country Park- post Handover plan	200		200	Provision of country park experience for residents
A City rich in Culture & Creativity	Japanese garden	125		125	complete refurbishment of garden
A healthy and happy City - supporting people to live active, healthy lives	Conversion of west chapel at Kingston Cemetery	500	250	250	Office accommodation and toilets
A healthy and happy City - supporting people to live active, healthy lives	Milton and South Kingston lodge refurbishment	1,000	500	500	Increase life & usage of assets

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A healthy and happy City - supporting people to live active, healthy lives	Seafront & Old Portsmouth Refurbishment	500		500	maintain / improve customer experience whilst increasing the life of assets
A City rich in Culture & Creativity and A City of Lifelong Learning	Refurbishment of Southsea Library	250	125	125	Maintain/Improve customer experience
A City rich in Culture & Creativity and A City of Lifelong Learning	IT Investment in Library service	250		250	Maintain/Improve customer experience
A City rich in Culture & Creativity	Guildhall Renaissance Project	1,700	1,700		(Self-funding )quality cultural/leisure provision for residents
A City rich in Culture & Creativity	Refurbishment of the Rose Gardens	125		125	Refurbishment of gardens
A City rich in Culture & Creativity	Central Library -enhancements for long term protection of Conan Doyle Archive and creation of additional space	450		450	Enclosure of balcony and levelling to enable development of space for cultural and wellbeing activity and the protection of archive collection.
A City rich in Culture & Creativity	Upgrade of Library Facilities	350		350	Link between Beddow Library and Community Centre plus structural and internal works
A City rich in Culture & Creativity	Maintenance & Upgrade of Museum facilities	1,330		1,330	Replace heating system and update building appearance to enhance visitor experience
A City rich in Culture & Creativity	Secure facility for Museum collection	1,100		1,100	Repair existing or identify alternative repository for the City's Museum collection
A healthy and happy City - supporting people to live active, healthy lives	Seafront Lighting Enhancements	100		100	Lighting improvements to seafront including Pyramids and Castle Moat
A City rich in Culture & Creativity	Repair and Maintenance of Historical Theatres	200		200	Medium Term Identified works to building completed

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
<b>A City rich in Culture &amp; Creativity</b>	Southsea Castle- repairs to underground tunnels	275		275	Enhance visitor experience
<b>A healthy and happy City</b>	Expansion and development of supported living and respite accommodation within the city.	5,000-10,000	5,000-10,000		Increased range of accommodation within the city, to enable people to live independently within their communities.
<b>A healthy and happy City</b>	Expansion of use of Assistive Technology.	500-1,000	500-1,000		Increased range of services available within the city to promote and sustain independence.
<b>A healthy and happy City</b>	Property Maintenance; implementing maintenance programs to ensure ASC buildings remain as safe and secure assets within the city	250-500	250-500		Ensure properties remain operational, able to service the residents of the city
<b>A healthy and happy City</b>	Maximising use of enhancements and developments in technology to support the delivery of direct care services.	250-500	250-500		Ensuring the provision of care services are run efficiently and effectively as possible to deliver high quality services to residents.
<b>A healthy and happy City</b>	Maximising use of enhancements and developments in technology to support the efficient and effective delivery of services (e.g. mobile assessment tools, e-forms, e-information, support & sign-posting for clients, reporting tools, etc.)	500-1,500	500-1,500		Ensuring that the service maximises the opportunities from enhancements & developments in technology to ensure services are delivered efficiently and effectively for the benefit of the citizens of Portsmouth.
<b>A healthy and happy City</b>	Redevelopment of Former Horatia and Leamington House Sites	142,000	118,000	24,000	Increase supply of affordable housing
<b>A City with a thriving economy</b>	Tipner Infrastructure	200,000		200,000	Provision of circa 3,500 homes and 1,000,000 sq. ft of marine employment space
<b>A healthy and happy City</b>	Cosham Masterplan	192,000	57,600	134,400	Provision of a community hub including circa 800 homes
<b>A City with easy travel</b>	Local Transport Scheme (rolling programme)	6,000		6,000	Improving road safety across Portsmouth

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
A City with easy travel	Design & Build 2000 Space Multi Story Car Park at the existing Park & Ride site	32,000		32,000	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
A green City	Environmental Initiatives	9,170		9,170	To facilitate improvements to the city's environment
A healthy and happy City	PCC Estate Landlords Repairs & Maintenance (rolling programme)	10,400		10,400	Maintain and improve PCC Assets
A healthy and happy City	Sea Defences - Enhancements - Future Phases	10,000		10,000	To enhance the sea defences
A City with a thriving economy	Regeneration of Former Tricorn Site	125,000	62,500	62,500	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
A City with a thriving economy	Regeneration of Sainsbury's Site	200,000	180,000	20,000	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
A healthy and happy City	Regeneration of Fratton Bridge Centre	38,600	31,530	7,070	Purchase of Fratton Bridge Centre, redevelopment of unit to mixed use including residential and commercial
A healthy and happy City	Housing development - Strouden Court	24,000	16,000	8,000	Housing developments at Strouden Court
A healthy and happy City	Housing development - Cabbagefield Row	30,000	20,000	10,000	Housing developments at Cabbagefield Row
A green City	Digital Strategy	1,750		1,750	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents
	<b>Total Investment</b>	<b>1,252,476 - 1,259,477</b>	<b>587,368 - 594,369</b>	<b>665,108</b>	



**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2022/23 ONWARDS**

Corporate Plan	Nature of Capital Investment	Source of Funding			Expected Outcome
		Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	
A City of lifelong learning	Additional School Places - SEND	30,000	20,000	10,000	Investing in school buildings to create additional places and provide learning environments that meet the needs of all children, including for Tipner Infrastructure
A City of lifelong learning	Maintenance of School Buildings (rolling programme)	10,000		10,000	Maintain and improve PCC Assets
A City of lifelong learning	Improving IT Infrastructure for Education and Children's Social Care	1,500		1,500	Maintain and improve PCC Assets
A healthy and happy City	Maintenance of Children, Families and Education Portfolio Buildings	2,000	2,000		Maintain and improve PCC Assets
A healthy and happy City	Carer's adaptations	3,000	3,000		Improve the number of children who can be cared for in homes in the city.
A City with a thriving economy and a green City	Cruise Expansion	30,000	30,000		Income generation for both the Council and the City
A City with a thriving economy and a green City	North Quay and Associated Development	30,000		30,000	Income generation for both the Council and the City
A green City	Shore Power	51,000	12,750	38,250	Maintain and improve PCC Assets, whilst protecting income for both the Council and the City
A green City	Living Walls	1,000		1,000	To facilitate improvements to the city's environment
A City with a thriving economy	Crane Replacement - 40 Tonne	350	350		Maintain and improve PCC Assets
A City with a thriving economy	Berth 5 Linkspan Replacement	15,000	3,750	11,250	Protect income to both the Council and the City
A City with a thriving economy	Berth 3 Linkspan Replacement	20,000	5,000	15,000	Protect income to both the Council and the City
A City with a thriving economy and a green City	Freight Gate Automation	2,000	500	1,500	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Freight Inspection Point	500	125	375	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Switch Room 1	750	188	563	Maintain and improve PCC Assets
A City with a thriving economy and a green City	Check-In Booths Automation	2,000	500	1,500	Maintain and improve PCC Assets
A healthy and happy City	Development of new burial site for faith Group	500		500	Dedicated burial space for different faith groups
A healthy and happy City - supporting people to live active, healthy lives	Sports and Leisure Facility improvements (mainly Mountbatten Centre)	5,000	5,000		To ensure that the Mountbatten Centre remains fit for purpose and that it can respond to the latest needs in line with the next re-procurement. Improved physical participation and mental and physical health
A healthy and happy City - supporting people to live active, healthy lives	Replace Farlington Pavilion (7-10 years) plus match funding	5,000	2,500	2,500	Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Replace Langstone Pavilion	1,000	1,000		Replace Pavilion
A healthy and happy City - supporting people to live active, healthy lives	Invest in Young People's Play (£1m in alternate years)	5,000	5,000		Replace equipment over a period of years to spread life expectancy and to include works that are not necessarily fixed equipment in fenced sites
A healthy and happy City - supporting people to live active, healthy lives	Invest in Public Open Spaces	1,000	1,000		build outcomes of Covid 19 and invest in public open spaces to increase their value as public assets further- increasing maintenance and green features to cope with demand and meet public expectation
A healthy and happy City - supporting people to live active, healthy lives	Horsea Island Country Park- post Handover plan	200		200	Provision of country park experience for residents
A City rich in Culture & Creativity	Japanese garden	125		125	complete refurbishment of garden
A healthy and happy City - supporting people to live active, healthy lives	Conversion of west chapel at Kingston Cemetery	500	250	250	Office accommodation and toilets
A healthy and happy City - supporting people to live active, healthy lives	Milton and South Kingston lodge refurbishment	1,000	500	500	Increase life & usage of assets
A healthy and happy City - supporting people to live active, healthy lives	Seafront & Old Portsmouth refurbishment & improvement (to include St Georges beach huts, Round Tower, Nelsons Column area, Hotwalls seawards side lighting, paving and resurfacing)	500		500	maintain / improve customer experience whilst increasing the life of assets
A City rich in Culture & Creativity and A City of Lifelong Learning	Refurbishment of Southsea Library	250	125	125	Maintain/Improve customer experience
A City rich in Culture & Creativity and A City of Lifelong Learning	IT Investment in Library service	250		250	Maintain/Improve customer experience
A City rich in Culture & Creativity	Guildhall Renaissance Project	1,700	1,700		(Self funding )quality cultural/leisure provision for residents
A City rich in Culture & Creativity	Refurbishment of the Rose Gardens	125		125	Refurbishment of gardens
A City rich in Culture & Creativity	Central Library -enhancements for long term protection of Conan Doyle Archive and creation of additional space	450		450	Enclosure of balcony and levelling to enable development of space for cultural and wellbeing activity and the protection of archive collection.
A City rich in Culture & Creativity	Upgrade of Library Facilities	350		350	Link between Beddow Library and Community Centre plus structural and internal works
A City rich in Culture & Creativity	Maintenance & Upgrade of Museum facilities	1,330		1,330	Replace heating system and update building appearance to enhance visitor experience
A City rich in Culture & Creativity	Secure facility for Museum collection	1,100		1,100	Repair existing or identify alternative repository for the City's Museum collection
A healthy and happy City - supporting people to live active, healthy lives	Seafront Lighting Enhancements	100		100	Lighting improvements to seafront including Pyramids and Castle Moat
A City rich in Culture & Creativity	Repair and Maintenance of Historical Theatres	200		200	Medium Term Identified works to building completed
A City rich in Culture & Creativity	Southsea Castle- repairs to underground tunnels	275		275	Enhance visitor experience
A healthy and happy City	Expansion and development of supported living and respite accommodation within the city.	5,000-10,000	5,000-10,000		Increased range of accommodation within the city, to enable people to live independently within their communities.
A healthy and happy City	Expansion of use of Assistive Technology.	500-1,000	500-1,000		Increased range of services available within the city to promote and sustain independence.
A healthy and happy City	Property Maintenance; implementing maintenance programs to ensure ASC buildings remain as safe and secure assets within the city	250-500	250-500		Ensure properties remain operational, able to service the residents of the city
A healthy and happy City	Maximising use of enhancements and developments in technology to support the delivery of direct care services.	250-500	250-500		Ensuring the provision of care services are run efficiently and effectively as possible to deliver high quality services to residents.
A healthy and happy City	Maximising use of enhancements and developments in technology to support the efficient and effective delivery of services (e.g. mobile assessment tools, e-forms, e-information, support & sign-posting for clients, reporting tools, etc.)	500-1,500	500-1,500		Ensuring that the service maximises the opportunities from enhancements & developments in technology to ensure services are delivered efficiently and effectively for the benefit of the citizens of Portsmouth.
A healthy and happy City	Redevelopment of Former Horatia and Leamington House Sites	142,000	118,000	24,000	Increase supply of affordable housing

<b>A City with a thriving economy</b>	Tipner Infrastructure	200,000		200,000	Provision of circa 3,500 homes and 1,000,000 sq. ft of marine employment space
<b>A healthy and happy City</b>	Cosham Masterplan	192,000	57,600	134,400	Provision of a community hub including circa 800 homes
<b>A City with easy travel</b>	Local Transport Scheme (rolling programme)	6,000		6,000	Improving road safety across Portsmouth
<b>A City with easy travel</b>	Design & Build 2000 Space Multi Story Car Park at the existing Park & Ride site	32,000		32,000	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
<b>A green City</b>	Environmental Initiatives	9,170		9,170	To facilitate improvements to the city's environment
<b>A healthy and happy City</b>	PCC Estate Landlords Repairs & Maintenance (rolling programme)	10,400		10,400	Maintain and improve PCC Assets
<b>A healthy and happy City</b>	Sea Defences - Enhancements - Future Phases	10,000		10,000	To enhance the sea defences
<b>A City with a thriving economy</b>	Regeneration of Former Tricorn Site	125,000	62,500	62,500	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
<b>A City with a thriving economy</b>	Regeneration of Sainsbury's Site	200,000	180,000	20,000	The delivery of Additional Residential accommodation, employment and public realm improvements in the City Centre
<b>A healthy and happy City</b>	Regeneration of Fratton Bridge Centre	38,600	31,530	7,070	Purchase of Fratton Bridge Centre, redevelopment of unit to mixed use including residential and commercial
<b>A healthy and happy City</b>	Housing development - Strouden Court	24,000	16,000	8,000	Housing developments at Strouden Court
<b>A healthy and happy City</b>	Housing development - Cabbagefield Row	30,000	20,000	10,000	Housing developments at Cabbagefield Row
<b>A green City</b>	Digital Strategy	1,750		1,750	Working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of our residents
	<b>Total Investment</b>	<b>1,293,476 - 1,300,476</b>	<b>623,968 - 630,968</b>	<b>665,108</b>	

## PART II Borrowing and Investing

A key activity is to know when and how much to borrow when the Council requires more 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 Net Debt

Borrowings increase when capital schemes are financed from borrowing and decrease when debt is repaid.

The Council's reserves and working capital are invested until the money is required to finance expenditure.

The Council's forecast net debt, ie. its borrowings less its investments are summarised in the table below. This forecast is based on the Council using its reserves to finance capital expenditure in the medium term, rather than undertaking new external borrowing for as long as possible. This is beneficial to the Council's revenue budget as the interest on borrowings normally exceeds the return on the Council's investments. However, this position cannot be maintained in the long term with the Council's net debt increasing year on year, and it is expected that the Council will have to undertake further external borrowing or sell investment properties in 2023/24.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	£m	£m	£m	£m	£m	£m
Borrowings	762	757	830	869	862	858
Less Investments	(301)	(145)	(50)	(50)	(50)	(50)
<b>Net Debt</b>	<b>461</b>	<b>612</b>	<b>780</b>	<b>819</b>	<b>812</b>	<b>808</b>

### 2 Borrowing

In the past, the principal source of borrowing has been the Public Works Loan Board, (PWLB) which is operated by HM Treasury. The PWLB can still be used to replace existing debt or to reschedule debt. However, a recent change in the PWLB's lending terms requires Local Authorities to confirm that they do not plan to purchase investment assets primarily for yield. There is currently further investment planned within the commercial property acquisition fund contained within the capital programme and as a consequence the Council does not currently comply with these revised lending conditions. Consequently the Council will need to use alternative sources of borrowing to fund new capital expenditure or cancel its plans to invest in commercial properties primarily for yield in order to retain access to the PWLB as a source of borrowing .

There are now alternative sources of borrowing available including public listed bonds and private placements. A public listed bond could be cheaper than the PWLB but would require a minimum sum of £100m to be borrowed and the Council would need to obtain a credit rating. A private placement would have a similar cost to the PWLB but would require a minimum sum of £30m to be borrowed and would be subject to a credit assessment by prospective lenders.

This Capital Strategy identifies capital aspirations that may be included in future capital programmes. 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 directly accrue 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; although premiums would be payable to the lender and consequently early redemption and rescheduling are rarely financially beneficial to the Council.

## 2.1 Affordability of Borrowing

To ensure future budgets remain affordable, except for 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.

Following the decision by the PWLB on 25 November 2020 to decrease their margin over gilt yields by 100 bps to 80 basis points on loans lent to local authorities, interest costs on new borrowing will be significantly lower. At the same time the Chancellor denied access to the PWLB for any local authority that has the purchase of assets primarily for yield, such as commercial properties, in its three-year capital programme.

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. The distribution of MRP over the life of a capital scheme is determined by the prevailing interest rate. The lower the interest rate, the higher the MRP is in the early years. Therefore, although the interest costs on new borrowing will be lower, MRP in the early years will be higher.

The Council reviewed how it provided for the repayment of its debt. It was felt that the previous methods used in the past have resulted in over provisions of MRP from 2008/09 to 2015/16 amounting to £22.6m. The Director of Finance and Resources (Section 151 Officer) has been releasing the over provision of MRP back into General Fund balances at a rate of around £2m per annum under delegated authority. It is estimated that all the over provision will have been released back into General Fund balances by 2026/27.

It is estimated that MRP will amount to £11.1m in 2022/23.

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

## 2.3 Key Risks

There are risks with borrowing more than the Council can afford. 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.

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

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 year. It is not a limit but acts as a warning mechanism to prevent the authorised limit (above) being breached.

## 2.4 Sensitivity Analysis

The Council's gross debt on 31<sup>st</sup> March 2021 was as follows:

	£m	£m
Fixed Rate Borrowing	644	
Finance Leases	1	
Private Finance Initiative (PFI) Schemes	56	
Sub Total - Fixed Rate Debt		701
Lenders Option Borrowers Option (LOBO) Loan	11	
Retail Price Index (RPI) linked loan	66	
Sub Total - Variable Rate Debt		77
<b>Total Gross Borrowing</b>		<b>778</b>

90% 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 2023. If the lender does increase the interest rate the Council, then has the option to repay the loan.
- The Council has £66m 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.

## 2.5 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 3.2a).

Borrowing	MRP Methodology
<u>General Fund Borrowing:</u>	
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 with an expected holding period of 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 that part of the purchase price financed from 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 with an expected holding period of over 50 years	Annuity over life of asset
Prudential borrowing to fund equity shares purchased in pursuit of policy objectives	25-year annuity
<u>Housing Revenue Account (HRA)</u>	No MRP debt will be provided until 2024/25. From 2025/26 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 had a review of its MRP policy in 2016/17. Consequently, it highlighted that the previous methods used in the past have resulted in over provisions of MRP from 2008/09 to 2015/16 of £22.6m. The Director of Finance and Resources (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.

### 3 Investment of Surplus Cash

All council cash investments have been in accordance with the council's Treasury Management Policy.

The Council is forecast to have a significant amount of core surplus cash for the foreseeable future.

#### **3.1 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 considered.

Other sources of information that is relevant to particular sectors is also considered 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 governance and 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.

#### **3.2 Investment in Commercial Properties Acquired Through the Capital Programme**

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

### **3.3 Statutory Guidance**

The Government issued revised statutory guidance on local government investments early in 2018 coming into effect from 1<sup>st</sup> April 2018. The guidance requires Councils not to borrow purely for financial gain.

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 the Appendix 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 Resources (Section 151 Officer) bring a report to the Cabinet and City Council.

### **3.4 Activity in the Investment Property Market**

Prior to this guidance coming into effect, as 31 March 2018, the Council had spent £117.3m on acquiring commercial properties outside the Portsmouth economic area solely to generate income to support the services that the Council provides. The Council has since spent a further £41.6m on acquiring commercial properties outside the Portsmouth economic area to create a balanced commercial property portfolio. There are no further commercial property acquisitions outside the Portsmouth economic area in the Capital Programme, although there is a scheme to refurbish one of the investment properties.

All acquisitions were supported by a business case and full financial appraisal approved by the Director of Property and the Section 151 Officer in consultation with the Leader of the City Council.

The detailed business case and financial appraisal included building surveys, environmental surveys, and valuations in accordance with the Red Book. In addition, properties are revalued on an annual basis.

The Commercial Property Portfolio is managed by an in-house team who are qualified members of the Royal Institute of Chartered Surveyors.

### **3.5 Investment Indicators**

#### *Gross General Fund (GF) Debt to GF Net Service Expenditure*

The Council's GF borrowing is forecast to be 3 times its GF net service expenditure in 2022/23. It is recommended that GF borrowing be limited to 5 times GF net service expenditure in 2022/23. This will allow further borrowing to be undertaken if it is financially advantageous.

#### *Income from Investment Properties to General Fund (GF) Net Service Expenditure*

The Council will depend on income from investment properties to fund 4.5% of its estimated GF net service expenditure in 2022/23. To ensure that the Council does not become over dependent on income it is recommended that no more than 7.5% of GF net service expenditure will be funded from investment income.

### *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 2.3 times.

### *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 sufficient to repay the borrowing that financed their acquisition.

### *Forecast Income Returns*

The investment property portfolio is expected to make a net return of 2.6% against the value of the properties in 2022/23. There is a dip in the net income from the investment property portfolio in 2022/23 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 £4.0m in 2022/23.

### *External Operating Costs*

External operating costs are driven by lease events such as rent reviews and lease renewals. Some years have more lease events than others.

## 4. 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 holds the Association of Corporate Treasurers Certificate in Treasury Management.

On 31 March 2021 £52,210,000 of the Council's investments of surplus cash were being managed externally consisting of £44,510,000 invested in instant access money market funds and £7,700,000 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 overview of treasury management after the local government elections.

## 5. 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

## 6. Revisions to the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code and Prudential Code

CIPFA published revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council must have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and related reports during the financial year, which are taken to Full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the Council's underlying need to borrow. This is currently measured by the capital financing requirement which is a measure of the Council's gross underlying need to borrow. The new debt liability benchmark is a measure of the Council's net underlying need to borrow, ie. its underlying need to borrow, less its treasury management investments which could be liquidated as an alternative to undertaking new borrowing;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address environmental, social and governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate, eg. if the Council needed to borrow and the cost of borrowing exceeded the return on commercial properties;
- create new Investment Practices to manage risks associated with non-treasury investment (like the current Treasury Management Practices);
- ensure that any long-term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer-term cash flow requirements;
- a requirement to address ESG policy within the treasury management credit risk framework;
- a requirement for a knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing).

In addition, all investments and investment income will have to be attributed to one of the following three purposes: -

**Treasury management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

**Service delivery**

Investments held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Dunsbury Park, Portsmouth Retail Park, Portico and Ravelin would be included in this category. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

**Commercial return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 Capital Strategy and Treasury Management Policy.



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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 requires a limit to be placed on the number of times gross debt can exceed net service expenditure.

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Forecast	299%	295%	259%	236%	220%	203%
Recommended Limit	400%	500%	550%	550%	550%	550%

**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 services.

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Investment Properties	4.7%	4.5%	4.8%	4.9%	4.6%	4.5%
Long Term Treasury Management Investments	0.7%	0.5%	0.2%	0.1%	0.0%	0.0%
<b>Overall Investment Income</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>4.6%</b>	<b>4.5%</b>

**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 term income to fund its services

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Investment Properties	7.0%	6.7%	7.2%	7.3%	7.0%	6.8%
Long Term Treasury Management Investments	1.1%	0.8%	0.3%	0.2%	0.2%	0.2%
<b>Overall Investment Income</b>	<b>8.1%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.2%</b>	<b>7.0%</b>

### 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 that financed their acquisition						
	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Investment Properties	258%	234%	264%	276%	278%	285%

### 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 them.						
	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
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.						
	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Investment Properties	2.98%	2.58%	3.28%	3.54%	3.56%	3.71%
Long Term Treasury Management Investments	1.17%	1.78%	2.65%	3.90%	4.00%	n/a

### Gross and Net Income from Investment Properties

This indicator shows how much of the gross income is being retained by the Council.						
	<b>2021/22 Estimate £'000s</b>	<b>2022/23 Estimate £'000s</b>	<b>2023/24 Estimate £'000s</b>	<b>2024/25 Estimate £'000s</b>	<b>2025/26 Estimate £'000s</b>	<b>2026/27 Estimate £'000s</b>
Gross Income	8,197,824	7,779,079	8,935,260	9,329,417	9,362,053	9,590,507
Net Income	4,674,339	4,056,657	5,153,579	5,552,132	5,589,165	5,822,015

### External Operating Costs

This indicator shows the trend in operating costs over time, as the portfolio expands.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Investment Properties	349,000	400,333	400,333	400,333	400,333	400,333

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# Agenda Item 10

<b>Title of meeting:</b>	Governance and Audit and Standards Committee Cabinet City Council
<b>Date of meeting:</b>	04 March 2022 (Governance and Audit and Standards Committee) 08 March 2022 (Cabinet) 15 March 2022 (City Council)
<b>Subject:</b>	Treasury Management Policy 2022/23
<b>Report by:</b>	Chris Ward, Director of Finance and Resources (Section 151 Officer)
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes
<b>Full Council decision:</b>	Yes

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## 1. **Executive Summary of the Treasury Management Policy Statement**

### 1.1. Treasury Management Policy

The attached Treasury Management Policy sets out the Council's policies on borrowing and investing surplus cash for 2022/23.

The Prudential Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the City Council to approve a Capital Strategy (reported elsewhere on the Cabinet Agenda for 8 March 2022) providing an overview of the Council's plans for capital expenditure, its borrowing, and its investments.

The Treasury Management Policy also sets several treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in paragraph 4.7 and appendix 5.1 of the Treasury Management Policy attached.

### 1.2. 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.

## **2. Purpose of report**

- 2.1. 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**

- 3.1. That the upper limit for principal sums invested for longer than 365 days contained in paragraph 4.7 of the attached Treasury Management Policy Statement be approved;
- 3.2. That the upper and lower limits on the maturity structure of borrowing contained in appendix 5.1 of the attached Treasury Management Policy Statement be approved;
- 3.3. That the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2022/23 be approved;
- 3.4. That the following change compared to the previous Annual Investment Strategy be noted:
  - (i) that the UK Infrastructure Bank be added to the approved sources of borrowing as set out in paragraph 3.9 of the Treasury Management Policy Statement;
- 3.5. As set out in paragraph 1.4 of the Treasury Management Policy Statement, the Director of Finance and Resources (Section 151 Officer) and officers nominated by him have delegated authority to:
  - (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 £963m approved by the City Council on 9 February 2021;
  - (iii) reschedule debt 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;
- 3.6. That the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff;

3.7. 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 1.2.2 of Treasury Management Policy Statement).

#### **4. Background**

4.1. 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

4.2. The key risks associated with the Council's treasury management operations are:

- Credit risk - i.e. that the Council is not repaid, with due interest in full, on the day repayment is due;
- Liquidity risk - i.e. 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 more than 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, i.e. 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 - i.e. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud, error, or corruption.

- 4.3. The total borrowings of the Council on 1 April 2022 are estimated to be £762m. The Council's investments on 1 April 2021 are estimated to be £299m. The cost of the Council's borrowings and the income derived from the Council's short-term treasury investments (i.e. excluding commercial property investments) are included within the Council's treasury management budget of £30m per annum. The Council's treasury management activities account for a significant proportion of the Council's overall budget. Therefore 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.
- 4.4. The City Council has adopted CIPFA's 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.
- 4.5. 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.
- 4.6. The Treasury Management Strategy, and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

## **5. Reasons for recommendations**

- 5.1. The recommendations provide assurance that the Council's attached Treasury Management Policy Statement reflects CIPFA's 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;

5.2 The UK Infrastructure Bank has been added to the approved sources of borrowing set out in paragraph 3.9 of the Treasury Management Policy. The UK Infrastructure Bank was launched in June 2021 and is 100% owned by the UK Government. The UK Infrastructure Bank offers loans to local authorities to finance high-value and complex economic infrastructure projects at lower rates than the Public Works Loans Board (PWLB).

5.3 There are no other changes to the Treasury Management Policy.

## **6. Integrated impact assessment**

6.1. The contents of this report do not significantly impact Portsmouth's communities (other than through the finances of the City Council), or equality and diversity.

## **7. Legal implications**

7.1. 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's comments**

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

.....  
Signed by:

**Appendices:** Treasury Management Policy Statement 2022/23

**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:

<b>Location:</b>	<b>Location</b>
Information pertaining to the Treasury Management Strategy	Financial Services

**TREASURY  
MANAGEMENT POLICY  
STATEMENT FOR 2022/23  
INCLUDING:**

- **TREASURY MANAGEMENT STRATEGY**
- **ANNUAL INVESTMENT STRATEGY**

**Portsmouth City Council  
Director of Finance and Resources (Section 151  
Officer)**

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# 1. INTRODUCTION

## 1.1 Background

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

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The revised CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

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 and governance procedures.

### 1.2.2 Treasury Management reporting

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 Indicators and Treasury Strategy** (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 treasury management position, amending prudential and treasury management indicators as necessary, and revising any policies if required. In addition, the Governance and Audit and Standards Committee will receive quarterly update reports.
- c. An Annual Treasury 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.

### 1.2.3 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.

In addition, the Governance and Audit and Standards Committee receives quarterly treasury management monitoring reports.

The Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee will be informed of any variances from the Treasury Management Policy when they become apparent, and the Leader of the City Council will be consulted on remedial action.

### **1.3 Treasury Management Strategy for 2022/23**

The strategy for 2022/23 covers:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy including the risk appetite;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy including the risk appetite;
- creditworthiness policy; and
- the policy on use of external service providers.

### **1.4 Treasury Management Staff**

1.4.1 The treasury management function is undertaken by the Director of Finance and Resources (Section 151 Officer). This includes (i) investing surplus funds in accordance with the approved Annual Investment Strategy; (ii) borrowing to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt; (iii) rescheduling debt to even the maturity profile or to achieve revenue savings and; (iv) to buy and sell foreign currency and hedge against currency movements to fulfil contracts priced in or indexed against foreign currencies. The Director of Finance and Resources will have the power to delegate authority to undertake these functions to relevant officers including the Deputy Director of Finance and Section 151 Officer, the Finance Manager (Technical and Financial Planning), the Treasury Manager and various back up cash dealers drawn from the Finance Directorate. The Director of Finance and Resources (Section 151 Officer), the Deputy Director of Finance and Section 151 Officer, and the Finance Manager (Technical and Financial Planning) are all qualified Chartered Public Finance Accountants.

### **1.5 Treasury Management Consultants**

- 1.5.1 The Council employs professional consultants to:
- Provide interest rate forecasts to inform the Council's borrowing and investment decisions;
  - Information on creditworthiness to inform investment decisions;
  - Benchmark the Council's investment performance against other local authorities.
- 1.5.2 The Council currently retains "Link Asset Services, Treasury Solutions" as its external treasury management advisors. The current contract expires on 31<sup>st</sup> January 2023. The contract will be re-let through a competitive process in accordance with the Council's procurement rules.

- 1.5.3 The Council also uses information from other sources such as the Building Societies Association and Homes England.
- 1.5.4 The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including from, but not solely, our treasury advisers.
- 1.5.5 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 1.5.6 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties, which are outside the scope of the Treasury Management Strategy. The commercial type investments require specialist advisers, and the Council uses Avison Young in relation to this activity.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

The capital programme approved by the City Council on 11 February 2022 can be summarised in table A as follows:

<b>Table A</b>	<b>2020/21 Actual</b>	<b>2021/22 Revised Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
	£m	£m	£m	£m	£m	£m	£m
Other Non - Housing Revenue Account (HRA)	117	145	248	153	78	28	7
Housing Revenue Account (HRA)	46	63	89	158	49	31	33
<b>Total</b>	<b>163</b>	<b>208</b>	<b>337</b>	<b>311</b>	<b>126</b>	<b>59</b>	<b>40</b>
<b>Element financed from borrowing</b>	<b>36</b>	<b>48</b>	<b>143</b>	<b>177</b>	<b>43</b>	<b>-</b>	<b>-</b>

### 2.2 The Council's borrowing need (the Capital Financing Requirement)

- 2.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The 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 therefore its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital funding resource, will increase the CFR.
- 2.2.2 The CFR does not increase indefinitely and is reduced by the minimum revenue provision (MRP) which is a statutory annual revenue charge that reduces the indebtedness broadly in line with each asset's life, thus the economic consumption of capital assets as they are used is charged to the Council's Revenue Budget.
- 2.2.3 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 schemes include a borrowing facility by the PFI, or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £62m of such schemes within the CFR.

The projected CFR is shown below:

<b>Table B</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
<b>Capital Financing Requirement (£m)</b>							
Investment Properties	159	159	167	170	170	170	170
Other Non - Housing Revenue Account (HRA)	468	496	569	607	623	620	618
<b>Sub - Total</b>	<b>627</b>	<b>655</b>	<b>736</b>	<b>777</b>	<b>793</b>	<b>790</b>	<b>788</b>
Housing Revenue Account (HRA)	198	208	259	385	405	402	400
<b>Total CFR</b>	<b>825</b>	<b>863</b>	<b>995</b>	<b>1,162</b>	<b>1,198</b>	<b>1,192</b>	<b>1,188</b>

2.2.4 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The details above demonstrate the scope of this activity and, by approving these sums; consider the scale proportionate to the Authority's remaining activity.

### **2.3 Core funds and expected investment balances**

2.3.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Table C Year End Resources £m</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Fund balances / reserves	306	267	248	247	244	245	245
Capital grants unapplied	50	50	50	50	50	50	50
Capital receipts	18	18	18	18	18	18	18
Provisions	10	10	10	10	10	10	10
Other	48	48	48	48	48	48	48
<b>Total core funds</b>	<b>432</b>	<b>393</b>	<b>374</b>	<b>373</b>	<b>370</b>	<b>371</b>	<b>371</b>
Working capital*	19	9	9	9	9	9	9
Over / (under) borrowing - see overleaf	(47)	(101)	(238)	(332)	(329)	(330)	(330)
<b>Expected investments</b>	<b>404</b>	<b>301</b>	<b>145</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>

\*Working capital balances shown are estimated year-end; these may be higher mid-year

### 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

#### 3.1 Current borrowing position

3.1.1 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

<b>Table D</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
<b>External Debt (£m)</b>							
Debt on 1 <sup>st</sup> April	701	721	711	701	788	831	827
Expected change in Debt	20	(10)	(10)	87	43	(4)	2
Other long-term liabilities (OLTL) on 1 <sup>st</sup> April	62	57	51	46	42	38	35
Expected change in OLTL	(5)	(6)	(5)	(4)	(4)	(3)	(6)
<b>Actual gross debt on 31 March</b>	<b>778</b>	<b>762</b>	<b>757</b>	<b>830</b>	<b>869</b>	<b>862</b>	<b>858</b>
<b>The Capital Financing Requirement</b>	<b>825</b>	<b>863</b>	<b>995</b>	<b>1,162</b>	<b>1,198</b>	<b>1,192</b>	<b>1,188</b>
Over / (under) borrowing	(47)	(101)	(238)	(332)	(329)	(330)	(330)

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

<b>Table E</b>	<b>2020/21 Actual</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
<b>External Debt for investment properties</b>							
Actual debt on 31 March £m	159	159	167	170	170	170	170
Percentage of total external debt %	20%	21%	22%	20%	20%	20%	20%

3.1.2 Within the range of prudential indicators, there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.1.3 The Director of Finance and Resources (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and proposals in the budget.

### 3.2 Treasury Indicators: limits to borrowing activity

3.2.1 **The operational boundary.** This is the limit, set as part of the capital programme, beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and of other cash resources (as described in Table B).

<b>Table F</b>	<b>2021/22 Estimate (£m)</b>	<b>2022/23 Estimate (£m)</b>	<b>2023/24 Estimate (£m)</b>	<b>2024/25 Estimate (£m)</b>	<b>2025/26 Estimate (£m)</b>	<b>2026/27 Estimate (£m)</b>
Commercial activities/ non-financial investments	159	167	170	170	170	170
Other Debt	653	782	950	990	987	989
Other long-term liabilities	51	46	42	38	35	29
<b>Total</b>	<b>863</b>	<b>995</b>	<b>1,162</b>	<b>1,198</b>	<b>1,192</b>	<b>1,188</b>

3.2.2 **The authorised limit for external debt.** This is a key prudential indicator, set as part of the capital programme, and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

<b>Table G</b>	<b>2021/22 Estimate (£m)</b>	<b>2022/23 Estimate (£m)</b>	<b>2023/24 Estimate (£m)</b>	<b>2024/25 Estimate (£m)</b>	<b>2025/26 Estimate (£m)</b>	<b>2026/27 Estimate (£m)</b>
Commercial activities/ non-financial investments	159	167	170	170	170	170
Other Debt	666	796	964	1,004	1,002	1,003
Other long-term liabilities	51	46	42	38	35	29
<b>Total</b>	<b>876</b>	<b>1,009</b>	<b>1,176</b>	<b>1,212</b>	<b>1,207</b>	<b>1,202</b>

### 3.3 Prospects for interest rates

3.3.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20<sup>th</sup> December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

3.3.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021.

3.3.3 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

3.3.4 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%.

### 3.4 Bond yields / Public Works Loans Board (PWLB) rates.

3.4.1 Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

3.4.2 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

### 3.5 Investment and borrowing rates

- 3.5.1 **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the Bank of England fall short of these elevated expectations.
- 3.5.2 **Borrowing interest rates** fell to historically very low rates because of the COVID crisis and the quantitative easing operations of the Bank of England and remain at historically low levels.
- 3.5.3 On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 1.0% in October 2019. The standard and certainty margins were reduced by 1.0% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

**PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)

**PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)

**PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)

**PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)

**Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- 3.5.4 **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing.
- 3.5.5 There will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 3.6 Borrowing strategy and risk appetite

- 3.6.1 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 might 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.

3.6.2 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 17.4% of the General Fund net revenue budget and 7.6% of the HRA net revenue budget.

3.6.3 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 long-term interest rates are expected to fall.

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

### 3.7 Policy on borrowing in advance of need

3.7.1 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.

3.7.2 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.

### 3.8 Debt rescheduling

3.8.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large margin of 0.80% between the PWLB's premature redemption rates and the PWLB's new borrowing rates.

3.8.2 If rescheduling was done, it will be reported to the Cabinet / Council, at the earliest meeting following its action.

### 3.9 Approved Sources of Long and Short Term Borrowing

	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●

	Fixed	Variable
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)		●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	n/a	n/a
Finance leases	●	●

### 3.10 Apportionment of Borrowing Costs to the Housing Revenue Account (HRA)

3.10.1 The Council operates two loans pools for the purposes of apportioning borrowing costs to the HRA.

3.10.2 The first loans pool consists of all the Council's loans taken out prior to 2020/21 for both General Fund and HRA purposes. The Council will continue to operate this 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;

3.10.3 The second loans pool consists of the three £20m loans that were taken from the PWLB at the HRA Certainty Rate which was 1.0% below the PWLB General Fund Certainty Rate at the time. The borrowing costs on these loans will be charged to the HRA in their entirety.

3.10.4 From 25 November 2020 the PWLB General Fund Certainty Rate was reduced by 1.0%, thereby removing the differential between the General Fund and HRA PWLB rates. Any future borrowing will therefore be included in the first loans pool covering both the HRA and the General Fund.

## 4. ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

4.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

4.1.2 The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

4.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

4.1.4 The above guidance from the DLUHC and CIPFA place a high priority on the of risk. This authority has adopted a prudent approach to managing risk that is measured by the following means:

1. Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings including outlooks and credit watches.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.2 under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.
- 4.1.5 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m, (see paragraph 4.3).
- 4.1.6 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
- 4.1.7 This authority will set a limit for its investments that are invested for **longer than 365 days**, (see paragraph 4.7).
- 4.1.8 Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
- 4.1.9 This authority places **sector and geographical limits** on its investment portfolio to avoid the concentration of risk, (Appendix 5.3).
- 4.1.1 Because of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

## 4.2 Creditworthiness policy

- 4.2.1 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
  - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 4.2.2 The Director of Finance and Resources (Section 151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality that the Council may use, rather than defining what types of investment instruments are to be used.

- 4.2.3 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed considering market conditions.
- 4.2.4 The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality – the Council will only use banks which:
    - i. are UK banks; and/or
    - ii. are non-UK and domiciled in a country which has a double A sovereign Long-Term rating
 and have, as a minimum, the following Fitch, Moody's, and Standard & Poor's credit ratings (where rated):
    - i. Short Term - F1, P-2, or A-2
    - ii. Long Term – A-
  - Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
  - Banks 3 - Secured lending to banks partly owned by the City Council.
  - Building societies. The Council will use all societies which:
    - i. Meet the ratings for Banks 1 outlined above or;
    - ii. Have assets more than £350m;
 or meet both criteria.
  - Money Market Funds (MMFs)
  - UK Government (including gilts, Treasury Bills and the DMADF)
  - Local authorities
  - Housing associations. In addition to ratings from the credit agencies, housing associations will only receive investments if they have a viability rating of V1 and a governance rating of G1 from Homes England.
  - Supranational institutions that meet the ratings for banks outlined above
  - Corporate Bonds. The Council will invest in corporate bonds which:
    - i. Meet the ratings for Banks 1 outlined above or;
    - ii. Have a credit rating of BBB+ or;
    - iii. Have a credit rating of BBB- but form part of a portfolio managed by professional fund managers
  - Universities that meet the ratings for Banks 1 outlined above

- Pooled investment vehicles including equity funds, property funds, corporate bond funds and multi asset funds
- Subsidiary companies of the City Council

A limit of £200m will be applied to the use of non-specified investments

**4.2.5 Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

**4.2.6 Time limits** are applied to most investment categories to limit credit risk as the longer the duration of an investment is, the more time there is for the credit quality of the counter party to deteriorate. There are no time limits applied to corporate bonds managed by a professional fund manager, pooled investment vehicles, and subsidiary companies of the Council. Corporate bonds can be sold if there is a need to disinvest and a professional fund manager will have more resources to assess credit quality. Investments in pooled investment vehicles often do not have a predetermined maturity; the Council would withdraw its investment at the appropriate time. The Council controls its subsidiary companies and therefore is able to have a considerable influence on their credit quality.

4.2.7 **Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

<b>Table H</b>	<b>Fitch Long term Rating (or equivalent)</b>	<b>Money Limit</b>	<b>Time Limit</b>
Banks 1 highest quality	AA-	£26m	6yrs
Banks 1 higher quality	A+	£20m	6yrs
Banks 1 medium quality	A	£15m	6yrs
Banks 1 lower quality	A-	£10m	6yrs
Banks 2 the Council's own banker if the criteria for Banks 1 is not met	-	Minimised	Minimised
Banks 3 partly owned by the Council	-	£10m	5yrs
UK Government including DMADF	UK sovereign rating	unlimited	6yrs
Local authorities	N/A	£30m	6yrs
Housing associations higher quality	AA-	£30m	10yrs
Housing associations lower quality	A-	£20m	10yrs
Corporate bonds purchased by City Council but not meeting criteria for Banks 1 above	BBB+	£7m	365 days
Corporate bonds managed by a professional fund manager	BBB-	£0.32m per bond up to a limit of £8m	Unlimited
Pooled investment vehicles	-	£50m	Unlimited
Subsidiary companies of the Council	-	£30m	Unlimited
	<b>Fund rating</b>	<b>Money Limit</b>	<b>Time Limit</b>
Money Market Funds	AAA	£26m	liquid
Enhanced Money Market Funds	AA	£20m	liquid

- 4.2.8 The proposed criteria for specified and non-specified investments are shown in Appendix 5.2 for approval.
- 4.2.9 **Creditworthiness.** Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.
- 4.2.10 **Credit Default Swap (CDS) Prices.** Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

### 4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups, and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of double A** from Fitch or equivalent.
- c) **Other limits.** In addition:
  - limits in place above will apply to a group of companies;
  - sector and geographic limits will be monitored regularly for appropriateness.

### 4.4 Environmental, Social and Governance Factors

- 4.4.1 The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.
- 4.4.2 The Council will avoid investments in fossil fuel extraction unless they are making substantial investment into renewable energy technologies as part of a strategy to move to becoming a clean energy supplier.
- 4.4.3 The Council will give weight to the environmental, social and governance elements of credit ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

## **4.5 Investment Strategy and Risk Appetite Statement**

4.5.1 All the investment guidance available, both statutory and from the Chartered Institute of Public Finance and Accountancy (CIPFA), makes it clear that all investing must follow SLY principles - security, liquidity, yield. In accordance with the guidance issued, the Council's first priority in investing is security, followed by liquidity. After these priorities are met, the Council will seek to maximise yields. The Council will consider the environmental and social implications of its investments once SLY principles have been met.

4.5.2 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\* 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, and shares in pooled investment funds

4.5.3 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.

4.5.4 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.

4.5.5 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. To earn investment returns more than 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.

4.5.6 The Council may invest in lower risk structured investment products that follow the developed equity and other market indices 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.

4.5.7 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.

4.5.8 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required 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:

- 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 short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall, consideration will be given to locking in higher rates currently obtainable, for longer periods.

#### 4.6 Investment return expectations.

4.6.1 As shown by the interest rate forecasts in section 3.3, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020. The Bank of England did increase Bank Rate by 0.15% to 0.25% in December, and by another 0.25% to 0.50% in February. Typically, a rate hike would fully flow through to market pricing, especially for shorter durations. However, many banks are already awash with cash and have little appetite for yet more monies, especially over year-end. This may limit the extent to which the full increase in Bank Rate is reflected in the rates offered for shorter term investments. For longer term investments, the increase in the pace of monetary policy tightening, rather than any increase in the peak level, may impact longer term interest rates.

4.6.2 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days.

4.6.3 These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

4.6.4 The Council is asked to approve the following treasury indicator and limit:

<b>Table I - Upper limit for principal sums invested for longer than 365 days</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current investments as of 31 March more than 1 year maturing in each year	125	50	50

#### 4.7 End of year investment report

4.7.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 APPENDICES**

- 5.1 Maturity structure of borrowing**
- 5.2 Credit and counterparty risk management**
- 5.3 Sector and Geographic Investment Limits**

## APPENDIX 5.1

### **Maturity Structure of Borrowing**

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>Table J</b>		
<b>Maturity structure of fixed interest rate borrowing</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	40%
<b>Maturity structure of variable interest rate borrowing</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	30%
30 years to 40 years	0%	30%
40 years to 50 years	0%	30%

## **CREDIT AND COUNTERPARTY RISK MANAGEMENT**

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. To facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance and Resources (Section 151 Officer) has produced its treasury management practices (TMPs).

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the Treasury Strategy Statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments that would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Bonds issued by supranational banks of less than one year's duration.
3. A local authority, housing association or university.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled

investment vehicles, such as money market funds, rated AA by Standard and Poor's, Moody's and / or Fitch rating agencies.

5. A body that is considered of a high credit quality (such as a bank or building society) with a minimum Short-Term rating of A-2 / P-2 / F1 as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are contained in Table H.

**Non-specified investments** – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any investments with:

	<b>Non-Specified Investment Category</b>	<b>Limit £</b>
a.	<p><b>Supranational bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds with a AAA long-term rating</b> - These are bonds defined as an international financial institution having as one of its objects economic developments, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p><b>£26m for up to 6 years</b></p> <p><b>£26m for up to 6 years</b></p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p><b>Unlimited investments for up to 6 years</b></p>
c.	<p><b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	<p><b>£10m for up to 1 day</b></p>
d.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies that have a minimum asset size of £350m.</p>	<p><b>£6m for up to 2 years</b></p>
e.	<p>All <b>banks and building societies</b> that have a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals more than one year from inception to repayment).</p>	<p><b>Up to £26m (depending on credit quality) for up to 6 years</b></p>

	<b>Non-Specified Investment Category</b>	<b>Limit £</b>
f.	<b>Loan capital</b> in a body corporate with a credit rating of at least BBB+. This will enable investments to be made in large commercial companies such as British Telecom. A short-term investment in a BBB+ rated counterparty may be less likely to default than a long-term investment with an A- rated counterparty.	<b>£7m for 365 days</b>
g.	<b>Corporate bonds</b> 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+.	<b>£8m for an unlimited duration</b>
h.	<b>Pooled investment vehicles including equity funds, property funds and multi asset funds</b> with the potential to generate returns more than 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.	<b>£50m for an unlimited duration</b>
i.	<b>Subsidiary companies of the Council.</b> Funds could be invested to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.	<b>£30m for an unlimited duration</b>
j.	<b>Banks partly owned by the City Council.</b> The Council is an equity shareholder in Hampshire Community Bank (HCB). Purchasing bonds in 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 bond. These assets would consist of loans of the highest credit quality to the small and medium enterprise (SME) sector. The loan assets offered as security would pass to the Council in the event of HCB defaulting.	<b>£10m for 5 years</b>

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately.

**SECTOR AND GEOGRAPHIC INVESTMENT LIMITS****Sector Investment Limits**

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.

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.

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.

Excessive investments in investment products tracking equity, property or other markets could also expose the Council to a systemic risk.

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

**Geographic Investment Limits**

To minimise systemic credit risk in any region, the following limits will be applied to the geographic areas where investments can be made in foreign countries.

Asia & Australia	£80m
Americas	£80m
Eurozone	£60m
Continental Europe outside the Eurozone	£60m

# Agenda Item 11



**Title of meeting:** Cabinet & Council

**Date of meeting:** 8<sup>th</sup> March 2022 & 15<sup>th</sup> March 2022

**Subject:** Health and Wellbeing Strategy

**Report by:** Helen Atkinson, Director of Public Health

**Wards affected:** All

**Key decision:** No

**Full Council decision:** Yes

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## 1. Purpose of report

- 1.1 To present to the Cabinet the Health and Wellbeing Strategy (HWS) for 2022-2030 for approval.

## 2. Recommendations

### 2.1 The Cabinet and Council are recommended to:

- Approve the Health and Wellbeing Strategy attached at Appendix 1.

## 3. Background

- 3.1 There is statutory duty on local Health and Wellbeing Boards to produce a strategy for the health and wellbeing of their population, which should be adopted by the partner organisations. At the last meeting of the Health and Wellbeing Board (HWB), a document was approved with the recommendation that this is adopted by partner organisations.
- 3.2 This document was derived from work which the HWB have carried out during 2020 and 2021 looking at significant issues where Portsmouth is an outlier from the rest of the country, and where existing conditions are driving poorer outcomes for the population. The approach taken aims to focus on these areas and bring about the changes that would be necessary to create a "new normal" for Portsmouth, where outcomes were routinely better than is currently the case.

- 3.2 The HWS is part of a wider group of developing plans in the city, most notably the Blueprint for Health and Care in Portsmouth and the developing priorities for Health and Care Portsmouth:
- The priorities for Health and Care Portsmouth identify the key groups and service areas that need to be the focus of commissioning and identify where services and responses need to be in place from the earliest points of intervention through to higher level support.
  - The Blueprint sets out the aspiration for how services should be received by residents of the city, setting out a range of commitments around access, quality and ways of working - ultimately, the Blueprint is about ensuring that the outcomes and experiences for residents are never compromised because of the way organisations and institutions organise themselves.
  - The Health and Wellbeing Strategy will focus on the wider determinants in the city - what is stopping people in the city thriving, and therefore what needs to happen to enable them to thrive.
  - The city's Imagine Portsmouth 2040 sets out the long-term vision for the future of our city agreed by a wide range of representatives of residents, businesses and organisations who live and work in Portsmouth.
- 3.3 The document identifies five priority areas, based on evidence from a range of sources:
- Tackling Poverty
  - Improving Educational attainment
  - Positive Relationships
  - Housing
  - Air quality and active travel.
- 3.4 These priorities were developed in the autumn through a range of workshops and discussions, with contributions from nearly 100 stakeholders. These discussions sought to identify where the HWB could add value by coming together and acting collectively as a system, and also by thinking about how - as anchor institutions - organisations that are members of the board can also leverage their roles as employers, communicators, purchasers alongside their roles as service providers to increase impact.
- 3.5 The draft document that emerged following the workshops was approved for consultation in November 2021. Nearly 500 people and organisations that submitted responses to the consultation during December 2021 and January 2022. This showed clear support for the priorities and challenges that the board identified, and on this basis, the HWB approved the strategy attached as Appendix A.

3.6 It was recommended by the HWB that the strategy should also be formally adopted by the Cabinet.

#### **4. Reasons for recommendations**

4.1 The current HWS was agreed in 2018 and covers the period 2018 to 2021. A refreshed HWS is therefore required to meet the statutory duty on the local authority and CCG to develop a HWS.

4.2 The document attached at Appendix A:

- builds on work carried out by members of the HWB in 2020 and 2021 to identify priorities for improvement locally;
- reflects and supports the City Vision agreed in 2021;
- supports the role of the HWB and its constituent organisations in setting the medium-to-long term priorities to improve outcomes for residents and communities in Portsmouth that will be delivered through Health and Care Portsmouth;
- has a clear framework for monitoring and evaluation;
- has been broadly supported through wider consultation.

#### **5. Integrated impact assessment**

5.1 A preliminary Integrated Impact Assessment has been undertaken, and concludes that as a high level strategy, there is considerable opportunity for positive impacts in respect of a number of areas where we currently see inequality, and in relation to environmental issues including air quality. Detailed impact assessments will be undertaken on particular policies and initiatives as they emerge.

#### **6. Legal implications**

6.1 Section 116A of the Local Government and Public Involvement in Health Act 2007 (as amended) ("the 2007 Act") places a statutory duty upon local authorities and their partner CCGs to develop a joint health and wellbeing strategy (JHWS).

6.2 Section 116B of the 2007 Act requires local authorities and CCGs to have regard to relevant JSNAs and JHWSs when carrying out their functions.

6.3 The 2007 Act places a duty upon the HWB to have regard to the statutory guidance published by the Secretary of State when preparing JHWSs

6.4 That statutory guidance highlights that HWBs must give consideration to the Public Sector Equality Duty under the Equality Act 2010 throughout the JHWS process.

**7. Director of Finance's comments**

- 7.1 There are no direct financial implications arising from the recommendations contained within this report.
- 7.2 Future schemes and initiatives will require financial appraisal on case by case basis in order to support decision making. Before any schemes or initiatives will be able to proceed, specific funding sources would need to be identified and in place.

.....  
Signed by: Helen Atkinson, Director of Public Health

**Appendices:**

Appendix A - Health and Wellbeing Strategy 2022-2030

**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

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# HEALTH AND WELLBEING STRATEGY 2022 – 2030

# HEALTH

**We want Portsmouth to be a healthy and happy city, in which each person has the education, care and support they need for their physical and mental health.**

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# HEALTH AND WELLBEING STRATEGY

## FOREWORD

## Foreword

There is a statutory duty on local Health and Wellbeing Boards to produce a strategy for the Health and Wellbeing of their populations. The strategy should inform work that is done to improve health and wellbeing in local areas.

Portsmouth's previous strategy (2018–2021) focused on the health and wellbeing relationships to wider work in the city, and expressed some immediate delivery priorities in the context of the wider system. In this refreshed strategy, we have taken a different approach where we have really tried to understand what about Portsmouth are the significant impacts on health and wellbeing, and what we can do as a system to bring about some key changes.

Using a strong evidence base, we have identified five issues which we are describing as the "causes of the causes" – the underlying factors in our city that lead to some of the issues which in turn influence health and wellbeing. Rather than look at individual services and responses, we are looking at how we create the conditions for good health and wellbeing in Portsmouth. The themes we have identified are:

- Poverty
- Educational Attainment
- Positive Relationships
- Active Travel and Air Quality
- Housing

This work will be significant in preventing health and wellbeing challenges emerging in the city and supporting improvement for those experiencing challenges now. It also helps us identify how we need to shape our health and wellbeing services in response to the wider context for Portsmouth.

This document is really important for us working together as a local health and care system, as it sets out some critical issues for us as a city, and where we need to be driving improvements for our population. It will guide us in working together to address the most significant issues and ensuring that people who live here can thrive.

The strategy will be a critical piece of documentation for:

- Underpinning commissioning decisions: setting a framework for commissioning plans across the NHS, local authority and other agencies in the city
- Influencing decisions: providing a source of evidence and direction for policy and decision making in a wide range of areas across the city, such as development, community safety and education.
- Holding leaders of organisations across the city to account for improving outcomes: the strategy will be reviewed each year and provide a basis for conversations about where we are improving outcomes, and where more needs to be done.

We have some significant challenges to address, but we are confident that by working together we can really make a difference over the next three years.



*Councillor Jason  
Fazackarley*

*Dr Linda Collie*

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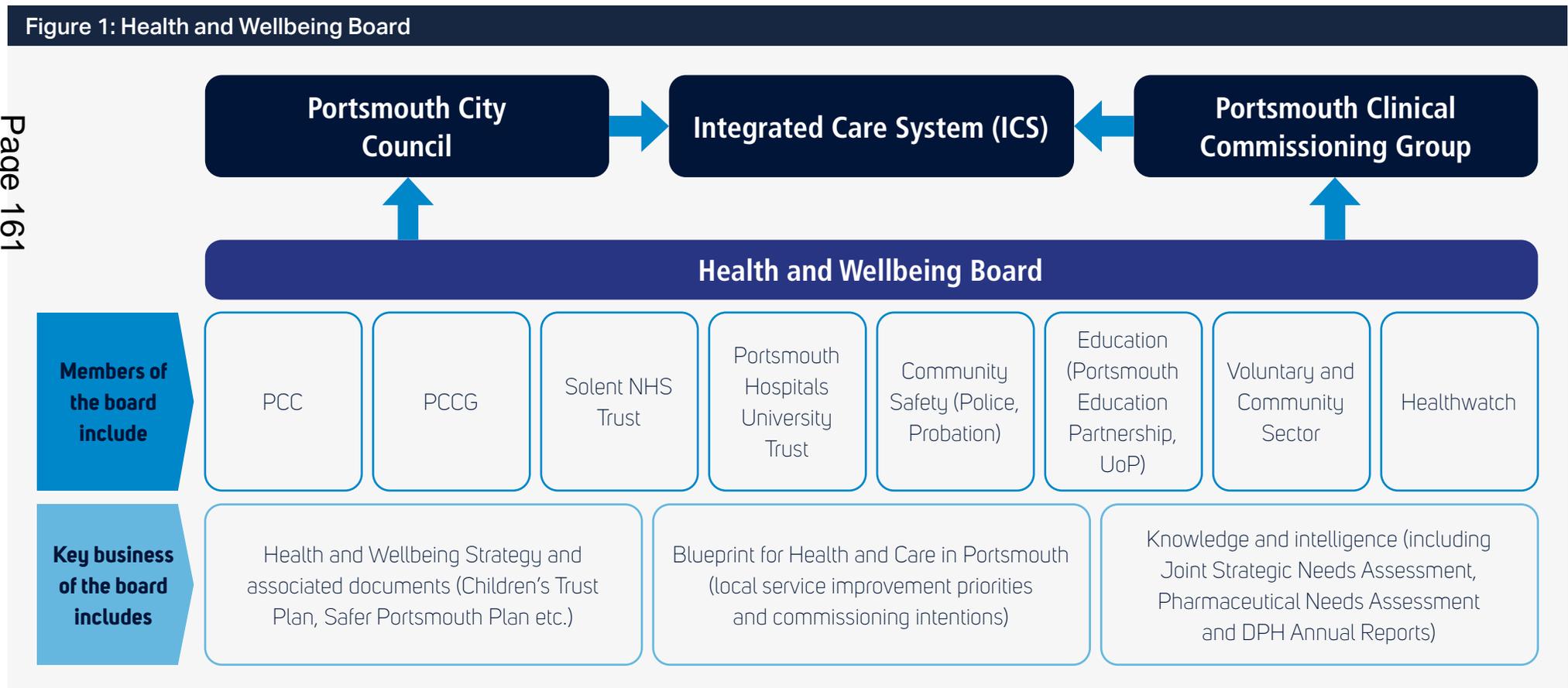
*Joint Chairs of the Health  
and Wellbeing Board*

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# HEALTH AND WELLBEING STRATEGY

## INTRODUCTION

Portsmouth's Health and Wellbeing Board (HWB) is the key strategic partnership bringing together the organisations working together to improve health and wellbeing in the city, as set out in the diagram below.



Our HWB brings together a wide range of partners including commissioners and providers of public sector services covering health and care services for all ages, community safety and education. It has a statutory duty to produce a Health and Wellbeing Strategy (HWS). Partners on the board agreed in early 2020 that this strategy was an opportunity to use the broader membership of Portsmouth's HWB to focus on the longer-term; to understand the underpinning 'causes of the causes' of a range of poor outcomes in the city; and to work with our communities to achieve a step-change in the wellbeing of our residents.

[Imagine Portsmouth](#)<sup>1</sup> saw the city agree a new long-term vision for the city that aligned well with the board's aspirations.

This HWS represents the HWB's agreed priorities for how to achieve our contribution to that vision:

*“We want Portsmouth to be a healthy and happy city, in which each person has the education, care and support they need for their physical and mental health”*

As a system represented by the HWB, we will focus on the causes of the causes to drive real change. The

work builds on the strong foundations of our integrated partnerships and plans that are already in place. Some of this work that links closely to the priorities chosen by the board is included in the strategy and will be part of the early delivery towards our long-term goals. But there is so much more that is already happening that cannot be reflected in a short document such as this.

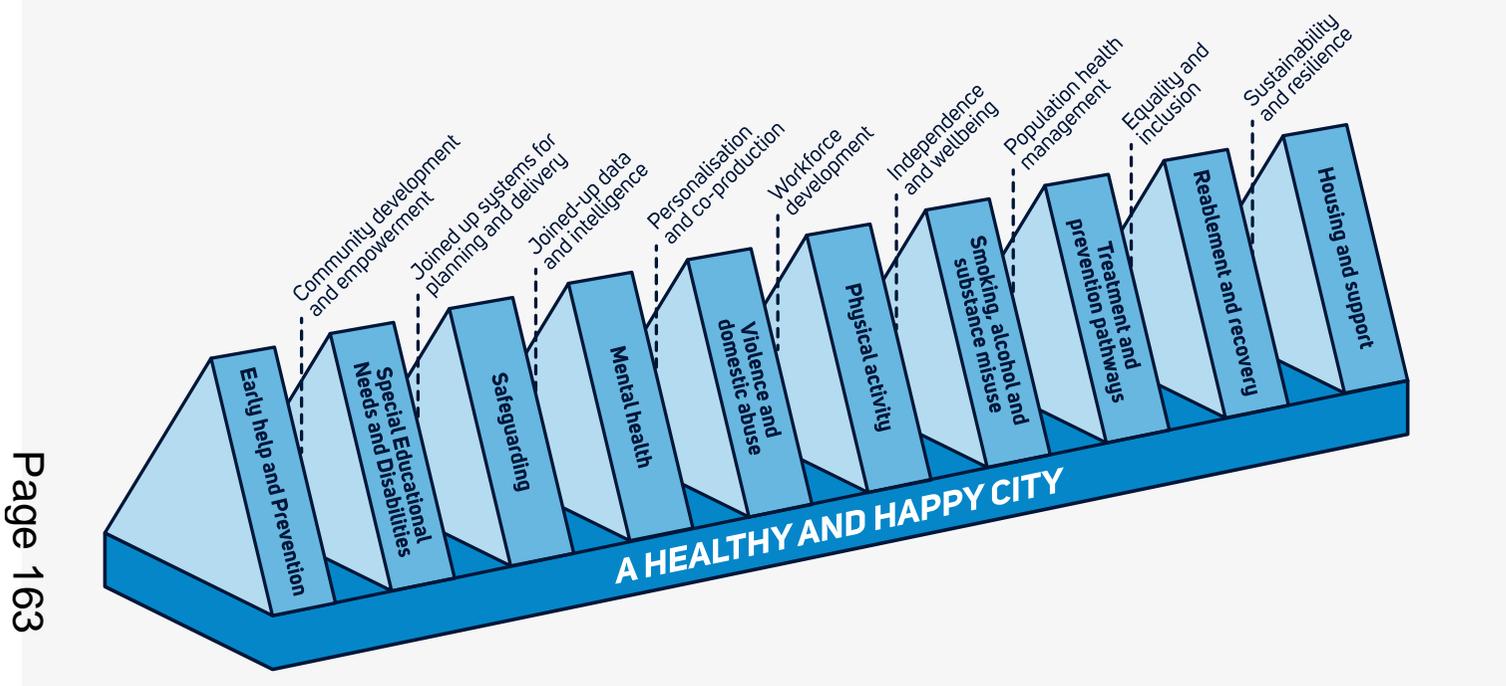
As a system, we collectively aim to meet the needs of all our communities through a combination of universal and targeted services and approaches. For many issues that partners work on, there is a smaller number in greatest need or facing the most significant challenges, and then growing numbers with increasingly less intensive support needs. This is illustrated by the 'triangles' in figure 2 (page 9), with small numbers (and high need) at the top of the triangle, and larger numbers with lower needs towards the base. Our collective ability to meet the different needs at each level is constrained by the total available resource and capacity.

Our aim through this strategy is to achieve better outcomes for more people by shrinking those triangles. The approach set out in this strategy is to do this by growing the base, addressing the cross-cutting issues to create a healthier and happier city in which fewer people need support at each level of the triangles.

The focus of commissioning and delivery of public services is often targeted towards those in greatest need or facing

<sup>1</sup> [Imagine Portsmouth: our vision for Portsmouth's future](#)

Figure 2



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the most significant issues, and delivered in partnership by a range of stakeholders. These strong local partnerships will continue to deliver, supported and enabled where appropriate by the Health and Wellbeing Board.

Our collective efforts are already underpinned by ways of working that ensure we are doing the right things, in the right way, at the right time and place and for the right people. In figure 2 these are shown as the spaces between the triangles, reflecting the fact that the more effectively we do these things together, the further our collective resource can go in supporting delivery. These

things will be crucial in supporting all aspects of this strategy (not just the 'triangles' they sit between). In turn, the strategy and the work of the Board will promote these approaches and address barriers to joint work.

We believe this strategy will support the efforts of local individuals, organisations and partnerships by addressing long-standing challenges that contribute to poor outcomes across the wide range of challenges faced by partners in the city. Achieving this will be a collective effort. Everyone can play their part as individuals and communities by making positive and healthy choices.

# HEALTH AND WELLBEING STRATEGY

## BACKGROUND

## A Covid year: what's happened and what's changed?

In Portsmouth, over 400 people have died from Covid-19 and over 50,000 people have tested positive for the illness at least once since the start of the pandemic<sup>2</sup>. Beyond this, we have seen more people move into unemployment, more children become eligible for free school meals and more people need some support from public services. We have also seen communities come together, willingly following rules to suppress the spread of virus and protect the most vulnerable; volunteering time and money to help each other; and rediscovering their local environments.

There has been a time when social change has accelerated, so some things have already changed and are unlikely to ever return to how they once were. In other areas, the pandemic has triggered change and we do not yet know what the ramifications will be, or how significant.

Social movements including Black Lives Matter and protests against ongoing violence against women and girls have raised awareness of issues that impact on people's feeling of safety in their community. Many people are experiencing new pressures in their lives, including financial pressures. Unemployment has increased, and job opportunities, particularly for the young, have reduced.



Importantly, for many people, there is optimism about the future. Trust in institutions such as the NHS and local authorities is high. Volunteering activity has increased. People are more connected with local environments and open spaces, with restrictions leading to short-term reductions in traffic volumes and improvements in air quality. However willingness to use public transport has declined.

2 [GOV.UK Coronavirus \(COVID-19\) in the UK](https://www.gov.uk/coronavirus) 25 January 2022

## Developing the strategy

This strategy is an opportunity to build on the way partners in the city have worked in partnership to address the pandemic, and to continue engaging with our communities to develop solutions together. Around 100 stakeholders have contributed through workshops to develop each of the priority themes. As well as the specific issues set out under each priority, three cross-cutting issues have emerged that will be explored further as this strategy evolves:



St Mary's Health Campus



Father Bob White and Councillor Suzy Horton at HIVE Portsmouth



HIVE Portsmouth volunteers at the Portsmouth vaccination site

## Community Development

Working with local people, groups and organisations in a way that recognises and nurtures the strengths of individuals, families and communities, and helps to build independence and self-reliance, is a vital alternative to reliance on traditional services.

The work with stakeholders to develop each of the priorities in the strategy reiterated this key message and it will underpin our approaches throughout the strategy. This builds on the commitment to working differently embodied in HIVE Portsmouth that played such an essential role in the city's pandemic response.

## Health, Equality and Diversity

Covid-19 has shone harsh light on some of the health and wider inequalities that persist in our society. It has become increasingly clear that the pandemic has had a disproportionate impact on many who already face disadvantage and discrimination.

The impact of the virus has been particularly detrimental on people living in areas of high deprivation, on people from Black, Asian and minority ethnic communities (BAME) and on older people, those with a learning disability and others with protected characteristics.

The pandemic has shown the importance of reorientating our efforts to address the broad outcomes that drive good health, recognising that the distribution of income and wealth matter in reducing health inequality. We have



begun to address this through our use of the ONS Health Index (described in the next chapter) as a measure of progress, aiming to support a longer-term focus to our policy and investment decisions aimed at improving the health and wellbeing of our residents and communities.

Deprivation is just one of the persistent inequalities that limit individuals' and communities' opportunity to fulfil their potential. The efforts of partners in delivering this strategy will reflect our commitment to equality, diversity and inclusion, ensuring we deliver fair and equitable services to all of our communities.

## Sustainability and Resilience

The link between sustainability, climate change and health is recognised globally. At its most basic level, a sustainable city requires a healthy population; one that is resilient to the challenges of future climate change and one that is able to respond positively to the changes needed to enable sustainable communities, particularly as we move into post-pandemic socio-economic recovery.

The climate crisis is a health crisis, and we recognise the need to promote equality, health and quality of life in order to achieve a sustainable future. Covid-19 has enabled us to fundamentally re-assess what is needed to tackle the scale of change and transformation required, reinforcing that support for vulnerable people and communities is vital, and that we need to shift as a system from a focus on efficiency to one of resilience.

# HEALTH AND WELLBEING STRATEGY

## ONS Health Index

In 2018, then Chief Medical Officer, Dame Sally Davies, proposed a Health Index “that reflects the multi-faceted determinants of the population’s health”. The Office of National Statistics (ONS) launched the draft Health Index in December 2020<sup>3</sup>), with an updated version due to be published in March 2022.

It provides “a single headline indicator of health that is transparent in its construction, can be compared over time, can be compared at different geographical levels, and can be broken down into the effects that drive changes”.

The Health Index aligns with the World Health Organization’s definition of health<sup>4</sup>, that health

*“is a state of complete physical, mental and social wellbeing, and not merely the absence of disease or infirmity”.*

In developing our strategy we have used the Health Index<sup>5</sup> as a tool to identify areas to focus on, and will continue to use it in order to measure progress over time.

The index is broken down into three domains, each with a number of sub-domains:

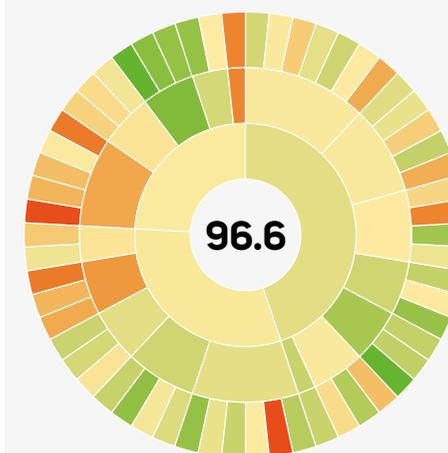
- **healthy people** – health outcomes, ensuring representation of the population as a whole
- **healthy lives** – health-related behaviours and personal circumstances
- **healthy places** – wider determinants of health, environmental factors

These are weighted equally, as are the sub-domains within each domain, with individual indicators then weighted using a transparent and robust methodology to achieve a balanced overall score<sup>6</sup>. The Index is scaled to a base of 100 for England in 2015. Values above 100 indicate better health than England in 2015, below 100 indicates worse health.

Figure 3 shows Portsmouth’s overall score and its ranking against best and worst performing areas. See next page for breakdown and pages 41 to 42 for a tabulated version.

**Figure 3: Portsmouth’s ranking in the ONS Health Index**

### Portsmouth compared against England Average



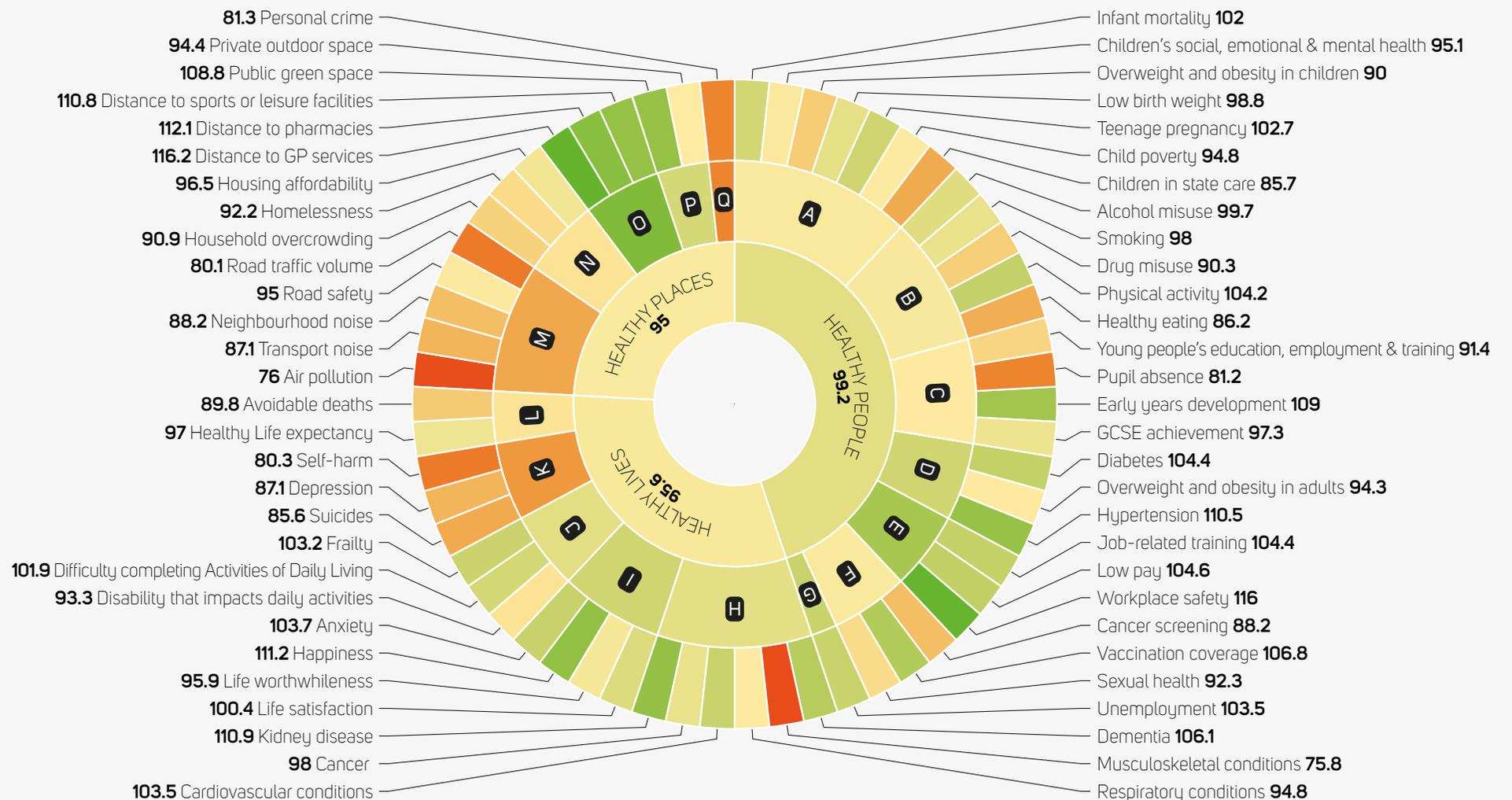
### Ranking for area

Place	Score	Rank
Wokingham	110.1	1
Bolton	96.8	109
Leicester	96.8	110
Barnsley	96.7	111
Dudley	96.7	112
Peterborough	96.7	113
<b>Portsmouth</b>	<b>96.6</b>	<b>114</b>
Stockton-on-Tees	96.3	115
Sefton	96.2	116
Blackpool	86.4	149

3 Developing the Health Index for England: 2015 to 2018 – Office for National Statistics  
 4 Constitution – World Health Organization  
 5 Health Index Explorer – Office for National Statistics  
 6 Methods used to develop the Health Index for England: 2015 to 2018 – Office for National Statistics

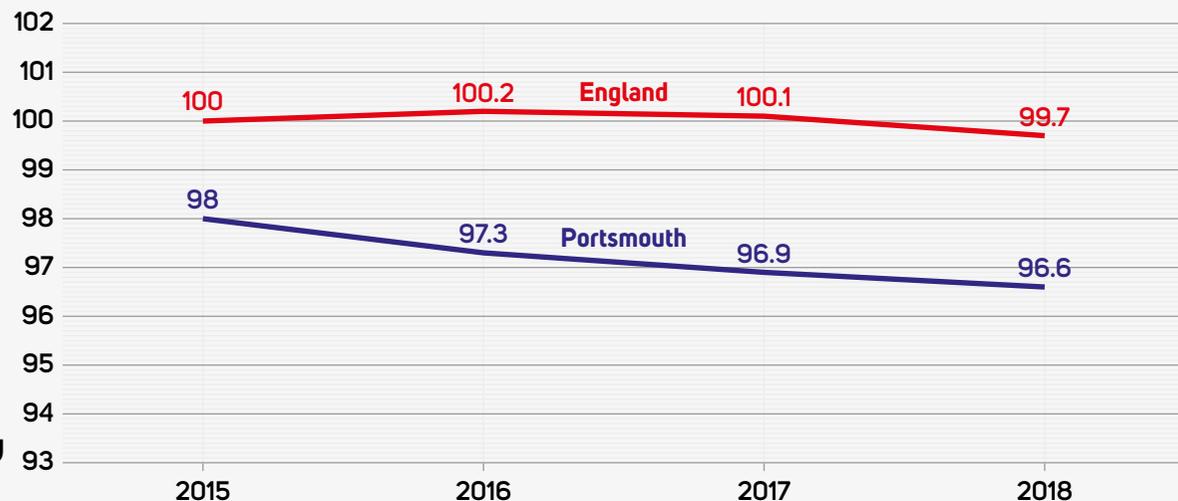
Figure 4: Portsmouth's scores in the ONS Health Index, broken down by domain sub-domain and indicator, compared to England average

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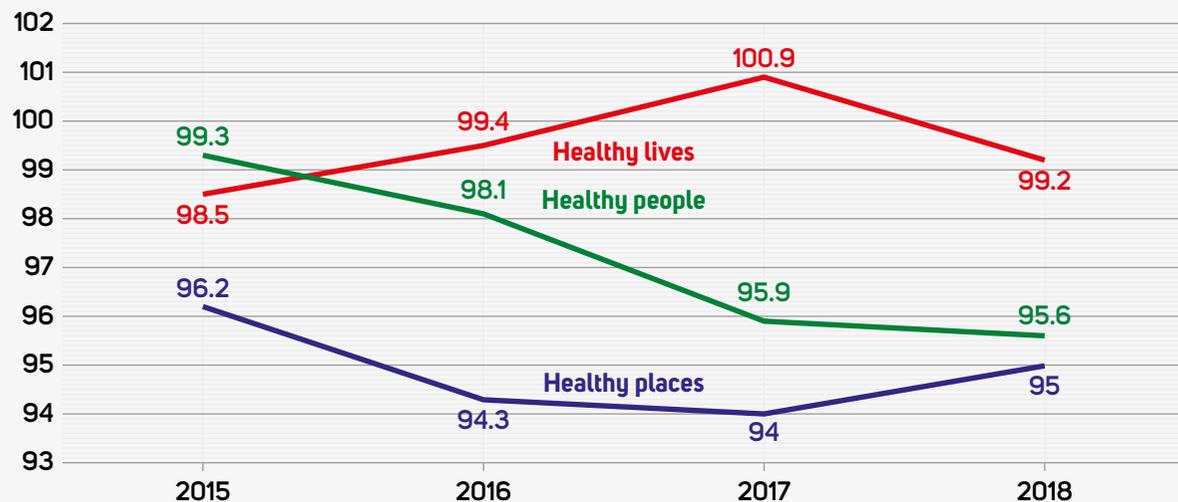


- A** Risk factors for children 95.2
- B** Behavioural risk factors 95.5
- C** Children & young people's education 94.4
- D** Physiological risk factors 102.4
- E** Working conditions 108.4
- F** Protective measures 95.2
- G** Unemployment 103.5
- H** Physical health conditions 99
- I** Personal well-being 102.6
- J** Difficulties in daily life 99.2
- K** Mental Health 83.6
- L** Mortality 93.4
- M** Local environment 85.4
- N** Access to housing 93.4
- O** Access to services 113.1
- P** Access to green space 101.6
- Q** Crime 81.3

**Figure 5: Portsmouth's ONS Health Index score relative to England, 2015 – 2018**



**Figure 6: Portsmouth's ONS Health Index sub-domain scores, 2015 – 2018**

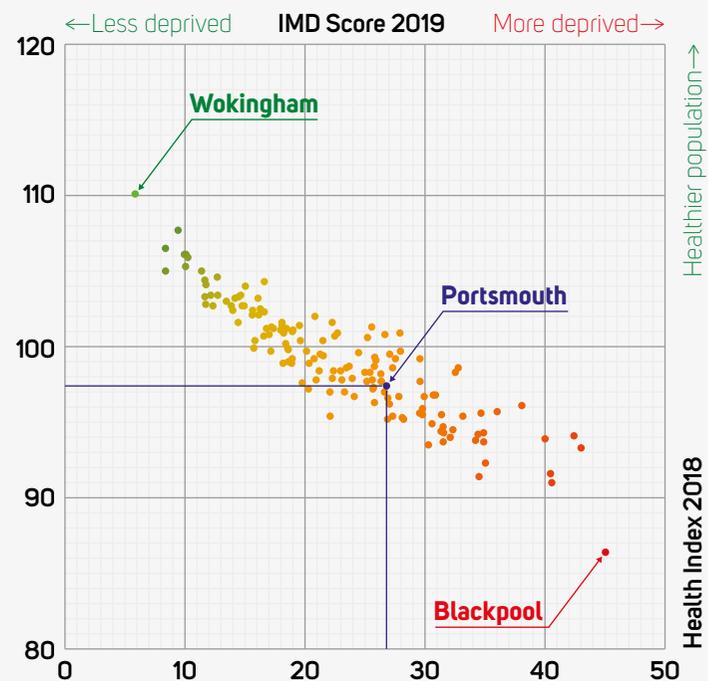


Data for Portsmouth in 2018 showed that health was worse than the England average in 2015, and that the city's relative position has worsened in the years since.

Portsmouth's position has worsened in relation to health outcomes and wider determinants, and improved in relation to health-related behaviours.

Portsmouth is not an outlier in terms of its overall score. It sits within a pattern in which more deprived areas have less healthy populations, as shown in figure 7.

**Figure 7: IMD score against Health Index 2018**



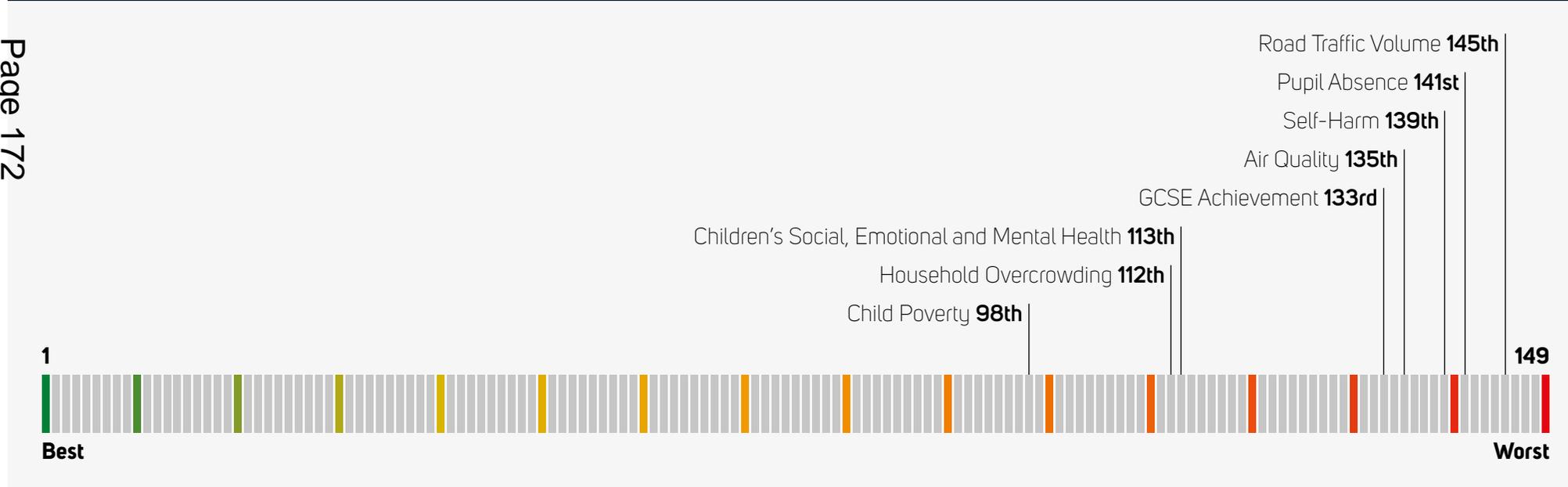
Exploring sub-domains within the Health Index suggested a number of areas where outcomes are much worse in Portsmouth than in England. These helped to inform the selection of priorities, alongside other outcome data and local intelligence. For example, out of 149 local authorities, where 1 is the best, Portsmouth ranks 98th for child poverty, 112th for household income,

113th for children’s social, emotional and mental health, 133rd for GCSE achievement, 135th for air quality, 139th for self-harm, 141st for pupil absence, and 145th for road traffic volume.

Many of these areas will have been significantly impacted by Covid-19 and existing disparities are likely to have been exacerbated.

**Figure 8: ONS Health Index indicators where Portsmouth scores badly**

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# HEALTH AND WELLBEING STRATEGY

**PRIORITIES:  
FIVE 'CAUSES OF THE CAUSES'**

# Tackling Poverty

## The causes of the causes – why tackling poverty underpins outcomes across the Health and Wellbeing Strategy

The Marmot Review<sup>7</sup>, published in 2010, raised the profile of wider determinants of health by emphasising the strong and persistent link between social inequalities and disparities in health outcomes. Variation in the experience of wider determinants (i.e. social inequalities) is considered the fundamental cause (the 'causes of the causes') of health outcomes. As such, health inequalities are likely to persist through changes in disease patterns and behavioural risks so long as social inequalities persist. In addition, both the Marmot Review and the Dame Carol Black Review<sup>8</sup> highlighted the huge economic costs of failing to act on the wider determinants of health.

This priority represents a shared commitment across local public services that we will seek to help people to escape poverty, and take action to mitigate the effects of poverty.

We will do this by providing good quality employment to tackle in-work poverty, so that every employee:

- Receives a real living wage
- Has the security of sufficient working hours to meet their needs

- Can work flexibly, to ensure those with additional needs or caring responsibilities can maintain employment
- Can progress into and through work, with training and support, to fulfil their potential and increase their earning power

If all organisations represented on the HWB became an Accredited Living Wage employer, this would extend the Real Living Wage to all directly employed staff and to all staff working on contracts in private firms and the voluntary sector as these contracts come up for renewal and play an important part of the city's recovery from the pandemic. Social value provides additional benefits which can aid the recovery of local communities through employment, re-training and community support. Existing and emerging Living Wage Places are showing the impact that large employers and anchor institutions can have in attempting to make the Living Wage the norm in their place and lift people out of low pay.<sup>9</sup>

7 [Fair Society Healthy Lives \(The Marmot Review\) – Institute of Health Equity](#)

8 [Review of drugs part two: prevention, treatment, and recovery – GOV.UK](#)

9 [Building Back Better with Living Wage Places – Living Wage Foundation](#)

## Key activity in short term

Short term activity will focus on three key areas:

### 1 Providing immediate support to people in financial hardship

- Developing a range of local welfare provision to assist those in urgent or long-term financial hardship.
- Helping people to maximise their income through:
  - Ensuring they receive everything they are entitled to
  - Reducing expenditure
  - Dealing with unmanageable debt.

Promoting financial capability and inclusion.

Page 175  
Between 2015 and 2020, Portsmouth experienced steadily increasing levels of child poverty<sup>10</sup> and uptake of foodbank support. Foodbank demand more than doubled in the early months of the pandemic and remained above pre-pandemic levels until July 2021<sup>11</sup>.

Long term issues of poverty and inequality in the city have been exacerbated by the impact of the pandemic on health, social networks and the economy. Increasing numbers of people will require assistance to cope with short term income shocks or longer and deeper periods of poverty.

### 2 Helping people access the right employability support at the right time

- Ensuring people know where to find help and advice, to prepare for or find work.
- Providing additional support for those who may have greater barriers to work, such as people with a learning disability.
- Increase access to digital upskilling opportunities.

Unemployment levels rose steeply at the start of the pandemic, from 4,842 people looking for work and in receipt of an out of work benefit in March 2020, to 10,691 people in May 2020, before reducing to 9,326 in May 2021<sup>12</sup>.

Action is required to help those furthest from employment, and support those seeking to re-train as employment opportunities change.



10 Children in low income families: local area statistics 2014 to 2020 – GOV.UK

11 Data provided by Portsmouth Foodbank, King's Church, September 2021

12 Department for Work and Pensions, Alternative Claimant Count

### 3 Supporting a community-level response to local needs

- Enabling communities to access resources, advice and support to meet their own needs.
- Offering support and coordination to make best use of the resources available.
- Facilitating the development of new services and activities to meet the needs of people in financial hardship.

The local response to the pandemic demonstrated the capacity of local communities to support one another, with the support of HIVE Portsmouth and its partners.

Pressure on public services, and the withdrawal of additional financial support to help people cope with the impact of the pandemic, means that the skills, knowledge and capacity in the community to support people in financial hardship will be increasingly important.



#### Related partnerships, priorities and plans

This theme will be led for the HWB by the Director of Public Health. Tackling poverty underpins many of the people-focussed strategies for the city, and is specifically identified in the fuel poverty aspects of the Energy and Water at Home Strategy 2020 – 25, the Children’s Public Health Strategy 2021 – 23, and the Homelessness Strategy 2018 – 23.

# Educational Attainment

## The causes of the causes – why educational attainment underpins outcomes across the Health and Wellbeing Strategy

The education that people receive is an important preparation for the rest of their lives, equipping them with many of the things they need to go on and lead successful lives. Attainment can be an important factor in the opportunities people can take up in later life, and in turn, these opportunities can be important determining factors for physical, mental and emotional health.

In many key measures of educational attainment, Portsmouth is ranked lower than other cities. There is a paradox that the city is strong in terms of Ofsted judgements, with 92% of inspected schools and 96% of early years settings assessed to be good or better, but the city has weak outcomes in terms of educational outcomes, particularly at the end of Key Stage 2 when children finish their primary school years and Key Stage 4 when they finish secondary schooling.

Efforts to improve attainment in the city are being led by the Portsmouth Education Partnership, who have identified a range of priorities to drive these improvements. Chief among these is the development of strong leadership and ambition at all levels within individual schools to improve effectiveness and

outcomes for children and young people, supported by peer review, national professional qualifications and subject networks for middle leaders. Others include the implementation of a digital learning strategy for the city that supports learning both at school and home, and efforts to improve pupil outcomes in literacy with a high priority on early language development.

Portsmouth prides itself on being an inclusive city. We received a very positive Local Area Inspection report from Ofsted/CQC in 2019 on the response for children with special educational needs and disabilities (SEND), and yet relative to other places we see poor outcomes for disadvantaged pupils, pupils on SEN support and children who are looked after.

Other areas that have been identified are about ensuring that children are ready to learn. This includes ensuring that they have good emotional health and wellbeing and that they are attending school regularly. There is also a focus on making sure that young people coming to the end of their compulsory education are still engaged, by considering the prevention and re-engagement offer



required to stop them falling out of any form of education, employment or training.

Whilst lots of this work needs to be done within schools and by teachers and the education community, there is a need for much wider, whole-system working to ensure that children and their families are supported to value education and participate in it so that they achieve their best possible outcomes. There are lots of complex reasons why people might be struggling to support their children in education. They may have had a difficult or traumatic experience of the system themselves. They simply might not realise the importance for learning of ensuring that their children have good diets, plenty of physical activity and enough sleep. Or for reasons beyond their own control, they might be unable to provide those things.

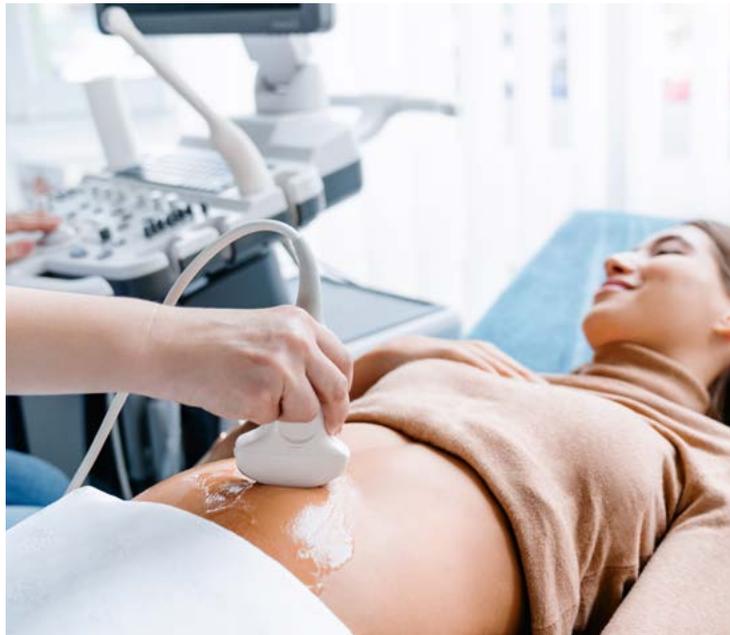
This priority represents a shared commitment across local public services that we will seek to support schools in providing the best educational experiences that they can for the children of Portsmouth, and that we will also support those children and their families to get the most out of their learning.

## Key activity in short term

Short term activity will focus on three key areas:

### 1 Supporting families in pregnancy and the early years to give children the best start

- Implement the Best Start in Life Action Plan, focusing on improving early identification of vulnerable women and families
- Develop an Early Years and Childcare Service led programme to encourage families to access free and low-cost activities across the city, with a clear link to development of language and learning skills.





## 2

### **Developing a citywide culture of aspiration and expectation, including consistent messages about what is needed to support children in their education**

- Develop and implement a "Portsmouth Deal" with parents
- Proactively support access to opportunity and experiences for young people to help them see the possibilities that exist for them, building on the citywide Aspirations Week
- Develop access to careers advice and support for young people including the Apprenticeship Hub and My Future in Portsmouth

## 3

### **Develop models to promote school attendance and inclusion**

- Continue to drive restorative and relational practices in schools and other services to address barriers to inclusion
- Continue to look at the service offer for families, children and young people that promotes positive engagement, including the holiday activities and food offer, youth and play provision

### **Related partnerships, priorities and plans**

This theme will be led by the Director of Children's Services, the statutory lead for children in the city.

The Portsmouth Education Partnership is the key body overseeing issues relating to educational attainment, but there are relationships to other strategies relating to children in the city, including the SEND strategy, the strategy for children's social, emotional and mental health, and the strategy for children's health.

# Positive Relationships in Safer Communities

## The causes of the causes – why positive relationships underpin outcomes across the Health and Wellbeing Strategy

Connectedness with each other, family and community underpins many positive outcomes. We call this social capital. Evidence shows that communities with high levels of social connectedness have longer and happier lives and are less dependent on public services.<sup>13</sup>

Relational capital – the positive relationships we have with those around us – underpins social capital.

Our approach is to enable people to develop their own relational capital to help address many of the biggest challenges we face, and this will underpin many areas covered by this strategy. For example, we know that people who experience trauma – in childhood and

adulthood – struggle to develop and maintain positive relationships and connectedness due to what is known as 'blocked trust'. Restorative approaches<sup>14</sup>, including listening to people's stories about how the way services are run affect them, are a key part of addressing this.

Restorative skills need to be embedded across the board, in our services and our communities. The work of Portsmouth Mediation Service, including with tenants and landlords, in education settings and with the community, show the value of applying relational approaches upstream – supporting the strategy's overall aim to enable people to thrive.

<sup>13</sup> Relationships in the 21st century. The forgotten foundation of mental health wellbeing – Mental Health Foundation

<sup>14</sup> Restorative and relational practice is a way of being that equips us for building relationships, strengthening communities, resolving conflict and repairing harm. It is less what we do and more who we become. Restorative practice is applicable in every setting where there are people – the living room, the board room, the team room, the classroom, the conference room and the court room. [Restorative practice – Portsmouth Safeguarding Children Board](#)

## Key activity in short term

This priority represents a shared commitment across local public services that we will seek to support and enable individuals to grow their 'relational capital'. We will do this by:

### **1 Adopting restorative approaches that aim to repair relationships where appropriate to support our most vulnerable**

There are groups of residents who are particularly disconnected from their families and communities, for whom low levels of social and/or relational capital is both a causal and contributory factor to making them vulnerable and heavily reliant on public services:

There are an estimated 400 adults experiencing multiple disadvantage (insecure housing, mental ill-health, violence and substance misuse) who we will support through our 'Changing Futures' programme

- Portsmouth has over 300 care leavers, many of whom experience long-term impacts from family separation, including isolation. We will revise and enhance the care leaver offer, focussing on enabling young people to develop supportive networks through into adulthood
- Up to 100 children and young people who are criminally exploited and/or involved in serious violence and repeat offending. Through the safeguarding partnership we will identify these and other young people at risk and disrupt unhealthy and unsafe relationships with exploiters. We will see to engage

young people in positive relationships with peers, education and those who care for them

- Domestic abuse remains a major issue in the city. In addition to victim support and work on healthy relationships, we will increase our focus on enabling perpetrators of domestic abuse to change their behaviour
- We will focus on 'High Intensity Users' of acute hospital services, particularly substance misuse and mental health services, to meet their needs more effectively in the community
- We will identify very isolated older people and build their connectedness to their community

### **2 Giving front-line staff the permission and the power to find the right solutions for clients regardless of which agency they approach**

- Services will be commissioned and delivered in a joined-up way to ensure they are responsive to local needs
- Front-line staff will be empowered and equipped with the skills to meet clients' needs in ways that respect their needs, responsibilities and relationships

### 3 Engaging residents in community-based work to build social and relational capital in all areas of the city

Strong connected communities have better outcomes for citizens and often meet local need far more effectively than public services. 'Restorative practice' provides a framework for building relationships, building communities and reducing harm, hurt and conflict, and we will embed it further by:

Page 182 Funding Voluntary and Community Sector support to facilitate restorative conversations in the community to reduce conflict

Promoting restorative approaches through the 'Portsmouth Deal with Parents' led by the Parent Board

- Addressing domestic abuse in all its forms by challenging cultural norms, promoting healthy relationships and changing the behaviour of perpetrators
- Implementing the PACE (Play, Acceptance, Curiosity and Empathy) model of relational practice with traumatised children



#### Related partnerships, priorities and plans

This theme will be led for the HWB by the Portsmouth District Police Commander. It builds on, and supports, key partnership plans that are already in place in the city, including:

- Restorative Portsmouth: a vision for a city where the principles of restorative approaches are embedded in everyday life.
- The Safer Portsmouth Plan 2021 – 22 which sets out priorities based on a comprehensive Strategic Assessment of crime, ASB, Re-offending and Substance Misuse
- Portsmouth's Domestic Abuse Strategy
- The Children's Trust Plan 'Spine' – a Deal with Parents and Restorative Practice. Also includes the Portsmouth Youth Justice Plan under the Portsmouth Safeguarding Strategy

# Housing

## The causes of the causes – why housing underpins outcomes across the Health and Wellbeing Strategy

Portsmouth is a great place to live for most, but for an increasing number of people it is a challenge to do in a safe and healthy way due to issues related to their accommodation.

Unfortunately, more and more people sleep on the streets of this great city and many others, and the pandemic raised the profile of this issue. The reasons that people sleep on the streets are varied and complex, defying traditional service responses. Every person who sleeps rough has a different story. What unites them is the human cost of doing so – those who sleep rough die on average 30 years younger than the rest of the population.

The city should be rightly proud of the investment and support it has given to help people get off the streets and receiving the right housing support. Funding that became available as part of the pandemic response created a step change, but rough sleeping remains. The government have now set a target to end rough sleeping by 2027. However there are many more people who are homeless, as defined by legislation, than those who are simply seen to be sleeping on the streets. This includes

single people, couples and families who do not have a settled place to call their own, 'sofa surfers', and many who are in temporary accommodation without security of tenure. These situations can lead to serious impacts on people including stress, anxiety, poor diet and hygiene, risk from abuse and exploitation.

There has been a consistent growth since 2014 in people approaching the council for help as homeless, with over 2,000 homeless approaches to the council in 2020/21, 94% of whom were born in the city or with a long-term connection to it. Pandemic-related restrictions such as the eviction ban show no signs of easing the situation. Ensuring adequate and suitable homes in the city is a critical issue.

The nature of tenure is also an importance influence on people's experience of their housing. There are around 90,000 homes in the city and nearly 59% of these are owner occupied; 22% are rented in the private sector; 11% are rented from the Council and 8% are rented from other social landlords. The proportion of homes that are rented privately is increasing.

For many it is the right type of housing for them, either as something temporary, or as a place with long-term financial commitments, but as an overall sector, it could work better for those who rent, are landlords, or are neighbours. For some people they do not have the security they are looking for. Landlords, the majority of whom are small or accidental landlords, also need help and support to make the overall system work. We need to think about how we support landlords to provide safe, warm and healthy homes; and also how we support them to work in tenancy situations which might be challenging.

Many of the housing issues that impact on health are relevant for those who are owner occupiers as well as renting properties. Nearly half (compared to a fifth for England) of Portsmouth's housing is terraced and over a hundred years old. Some of these properties are in poor condition and present challenges for modern living, in particular for those with disability or mobility issues. For some people, homes that were once suitable might no longer work for them, but the overall housing system

does not function in a way that gives them many other options.

The age and condition of some of the city's housing is also relevant as energy prices soar, because some older properties are inefficient in energy terms, resulting in high fuel bills which can lead to fuel poverty. There is a real prospect that some households will be faced with choices between eating, paying the electricity and gas bills or paying their rent. Thermal comfort is an important element to health, not only because people should be able to be warm, but because homes that are cold or damp contribute to other conditions, particularly respiratory illnesses.

This priority represents a shared commitment across local public services that we will seek to help people into safe and secure homes that are suitable for their circumstances and support providers of housing so that they can play their part in this too.

## Key activity in short term

Short term activity will focus on three key areas:

### 1 Implementing the Homelessness and Rough Sleeping Strategy to provide support for those vulnerable people in greatest need of housing

- Working together as a city to take an “Accommodation First not Accommodation Only” approach to support and safeguard anyone at risk of sleeping on the streets of Portsmouth, including developing the homeless healthcare offer

Page 185 Working with vulnerable people to develop personal housing plans that make it possible for them to find and sustain housing

Building on the learning from the pandemic response to street sleeping to create long term, sustainable support



*Patey Court*

## **2 Work to develop models of housing that suit people at different stages in their lives and reflect their needs**

- Ensuring people know where to find housing help and advice
  - Developing solutions for people in need of homes that meet their needs, including through running a custom-build pilot scheme
  - Building on success in creating supported housing by developing options for older and vulnerable people, including those with dementia, learning disabilities or mental health challenges
- Continuing to develop the offer around home adaptation and assistive technology to ensure that people can be safe and independent in their homes for as long as possible
- Continuing to develop the Switched On Portsmouth offer to help people reduce energy and water costs in their homes

## **3 Develop stronger models of support for landlords and tenants to support long term, successful tenancies**

- Building on the 'Rent it Right' model and the collaborative approach between the local authority and private landlords to develop opportunities to provide good quality, affordable accommodation across the city
- Putting learning into practice to inform how we commission and contract support provision to help people sustain accommodation
- Working to support the effective functioning of the private rented sector, looking at mediation models and access to landlord support

## **Related partnerships, priorities and plans**

The HWB lead for this theme will be the Chief Executive of Portsmouth City Council. Key to developing the theme of housing in the city will be the Local Plan, which will identify opportunities for creation of more homes in the city and ensure that these are constructed to a suitable standard. There are also strong relationships to the Rough Sleeping and Homelessness Strategy and the Private Rented Sector Strategy. The provision of appropriate housing options is a critical element of the city strategy for the development of Adult Social Care. There is a relationship to the city's engagement with the Government's One Public Estate Programme and a range of funded programmes related to homelessness.

# Active Travel and Air Quality

## Air pollution and health

Air pollution is the greatest environmental risk to public health in the UK<sup>15</sup>, and it is known to have disproportionate effects on vulnerable groups. Air quality disproportionately affects the very old, the very young, and those with chronic conditions. It also has greater impact on those who live, work or go to school in more deprived areas.

The combined effect of long-term exposure to air pollution in the UK in 2013, from both NO<sub>2</sub> and particulate matter (PM), has an effect equivalent to 8,000 to 36,000 deaths at typical ages, associated with a loss of 328,000 – 416,000 life years<sup>16</sup>. NO<sub>2</sub>, particularly at high concentrations, is a respiratory irritant that can cause inflammation of the airways. There is currently no clear evidence of a threshold concentration of NO<sub>2</sub> in ambient air below which there are no harmful effects for humans.

Data from the Public Health Outcomes Framework (PHOF)<sup>17</sup> indicates that in 2019, 5.6% of all premature deaths in Portsmouth could be attributed to air pollution

(specifically long term exposure to particulate matter), compared to 5.1% of all early deaths in England, and 5.2% in the South East. The burden of disease attributed to poor air quality in Portsmouth is therefore estimated to be greater than the regional and national average.

As well as the link between concentrations of particulate matter and premature deaths, the impact of high concentrations of NO<sub>2</sub> on health outcomes can be inferred from incidence of respiratory disease. The number of deaths from respiratory diseases in Portsmouth is highest in Charles Dickens ward, which contains the two air quality exceedance locations that have been introduced through the Portsmouth charging Clean Air Zone (CAZ), and has high levels of deprivation.

## Active travel and health

Active travel, such as walking, scooting or cycling directly contributes to physical, mental and neurological health benefits such as reducing the risk of all-cause mortality, reducing symptoms of depression and improved quality

<sup>15</sup> Air Quality, A Briefing for Directors of Public Health – Defra and Public Health England

<sup>16</sup> Associations of long-term average concentrations of nitrogen dioxide with mortality (2018): COMEAP summary – GOV.UK

<sup>17</sup> [Public Health Profiles \[air\]](#) – Public Health England



of life<sup>18</sup>. Despite the benefits of active travel, in 2019 less than 5% of trips made in Portsmouth were cycled and only 18% of the total kilometres travelled within the city were walked<sup>19</sup>. This is reflected in the wider picture of low levels of physical activity in the city with 23% of adults being physically inactive<sup>20</sup> and in the prevalence of overweight and obesity amongst adults and children in the city which is above the regional and national averages<sup>21</sup>.

## Identifying and addressing the challenges

Whilst there is a wealth of evidence to demonstrate the importance of reducing air pollution and encouraging active travel as well as a desire to take positive steps towards change, there are several common barriers to delivering improvements in these areas that this strategy will help to address.

### 1 Knowledge sharing and collaboration

Improvements in air quality and increased uptake of active travel cannot be achieved by any one organisation in isolation, and so we must work together to deliver improvements. We will:

- Empower existing partnerships to drive forward the air quality agenda in Portsmouth, including identifying additional opportunities for working collaboratively to improve air quality and encourage greater uptake of active travel
- Enable communities to access resources, advice and support to meet their own needs

18 [Cycling and walking for individual and population health benefits – Public Health England](#)

19 [Environmental Insights Explorer – Google](#)

20 [Public Health Profiles \[physical\] – Public Health England](#)

21 [Public Health Profiles \[overweight\] – Public Health England](#)

## 2 Building capability and opportunity of access

Uptake of active travel or reduction in air pollution is often easiest for those who feel they have a vested interest or who have resources to invest in committing to change. This strategy will consider issues of equity and equality by:

- Promoting inclusion in active travel improvement measures across the city and for different social and demographic groups

Page 189  
Leading by example by ensuring our services reduce air pollution and promote active travel  
Providing additional support for those who may have greater barriers to taking up active travel or reducing emissions

## 3 Improving infrastructure

A key barrier to reducing the reliance on motorised vehicles or switching to active travel modes is safety or the perception of safety. Portsmouth continues to be ranked as one of the most dangerous places in England to cycle, and concerns about personal safety are often cited as a barrier to walking. The provision of high quality, safe infrastructure is essential for achieving our strategic aims. The HWB will therefore:

- Promote the use of planning, licensing and transport policies to deliver strategic aims for increasing active travel and reducing air pollution
- Support proposals that will deliver improvements in active travel and air quality
- Work collectively to influence local and national policy to meet our strategic objectives

### Related partnerships, priorities and plans

The HWB lead for this theme will be the Chief Executive of Portsmouth Hospitals University NHS Trust

There are many linked plans to this theme, and these include local NHS Green Plans, the Local Air Quality Plan and Air Quality Strategy, the Local Transport Plan, Local Cycling and Walking Infrastructure Plan, the Local Plan and the Economic Development and Regeneration Strategy.

# HEALTH AND WELLBEING STRATEGY

## **DELIVERY, MONITORING PROGRESS AND MEASURING SUCCESS**

## Delivery, monitoring progress and measuring success

The issues this strategy addresses are each underpinned by a complex combination of risks and protective factors. Each will be impacted by a range of local activity and external influences e.g. changes in national policy. The role of the HWB in overseeing the strategy is to provide transparency about what is being done, whether progress is being made, and the impact this is having, and to find new ways to galvanise local organisations and communities to action.

Each priority has a named board-level sponsor, supported by an appropriate officer lead/leads. They will be responsible for providing an annual update to the HWB, on a rolling basis, that will give a narrative overview of system-wide efforts to address the issue, highlighting how partners are working together to achieve measurable change in these complex areas that underpin positive outcomes across the system. While the sponsor and lead will coordinate this reporting and convene groups where required, the strategy requires all organisations to be actively identifying where and how they can support this work through their own plans and strategies.

Wherever possible we will build on the strong local partnerships already in place in Portsmouth. This will also be an opportunity to bring new partners from the HWB and the wider system into those discussions, or to seek strategic-level buy-in from organisations where additional activity is required. For example, this could lead to a new 'Memorandum of Understanding' that sets out the commitment each organisation is making to a topic.



This could then be extended to other organisations and sectors in the city, creating models that enable everyone to have their contribution to creating a healthy and happy city recognised. In addition, all partners on the HWB will have the opportunity to present an update on their organisation's progress as an 'anchor institution' in addressing the key place-based health and wellbeing challenges.

## Delivery, monitoring progress and measuring success

Partners and sectors represented on the board will all need to engage in developing new ways to achieve real change on the priorities set out in this strategy but much of the change we want to see will rely on the efforts of local people. We will explore the potential for a 'Principles-focussed evaluation' approach as part of our wider engagement with local communities around delivery of the strategy's priorities. This would require restating the priorities as a set of principles to create a sense of ownership of action that stems from these. The evaluation would then focus on assessing where these principles have or have not been lived out in HWB members' relationships and actions.

Over the longer-term, the ONS Health Index provides an objective framework for assessing the impact over time of the HWB's focus on the 'causes of the causes'. While there is a lag between activity and updated data, it gives

a good baseline of our population's health before the pandemic and will allow the board to assess:

- If we are making a measurable difference over time on the priorities the board identifies
- If that is having an effect on the overall health of the local population, over time and in comparison to other areas

This will be enhanced by tracking progress and trends against key measures used by HWB partners such as:

- Long-term indicators taken from the Public Health Outcomes Framework and other established frameworks
- Insights from regular city-wide resident surveys using the City Vision's themes and aspirations.



# HEALTH AND WELLBEING STRATEGY

## CONSULTATION RESPONSES

## Consultation responses

The HWB is grateful to the nearly 500 people and organisations that submitted responses to the consultation during December 2021 and January 2022. This showed clear support for the priorities and challenges that the board have identified with between 71% and 92% agreeing or strongly agreeing with the inclusion of each priority, and between just 3% and 6% disagreeing or strongly disagreeing with each.

Responses highlighted various work that is already underway that can be built on, and opportunities for the HWB to add value, as this strategy is implemented. These will be used by the leads for each area as they bring people together to facilitate new ways of addressing the deep-seated challenges this strategy aims to address. The suggestions for how we will know if we are making a change for the better will inform the reporting back to the board on progress in each area.

The range of suggestions of areas that need further improvement in the city highlights the scale of the challenge we face, and the role that everyone in the city has to play in that. We believe that by working together on these 'causes of the causes' of poor health and wellbeing we can make Portsmouth a healthier and happier city.

*"A waiting list is no good its how we get so many stories of a soul lost."*

*"Not just listen to local people, really HEAR them as well."*

*"Promote restorative and trauma informed approached. Promote collaboration between services – no wrong front door."*

*"Reconnecting communities is vital in creating happiness. It fosters a safe area to live, where people can be relaxed and connected to each other. They'll want to do their best for everyone."*

*"Portsmouth has incredibly knowledgeable, compassionate and dedicated housing officers who work tirelessly to support tenants in local authority, social housing and private tennancies but the honest truth is rents are generally too high for low incomes or those on benefits."*

*"Increasing biodiversity will help improve human health as well as wildlife."*



# REFERENCES

## References

Note	Title	Publisher	Direct link
1	Imagine Portsmouth: our vision for Portsmouth's future	Portsmouth City Council	<a href="https://www.imagineportsmouth.co.uk">https://www.imagineportsmouth.co.uk</a>
2	Coronavirus (COVID-19) in the UK 11 November 2021	GOV.UK	<a href="https://www.coronavirus.data.gov.uk/">https://www.coronavirus.data.gov.uk/</a>
3	<a href="#">Developing the Health Index for England: 2015 to 2018</a>	Office for National Statistics	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/articles/developingthehealthindexforengland/2015to2018">https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/articles/developingthehealthindexforengland/2015to2018</a>
4	Constitution	World Health Organization	<a href="https://www.who.int/about/governance/constitution">https://www.who.int/about/governance/constitution</a>
5	Health Index Explorer – Office for National Statistics	Office for National Statistics	<a href="https://healthindex.lcp.uk.com/">https://healthindex.lcp.uk.com/</a>
6	<a href="#">Methods used to develop the Health Index for England: 2015 to 2018</a>	Office for National Statistics	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/methodologies/methodsusedtodevelopthehealthindexforengland2015to2018">https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/methodologies/methodsusedtodevelopthehealthindexforengland2015to2018</a>
7	<a href="#">Fair Society Healthy Lives (The Marmot Review)</a>	Institute of Health Equity	<a href="https://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review">https://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review</a>
8	<a href="#">Review of drugs part two: prevention, treatment, and recovery</a>	GOV.UK	<a href="https://www.gov.uk/government/publications/review-of-drugs-phase-two-report/review-of-drugs-part-two-prevention-treatment-and-recovery">https://www.gov.uk/government/publications/review-of-drugs-phase-two-report/review-of-drugs-part-two-prevention-treatment-and-recovery</a>
9	<a href="#">Building Back Better with Living Wage Places</a>	Living Wage Foundation	<a href="https://www.livingwage.org.uk/sites/default/files/Building%20Back%20Better%20with%20Living%20Wage%20Places%20Briefing%20Document%202021.pdf">https://www.livingwage.org.uk/sites/default/files/Building%20Back%20Better%20with%20Living%20Wage%20Places%20Briefing%20Document%202021.pdf</a>
10	<a href="#">Children in low income families: local area statistics 2014 to 2020</a>	GOV.UK	<a href="https://www.gov.uk/government/statistics/children-in-low-income-families-local-area-statistics-2014-to-2020">https://www.gov.uk/government/statistics/children-in-low-income-families-local-area-statistics-2014-to-2020</a>
11	Data provided by Portsmouth Foodbank, King's Church, September 2021		
12	Department for Work and Pensions, Alternative Claimant Count		
13	<a href="#">Relationships in the 21st century. The forgotten foundation of mental health wellbeing</a>	Mental Health Foundation	<a href="https://www.mentalhealth.org.uk/sites/default/files/Relationships-in-21st-century-forgotten-foundation-mental-health-wellbeing-full-may-2016.pdf">https://www.mentalhealth.org.uk/sites/default/files/Relationships-in-21st-century-forgotten-foundation-mental-health-wellbeing-full-may-2016.pdf</a>
14	<a href="#">Restorative practice –</a>	Portsmouth Safeguarding Children Board	<a href="https://www.portsmouthscp.org.uk/7-information-for-professionals-and-volunteers/7-15-restorative-practice/">https://www.portsmouthscp.org.uk/7-information-for-professionals-and-volunteers/7-15-restorative-practice/</a>
15	<a href="#">Air Quality, A Briefing for Directors of Public Health – Defra and Public Health England</a>	Public Health England	<a href="https://www.local.gov.uk/publications/air-quality-briefing-directors-public-health">https://www.local.gov.uk/publications/air-quality-briefing-directors-public-health</a>
16	<a href="#">Associations of long-term average concentrations of nitrogen dioxide with mortality (2018): COMEAP summary</a>	GOV.UK	<a href="https://www.gov.uk/government/publications/nitrogen-dioxide-effects-on-mortality/associations-of-long-term-average-concentrations-of-nitrogen-dioxide-with-mortality-2018-comeap-summary">https://www.gov.uk/government/publications/nitrogen-dioxide-effects-on-mortality/associations-of-long-term-average-concentrations-of-nitrogen-dioxide-with-mortality-2018-comeap-summary</a>
17	Public Health Profiles [air]	Public Health England	<a href="https://fingertips.phe.org.uk/search/air#page/0/gid/1/pat/6/par/E12000008/ati/102/are/E06000044">https://fingertips.phe.org.uk/search/air#page/0/gid/1/pat/6/par/E12000008/ati/102/are/E06000044</a>
18	<a href="#">Cycling and walking for individual and population health benefits</a>	Public Health England	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757756/Cycling_and_walking_for_individual_and_population_health_benefits.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757756/Cycling_and_walking_for_individual_and_population_health_benefits.pdf</a>
19	<a href="#">Environmental Insights Explorer</a>	Google	<a href="https://insights.sustainability.google/places/ChIJ6fEUGKRCdEgReTs3A-qDtKU">https://insights.sustainability.google/places/ChIJ6fEUGKRCdEgReTs3A-qDtKU</a>
20	Public Health Profiles [physical]	Public Health England	<a href="https://fingertips.phe.org.uk/search/physical#page/0/gid/1/pat/6/ati/102/are/E06000044/iid/93570/age/246/sex/4/cat/-1/ctp/-1/yrr/1/cid/4/tbm/1">https://fingertips.phe.org.uk/search/physical#page/0/gid/1/pat/6/ati/102/are/E06000044/iid/93570/age/246/sex/4/cat/-1/ctp/-1/yrr/1/cid/4/tbm/1</a>
21	Public Health Profiles [overweight]	Public Health England	<a href="https://fingertips.phe.org.uk/search/overweight#page/0/gid/1/pat/6/par/E12000008/ati/102/iid/20601/age/200/sex/4/cat/-1/ctp/-1/yrr/1/cid/4/tbm/1">https://fingertips.phe.org.uk/search/overweight#page/0/gid/1/pat/6/par/E12000008/ati/102/iid/20601/age/200/sex/4/cat/-1/ctp/-1/yrr/1/cid/4/tbm/1</a>

Table 1: Portsmouth's scores in the ONS Health Index, broken down by domain sub-domain and indicator, compared to England average

Domain	Domain score	Sub-domain	Sub-domain score	Indicator	Indicator score
Healthy lives	99.2	Risk factors for children	95.2	Infant mortality	102
				Children's social, emotional and mental health	95.1
				Overweight and obesity in children	90
				Low birth weight	98.8
				Teenage pregnancy	102.7
				Child poverty	94.8
				Children in state care	85.7
		Behavioural risk factors	95.5	Alcohol misuse	99.7
				Smoking	98
				Drug misuse	90.3
				Physical activity	104.2
				Healthy eating	86.2
		Children and young people's education	94.4	Young people's education, employment and training	91.4
				Pupil absence	81.2
				Early years development	109
		Physiological risk factors	102.4	GCSE achievement	97.3
				Diabetes	104.4
				Overweight and obesity in adults	94.3
		Working conditions	108.4	Hypertension	110.5
				Job-related training	104.4
				Low pay	104.6
		Protective measures	95.2	Workplace safety	116
				Cancer screening	88.2
Vaccination coverage	106.8				
Unemployment	103.5	Sexual health	92.3		
		Unemployment	103.5		

## References

Domain	Domain score	Sub-domain	Sub-domain score	Indicator	Indicator score
Healthy people	95.6	Physical health conditions	99	Dementia	106.1
				Musculoskeletal conditions	75.8
				Respiratory conditions	94.8
				Cardiovascular conditions	103.5
				Cancer	98
				Kidney disease	110.9
		Personal well-being	102.6	Life satisfaction	100.4
				Life worthwhileness	95.9
				Happiness	111.2
				Anxiety	103.7
		Difficulties in daily life	99.2	Disability that impacts daily activities	93.3
				Difficulty completing Activities of Daily Living (ADLs)	101.9
				Frailty	103.2
		Mental Health	83.6	Suicides	85.6
				Depression	87.1
				Self-harm	80.3
Mortality	93.4	Healthy Life expectancy	97		
		Avoidable deaths	89.8		
Healthy places	95	Local environment	85.4	Air pollution	76
				Transport noise	87.1
				Neighbourhood noise	88.2
				Road safety	95
				Road traffic volume	80.1
		Access to housing	93.4	Household overcrowding	90.9
				Homelessness	92.2
				Housing affordability	96.5
		Access to services	113.1	Distance to GP services	116.2
				Distance to pharmacies	112.1
				Distance to sports or leisure facilities	110.8
		Access to green space	101.6	Public green space	108.8
				Private outdoor space	94.4
Crime	81.3	Personal crime	81.3		



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# Agenda Item 12



<b>Title of meeting:</b>	Cabinet & Full Council
<b>Date of meeting:</b>	8 <sup>th</sup> March 2022 & 15 <sup>th</sup> March 2022
<b>Subject:</b>	Solent Freeport Full Business Case (FBC)
<b>Report by:</b>	Mark Pembleton
<b>Wards affected:</b>	All wards will be affected as all are in the Freeport zone.
<b>Key decision:</b>	YES
<b>Full Council decision:</b>	YES

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## **1.0 Purpose of report**

- 1.1 The Council as a partner and director of Solent Freeport Consortium LTD (SFCL) is required to have approval to the Solent Freeport Full Business Case (FBC) by Cabinet and Full Council before the submission of the FBC to Central Government can be made. The deadline for submission of the FBC to Central Government is 15 April 2022.
- 1.2 By gaining approval to the FBC by Central Government the Solent Freeport officially exists with all customs and tax powers for a period of 25 years. The main body of this report has been produced by the SFCL to ensure a consistent approach to approval by all Councils.
- 1.3 The Council is a major beneficiary of the Solent Freeport in that it is the owner of the Portsmouth International Port, a proposed custom site, and owner and developer of Dunsbury Park, a proposed tax site, both within the Solent Freeport.
- 1.4 It is also noteworthy that Portsmouth City Council is the Accountable Body for the SFCL.

## **2.0 Recommendations**

Cabinet approves:

- 2.1 This report to go on to Full Council on the 15 March 2022 for approval.

Full Council approves:

- 2.2 To delegate to the Chief Executive and the S.151 Officer in consultation with the Deputy Leader of the City Council to approve the Solent Freeport Full Business Case

(FBC) on behalf of Portsmouth City Council, and to see it submitted to Central Government following consultation with the S.151 and Monitoring Officers of each of the tax sites.

### 3.0 Overview of Freeports

3.1 Freeports are a flagship HM Government programme that play an important part in the UK's post-Covid and post Brexit economic recovery. Its aim is to contribute to the Government's levelling up agenda by bringing jobs, investment, and high value opportunities to some of our most deprived communities across country, while at the same time generating national benefits through trade and innovation.

3.2 In November 2020 HM Government [formally launched the bidding process](#) for Freeports in England. This prospectus sets out the objectives of the Freeport policy, which are threefold:

- **Establish Freeports as national hubs for global trade and investment across the UK** – bringing new investment into the surrounding region and increase trade through generating trade growth and enable trade processes to become easier and more efficient.
- **Promote regeneration and job creation** – leveraging ideas and investment from the private sector to deliver jobs, sustainable economic growth and regeneration in the areas which need it most.
- **Create hotbeds for innovation** – leveraging both public and private investment in R&D to develop and trial new ideas and technologies in and around the Freeport.

3.3 Designated Freeports offer several policy levers, including:

3.3.1 **Tax sites** give businesses operating within them access to certain tax benefits i.e., Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance, Stamp Duty Land Tax reliefs, Employers National Insurance Contribution relief, and Business rate relief

3.3.2 **Customs sites**, in our case this will be Portsmouth International Port and Portico, provide: -

- Simplified customs procedures
- Duty exemption
- Duty deferred
- Duty inversion
- VAT deferral

3.3.3 **Retained business rates** allows local authorities to retain the growth in non-domestic rating income in Freeport tax sites for 25 years above an agreed baseline, which are expected to be used to reinvest in supporting Freeport objectives.

3.3.4 **Seed capital funding** of up to £25m to kick-start delivery of Freeport objectives. Dunsbury Park is in line to obtain £4.4M towards new road and associated infrastructure and Portsmouth International Port is in line for £0.7M towards the

cost of a new right-turn from the Port and the demolition of a building and the establishment of a new customs zone building.

3.4 As the policy has evolved it has become clear that *Tax Sites* (3.3.1) and *retained business rates* (3.3.3) are the most significant elements of the overall package. In the March 2021 Budget, the Chancellor announced that the Solent Freeport bid was one of eight shortlisted by the HM Government, marking the start of the Freeport designation process for the Solent region. Alongside the other 7 English Freeports, the Solent has been working through the business case approvals process ever since.

3.5 Each of the shortlisted Freeports has also been provided with up to £1M of capacity revenue funding by Central Government to help them in the set-up phase and early years operation and to date £450k of this has been drawn down by the Solent Freeport mostly to support the work on producing the Outline Business Case (OBC) and FBC.

4.0 **The Solent Freeport proposition**

4.1 The following table summarises the tax and customs sites within the Solent Freeport, and where they sit within the Local Authorities of the Solent region.

**Table 1. Solent Freeport tax and customs sites**

Local Authority	Tax site	Customs site
Havant Borough Council	(1) Dunsbury Park	
New Forest District Council	(2) Southampton Water, including: <ul style="list-style-type: none"> <li>• Marchwood Port</li> <li>• ABP Strategic Land Reserve</li> <li>• ExxonMobil</li> <li>• Fawley Waterside</li> </ul>	(1) Marchwood Port (2) Strategic Land Reserve (ABP)
Southampton City Council	(2) Southampton Water, including: <ul style="list-style-type: none"> <li>• Redbridge</li> </ul>	(3) Redbridge / DP World Terminal
Eastleigh Borough Council	(3) Navigator Quarter	
Portsmouth City Council		(4) Portsmouth International Port /Portico

4.2 Since the bid was submitted it has become clear that the initial Customs Site regime will not provide additional benefits for container operations over what is available through existing UK customs arrangements. The Redbridge/DP World sites will not now be taken forward as part of the first wave of Customs Sites. Should the rules

change to accommodate container operations these (and other) sites can be brought forward subsequently.

- 4.3 It is estimated that the policy levers available through Freeport designation will deliver significant benefits to the region, including:
- **Leveraging c£1.6 billion in private sector investment on Solent Tax Sites, based on active discussions with private firms looking to invest in new manufacturing and port-based operations and infrastructure**, with this being enabled principally by an estimated **c£225m tax benefits to the private sector**, through a combination of accelerated tax reliefs on new investment, centrally funded business rate reliefs, lower employer national insurance payments on new employees and savings in stamp duty;
  - **Providing significant, additional funds** through pooled retained business rates, to deliver supporting infrastructure, innovation, skills, and a steppingstone to net zero programmes. These new funds are generated by an Enterprise Zone type arrangement on the Solent's tax sites, with the revenues being pooled for deployment across the wider Solent Freeport area. As with Enterprise Zones, these revenues are dependent on the Tax Sites attracting new investment and thus generating business rate revenues. Based on the private interest in Tax Sites to date, the estimated pooled business rate revenue potential currently stands at some [**£570m**]<sup>1</sup> over 25 years; **and**
  - **Delivering increased port capacity** and throughput of international trade through the region's key ports<sup>2</sup>.
- 4.4 Collectively, this is expected to deliver a significant number of jobs both in the Solent and wider UK economy.
- 4.5 A top-down economic impact assessment at the time of the original bid and based on the size of and anticipated activity on tax sites, **results in an estimated 28,000 jobs and £2.0 billion GVA directly in the Solent.**
- 4.6 Using Office of National Statistics (ONS) multipliers to estimate indirect impacts (i.e., wider supply chain impacts) this results in c57,000 jobs and £3.6 billion in GVA across the UK (see Table 2 below). Current end-user interest is already estimated to deliver c16,000 jobs on tax sites. This is expected to increase when the Solent Freeport is formally designated, and the ecosystem of the Freeport and surrounding area develops. These wider impacts include the expected impact of the Freeport tax site programme on port capacity, especially for cruise traffic. Southampton is the UK's preeminent cruise port, and pre pandemic estimates put the number of jobs created in the Solent area by this activity at some 14,000. The investment in port capacity enabled by the Freeport tax sites is expected to allow Southampton to double the number of cruise passengers it can handle.

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<sup>1</sup> Subject to further review, this figure will be updated

<sup>2</sup> Estimated increase provided includes automotive capacity (75%), cruise capacity (100%), container capacity (40%) and bulk capacity (100%+), through a combination of investment on Solent Tax Sites and via released capacity elsewhere along Southampton Water.

Table 2. Estimated job impacts from Solent Freeport (thousands) from the original bid

	Local Authority	Direct jobs	Indirect jobs	Total
<b>Dunsbury Park</b>	Havant BC	<b>1.7</b>	<b>1.8</b>	<b>3.5</b>
<b>Navigator Quarter</b>	Eastleigh BC	<b>3.2</b>	<b>3.3</b>	<b>6.5</b>
<b>Southampton Water - total</b>		<b>23.4</b>	<b>23.2</b>	<b>46.7</b>
Southampton Water - SCC	Southampton CC	1.8	1.7	3.5
Southampton Water - NFDC	New Forest DC	21.7	21.5	43.2
<b>Total</b>		<b>28.4</b>	<b>28.3</b>	<b>56.7</b>

Note: Numbers may not add due to rounding  
Numbers subject to be updated at FBC stage.

4.7 Collectively this will generate a socio-economic dividend that will support the levelling up of coastal communities across the Solent, address a few identified market failures and long-standing structural challenges, and strengthen the Solent's contribution to the UK's path to Net Zero. It will also ensure the Solent continues to perform a critical role contributing to national ambitions for a global Britain.

## 5.0 **Freeport designation process**

5.1 For a Freeport to be considered formally designated it will require:

- Government approval of Outline Business Case (OBC) and Full Business Case (FBC) – 'the Business Case Process'
- Government approval of proposed tax sites – 'the Tax Site Process'
- Government approval of proposed customs sites – 'the Customs Site Process'

*Figure 1 (page 7) summarises the timings of the Solent Freeport designation process*

5.2 The business case process is led by the Department of Levelling Up, Housing and Communities (DLUHC). The purpose of the business case process is to enable prospective Freeports to fully consider all factors that are critical to the successful delivery of a Freeport and assure Government that public funding both directly (such as seed capital funding) and indirectly (such as forgone tax revenue) delivers value for money.

5.3 The focus of the OBC was on the overarching strategic vision for the Freeport as a whole, including how the Freeport levers will be used to address longstanding challenges in the region, and was a critical stepping-stone to the approval of the Solent's proposed Tax Sites, which is expected this month.

5.4 The other critical stepping-stone is the agreement of a series of Site-Specific Agreements between the Freeport Company the Solent has established to deliver the Freeport, the landowners of each of the Tax Sites, and the relevant Local Authority. These agreements are designed to ensure that activity on Solent Tax Sites delivers

genuinely additional growth and employment for the Solent and that those investing in these sites are fully engaged in the Freeport's objectives supporting skills, innovation, and net zero programmes.

- 5.5 Two of the three tax sites have their agreements signed, including that for Dunsbury Park Tax Site which was approved by Cabinet on the 8 February 2022 and signed by the Council, Havant BC and the SFCL.
- 5.6 The FBC involves adding further detail to the vision set out in the OBC, particularly regarding the use of seed capital funding and retained business rates, alongside refining the content of the OBC in line with government feedback.
- 5.7 As set out in Figure 1, the OBC is expected to be approved by DLUHC by the end of February 2022. This will allow the Solent Freeport to submit a FBC by 8 April 2022 (ahead of the formal deadline of 15 April) and proceed with tax site designation.<sup>3</sup>
- 5.8 Approval of the FBC (which may take 6 weeks from submission) will lead to the Solent signing a series of Memorandums of Understanding (MoUs) with Government on how the Freeport will operate, which in turn will unlock the central funding for business rates reliefs on Tax Sites; retained business rates from those sites for 25 years; and the £25m of Seed Capital funding.

## **6.0 Tax site process**

- 6.1 The tax site process is led by the HM Treasury (HMT), and its purpose is to verify that prospective Freeports' proposed tax sites adhere to the criteria set out in the Bidding Prospectus, in terms of both physical size and shape and potential to meet the policy objectives. This is important to ensure that the selected tax sites maximise the benefits of the Freeport whilst minimising any deadweight or displacement. The case provided by prospective Freeports will help the Government and Freeport governing bodies evidence the value of the policy. As noted above, the Solent is using Site Specific Agreements with landowners to mitigate risks in this area. Subject to approval by HMT by the end of February, approval of the OBC by DLUHC, it is expected tax sites will be designated by the end of March.

## **7.0 Custom site process**

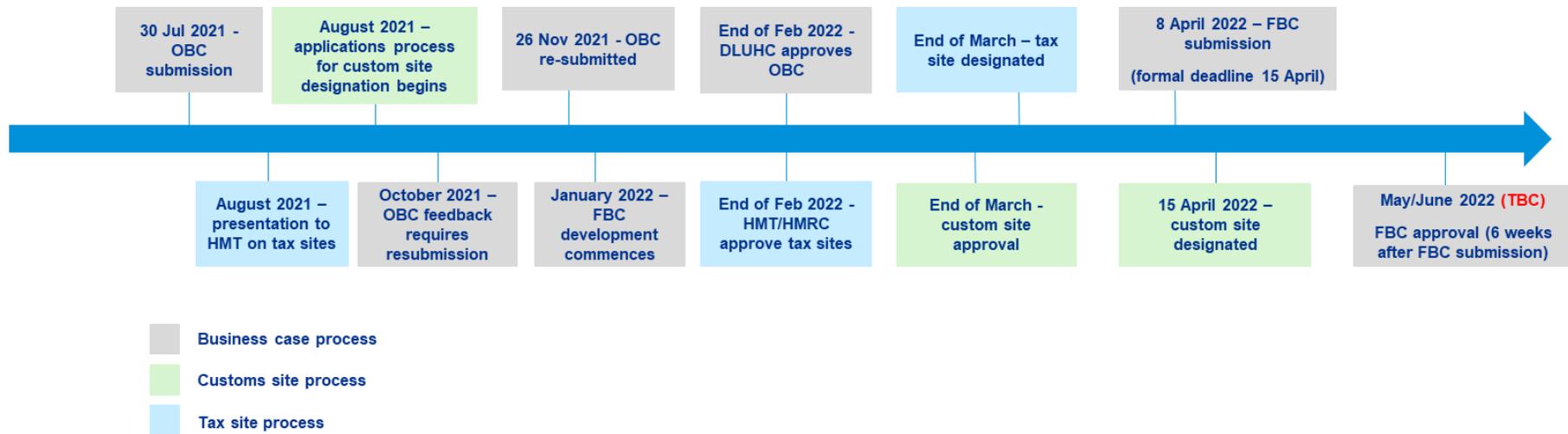
- 7.1 Each Freeport customs site will need to be approved by HM Revenue and Customs (HMRC) prior to designation. This will involve HMRC checks to ensure the operator is legitimate, the location is secured, and that the businesses operating within the customs site are complying with relevant security standards. There are also additional checks relating to specific conditions of designation, for example IT systems to ensure it can keep records in specified format. Businesses wishing to access the customs benefits of a Freeport will need a separate Freeport Business Authorisation. Each customs site operator is responsible for liaising with HMRC through its application process.
- 7.2 For the FBC to be approved, the Solent Freeport will need at least one customs site designated by the FBC deadline (15 April 2022). As noted above, there is no time limit on when other Solent customs sites can be brought forward once the Freeport is formally established following the approval of the Full Business Case.

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<sup>3</sup> Tax sites are designated via secondary legislation



Figure 1. Solent Freeport designation timelines



**8.0 Retained Business Rates Memorandum of Understanding**

- 8.1 FBC approval is required to access seed capital funding, central funding for business rate reliefs on tax sites, and retained business rates. Therefore, much of the additional requirements of the FBC (relative to OBC) relate to these areas.
- 8.2 At FBC stage, prospective Freeports are required to set out a policy for using income from retained business rates. This must cover three areas:

**Table 3. Freeport FBC requirements – retained business rates policy**

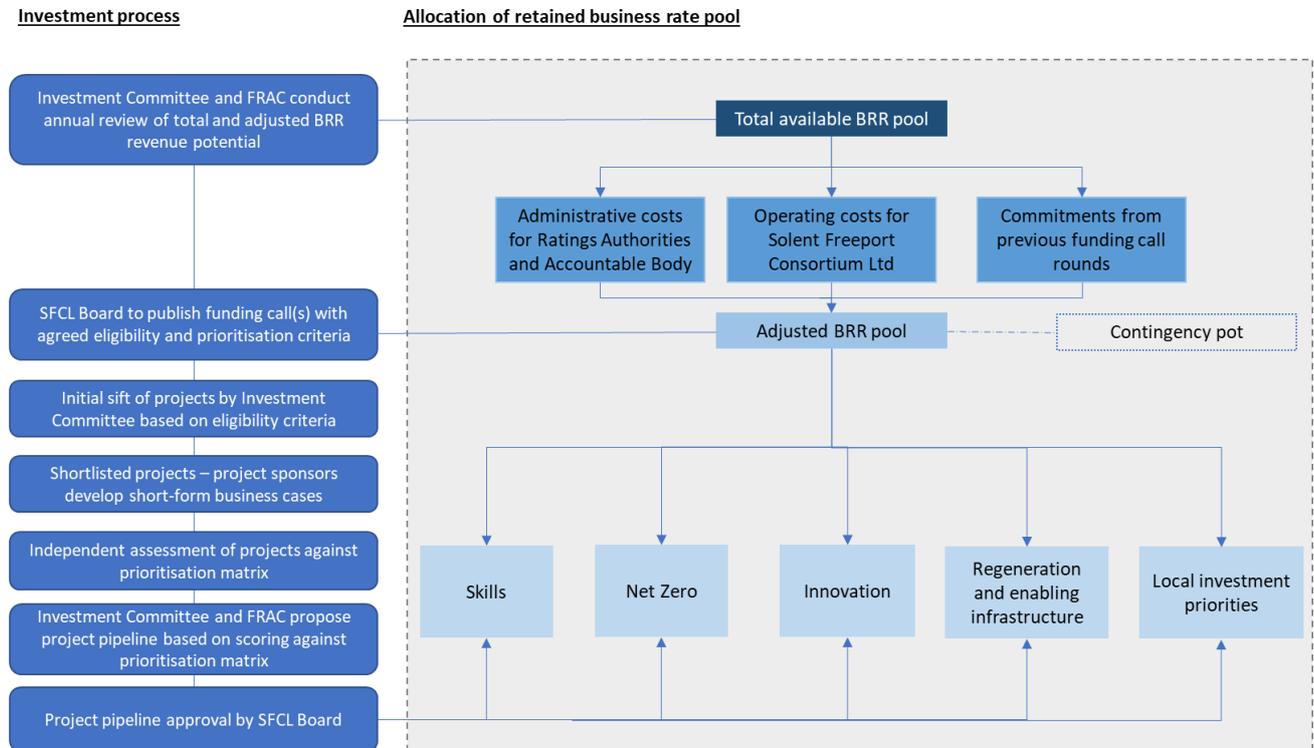
<b>(1) Strategic Focus</b>	<ul style="list-style-type: none"> <li>• The objectives of the retained business rates fund and the rationale behind them, including how they relate to the objectives of the Freeport and the Freeports programme more widely.</li> <li>• The criteria projects must meet to be eligible for funding and how these uphold the DLUHC’s requirements and align with the objectives of the retained business rates fund.</li> </ul>
<b>(2) Financial Modelling</b>	<ul style="list-style-type: none"> <li>• The overall expected value of retained business rates profiled over time</li> <li>• Approach to borrowing against rates, including when it is appropriate to start borrowing, and who will borrow</li> </ul>
<b>(3) Governance</b>	<ul style="list-style-type: none"> <li>• How decisions regarding the use of retained rates will be taken and the process for prioritising and selecting projects for funding.</li> <li>• Where ownership of the business rates policy lies and including how and when it will be reviewed and evaluated. This should make clear how the Freeport governing body will ensure delivery of the policy.</li> </ul>

- 8.3 As noted above, all prospective Freeports will need to agree a Memorandum of Understanding (MOU) with DLUHC on the operation of the Freeport, including the use of retained business rates to unlock both central funding for business rate reliefs, and retained business rates.
- 8.4 In advance of this, and as a critical part of the FBC, a Solent Freeport Business Rates MOU (See appendix 1 to this report for latest draft) is being drawn up to set out the proposed use and governance for the Solent’s retained business rates. This MOU has been collectively developed by:
- S151 officers from the four local authorities that will collect retained business rates within the tax sites (i.e., Havant Borough Council, Eastleigh Borough Council, New Forest District Council, and Southampton City Council)
  - Portsmouth City Council in its role as Accountable Body for the Solent Freeport
  - the Solent Local Enterprise Partnership (LEP); and
  - the Solent Freeport Consortium Limited Board.
- 8.5 Following FBC submission, DLUHC will set out the process for agreeing variations to its terms as required and appropriate before finalising and signing the MOU agreement between Solent Freeport and DLUHC.

**9.0 Retained Rates Investment Committee (RRIC)**

- 9.1 Alongside the Business Rates MOU there is the RRIC the draft Terms of Reference of the RRIC are attached as appendix 2.
- 9.2 The RRIC is the forum through which the Solent Freeport Consortium Limited and relevant Rating Authorities will work together to agree on the use of retained rates generated at tax sites.
- 9.3 Membership of the Investment Committee shall consist of six members with voting rights comprising of the following:
- The Leaders (or other democratically elected member as nominated by the Leader) of the Four Freeport Rating Authorities
  - The Chair of the Investment Committee (to be a member of the Freeport Board)
  - The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative who will have a financial veto right under affordability grounds but no voting rights regarding the type of or geography of investments.
- 9.4 Ex-officio Members will include the Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives.
- 9.5 The Freeport Investment Committee will lead on the strategy and prioritisation of investments and make recommendations to the Board for final decision. This will include:
- Developing the prioritisation matrix to be used to evaluate proposed projects for retained rates funding
  - Assessing projects against the eligibility criteria and prioritisation matrix
  - Allocating funding to specific projects by workstream and ensuring equity of use, both across workstreams and geographic spread across the Solent
- 9.6 The role of the Retained Rates Investment Committee is both advisory and decision making, and there is an expectation that they will provide recommendations on matters relating to the use of retained rates for consideration by the main SFCL Board and the Chief Finance Officer of Accountable body for the SFCL. It is expected that the advice and recommendations of the Committee will normally be reached by consensus, but if a vote is required decisions shall be made based on a majority of those members attending and voting.
- 9.7 The Accountable Body has the right to veto an investment on affordability grounds to not place the SFCL at financial risk.
- 9.8 The following figure summarises process for deciding how retained business rates are invested.

**Figure 3. BRR investment process**



*Note: FRAC stands for Finance, Resource and Audit Committee. This is a sub-committee within the Solent Freeport Consortium Ltd. (SFCL)*

## 10. Reasons for recommendations

- 10.1 The FBC when approved by Central Government will bestow full benefits of Freeport designation on a 45 KM zone of the Solent, specifically on the customs sites and tax sites as listed in 1.4 Table 1, providing economic benefits to the Solent region.
- 10.2 The Council will benefit as landowner with the Council owned International Port becoming a customs site and Portico (a wholly owned company of the Council) becoming a Customs Site Operator.
- 10.3 The Council will also benefit as their industrial park, known as Dunsbury Park, will become a tax site with a wide range of tax incentives in place for future tenants.
- 10.4 Seed funding has been requested for both sites to ensure they can operate in line with the proposed FBC as soon as possible.

## 11. Integrated impact assessment

- 11.1 The council will also be the Accountable Body for the Solent Freeport with a very important role in the running of the Freeport, the management of the retained business rate pool, subsequent borrowing capacity and decisions regarding the investment pipeline.

See attached as appendix 3.

**12. Legal implications**

- 12.1 The site-specific agreement provides for a set of principles and conditions the council are obliged to adhere to in order for the relevant red line to benefits from tax site designation rate relief.
- 12.2 The agreement is between the (1) Solent Freeport limited (2) the Council and (3) Havant borough council as the rating authority. The Agreement recognises the Council's status as accountable body for and on behalf of the Solent Freeport and separates and distinguishes from this in cases of termination.
- 12.3 The obligations in terms of assurance of any end user to meet one of more of the Freeport objectives is not specific within the agreement in terms of evidencing and /or formalisation. There is an ability for any end user to utilise the site and to opt out of meeting such criteria but only in very specific limited express provisions for non-viability. The reality is it is an onerous set of obligations upon the council to pass onto any end user. In cases where the contractual Solent Freeport objectives cannot be evidenced in terms of Additionally the agreement provides the Solent Freeport can terminate the agreement and the council's directorship at the Solent Freeport board removed.
- 12.4 The terms of the agreement and the obligations and restrictions it places upon the council as landowner (and therefore stepped down to any end user), are to be balanced as against the benefit of the tax relief as observed and reviewed by the market and the viability if the project delivery at the site.

**13. Director of Finance's comments**

- 13.1 It is a requirement from Government that all Freeports have a designated Accountable Body in place to assure the financial transparency and accountability of the Freeport and that efficient systems and management controls are in place to support the Freeport and ensure that it can achieve its objectives.
- 13.2 The Council agreed as part of the bidding process that it would be very willing to be the Accountable Body for the Solent Freeport and following confirmation that the Solent was selected as one of the eight Freeports in the March 2021 Budget announcement the Council formally wrote to government to confirm it would carry out this role.
- 13.3 Officers from the Council have been providing financial and legal advice to the Freeport board throughout the outline and full business case preparation and this will continue once full designation has been achieved.
- 13.4 As the Freeport is in its infancy the Council has agreed to temporarily underwrite any operating deficit in the short term as long as there is a strong likelihood that the Freeport will remain financially viable (which continues to be the case). The Accountable Body oversee and report on all of the financial transactions of the Freeport and report the current and three year forecast financial positions, highlighting any risks and issues to both the Freeport's Finance, Resources and Audit Committee (FRAC) and then to the main Board.
- 13.5 The Council has also been instrumental in developing the Retained Rates MoU and The Retained Rates Investment Committee Terms of Reference as referred to in paragraphs 8

and 9 of this report and at present it is forecast that approximately £570m of retained rates will be available for use in the Freeport area.

13.6 In its role as Accountable Body, the Council has been proactive and agreed to undertake most of the borrowing and therefore the risk against these retained rates in order to stimulate early development of the area. The Retained Rates MoU and The Retained Rates Investment Committee recognise this role and the risk that comes with it and there is provision in both documents to ensure that PCC have the right to veto any investment that is not deemed viable or carries a level of risk that is unable to be managed adequately.

.....  
Signed by:

**Appendices:**

- **Appendix 1** Draft of the Memorandum of Understand for Retained Business Rates by the Solent Freeport.
- **Appendix 2** is a draft of the Terms of Reference for the Retained Rates Investment Committee.
- **Appendix 3** is the Integrated Impact Assessment.

**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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Dated: \_\_\_\_\_ 2022

**PORTSMOUTH CITY COUNCIL (acting as Accountable Body for the Solent Freeport Consortium Limited)**

**And**

**The Department of Levelling Up, Housing and Communities**

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**MEMORANDUM OF UNDERSTANDING**  
**for the Use of Retained Business Rates**

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**THIS MEMORANDUM OF UNDERSTANDING** is dated \_\_\_\_\_ of \_\_\_\_\_ 2022

**PARTIES**

**(1) PORTSMOUTH CITY COUNCIL** of Civic Offices, Guildhall Square, Portsmouth, Hampshire PO1 2AL (acting as Accountable Body for The Solent Freeport Consortium Limited ("SFCL") with company number 13266664; **AND**

**(2) The Department of Levelling Up, Housing and Communities**

(each a "**Party**" and together the "**Parties**")

**BACKGROUND**

(A) The Parties have agreed to work together to manage the Growth in Business Rates generated by the designated tax sites within the Solent Freeport [designated area as set out in Annex E] to achieve the aims and objectives of the Freeport as set out by HM Government (**Project**).

(B) The Parties wish to record the basis on which they will collaborate with each other on the Project. This Memorandum of Understanding (**MOU**) sets out:

1. the key principles of the Project;
2. the strategic focus of the collaboration;
3. the financial modelling; and
4. the governance structures of the Project.

## THE PARTIES AGREE:

### 1 Interpretation

1.1 In this MOU the following expressions shall have the following meanings:

"**Accountable Body**" means Portsmouth City Council acting as Accountable Body for the SFCL;

"**Business Rates**" means the levy charged on non-domestic properties by local ratings authorities;

"**Business Rate Growth**" means the increase in Business Rates collected by a Relevant Authority over and above the agreed baseline for a Tax Site

"**Business Rates Relief**" means relief from Business Rates granted by the Rating Authority under section 47 of the Local Government Finance Act 1988 (as amended) to End Users occupying Eligible Premises in accordance with the terms of this Agreement and Applicable Legislation;

"**Investment Committee**" means the committee set up by the Solent Freeport Consortium Limited to provide advice to the SFCL Board as set out in the Terms of Reference in Annex D

"**Relevant Authority**" means the four local authorities participating in the Project namely: Eastleigh Borough Council, Havant Borough Council, New Forest District Council and Southampton City Council;

"**Retained Business Rates**" means the means the aggregate of:

Business Rates Relief granted by ratings authorities in the Solent Freeport Area to (i) End Users; and (ii) eligible end users of premises at other tax sites in the Solent Freeport Area which, are reimbursed to the applicable ratings authorities by HM Government during the term of this Agreement; and

Business Rates paid to ratings authorities in the Solent Freeport Area by such end users (once eligibility for Business Rates Relief has expired) and by any other end users of the tax sites in the Solent Freeport Area for a period of up to 25 years from the Commencement Date (to the extent that such Business Rates exceed the baseline level of rates as established by the Rating Authority received at those tax sites prior to the Commencement Date);

which, in each case, local authorities are entitled to retain to fund local investment and infrastructure projects for the purposes of furthering the Freeport Objectives;

**"Solent Freeport Consortium Limited (SFCL)"** means the Solent Freeport Company of 1 London Road, Southampton, United Kingdom with company number 13266664.

**"Solent Freeport Designation"** means the power to enable tax sites within Freeport locations to be designated and recognised in law as geographical areas where businesses can benefit from tax reliefs to incentivise investment and to boost employment.

**"Solent LEP"** means Solent Local Enterprise Partnership Limited;

**"Tax Site"** means a map of tax sites as set out in Annexe E;

**"Wider Solent Freeport Area"** means the area set out in the Map at Annexe E

## 2. Purpose of this MOU

The local retention of incremental business rates generated on Tax Sites is expected to be one of the most valuable elements of the Freeports package in terms of delivering the SFCL's medium and long-term objectives for the Solent's economy and communities.

Retained business rates over a 25-year period provides a step-change in resource funding available for initiatives that are key to the Solent's success and the objectives of the SFCL, including skills, infrastructure, net zero initiatives and innovation. This funding will be targeted to deliver sustainable growth, productivity and regeneration across the Freeport area, supporting meaningful and sustained levelling-up of harder to reach coastal communities and ensuring more of the benefits of the Solent's nationally significant port infrastructure and marine connectivity are retained within the region. The funding will be deployed in conjunction with other funding streams and be designed to gear in contributions from the private sector. The approach will also take advantage of the resource nature of a retained business rate stream, which means it can plug gaps in what is possible through central or devolved capital funding alone, and to act as a multiplier in terms of the benefits of that funding for the Solent.

The purpose of this MOU is to set out the SFCL's plans on the use of retained business rates generated on Tax Sites. This includes:

<b>(1) Strategic Focus</b>	<ul style="list-style-type: none"><li>• The objectives of the retained business rates fund and the rationale behind them, including how they relate to the objectives of the SFCL and the Freeports programme more widely.</li><li>• The criteria projects must meet to be eligible for funding and how these uphold the DLUHC's requirements and align with the objectives of the retained business rates fund.</li></ul>
<b>(2) Financial Modelling</b>	<ul style="list-style-type: none"><li>• The overall expected value of retained business rates profiled over time and an indicative allocation between workstreams</li></ul>

<b>(3) Governance</b>	<ul style="list-style-type: none"> <li>• How decisions regarding the use of retained rates will be taken and the process for prioritising and selecting projects for funding.</li> <li>• Where ownership of the business rates policy lies and including how and when it will be reviewed and evaluated.</li> </ul>
-----------------------	---

In recognition of the pan-Solent approach to delivery of the SFCL, this plan has been developed by the four Relevant Authorities that will collect Retained Business Rates within the Tax Sites, Portsmouth City Council in its role as Accountable Body, the Solent LEP and the SFCL.

This MOU sets out the terms by which the Relevant Authorities will manage the Growth in Business Rates generated by the designated Tax Sites within the SFCL to achieve the aims and objectives of the Freeport as set out by HM Government

### 3. Key Principles

This MOU is to be without detriment to the financial resources that would have been available to each Relevant Authority under the current local government finance regime in 2021/22 and any future changes that may arise out any Review of the Business Rate Retention Scheme. Details of this arrangement are set out in Annexe B

From the date of Solent Freeport Designation any growth in business rates within an approved Tax Site above the agreed baselines as set out in Annexe A will be determined annually based on the NDR 3 Return and passed to the Accountable Body within 14 days after the deadline date for the NDR3 Return. Should as part of the audit exercise there be any subsequent adjustments to any of the NDR3 returns that result in a change to the amounts transferred a reconciliation will take place and payments will be made to or from the Relevant Authority as necessary.

Portsmouth City Council will pool all such receipts and formally report the status of the pool to the SFCL and relevant subgroups on an annual basis. In addition to this each Relevant Authority will be required to provide an annual updated forecast of business rates expected to be received in each Tax Site for the period up to 2047/48

The value in the Business Rates pool and the forecast receipts up to and including 31 March 2047 will be reported to the SFCL to allocate, as set out in this MOU, including the relevant governance approvals, to promote the Freeport's objectives within the SFCL's outer boundary [as set out in] Annexe E

### 4. Strategic Focus

The objectives of the use of retained business and the criteria projects to be eligible for funding are set out below.

#### Objectives

The objective the business rates programme is to allocate retained business rate revenues to maximise long-term sustainable and inclusive economic net gains to the Solent, by supporting public and private initiatives within the SFCL's outer boundary in line with the Maps at Annexe E that promote:

- skills and employment,
- productivity, including through innovation,
- trade and investment,

- regeneration, and
- a successful net zero transition.

## Project eligibility

Consistent with the Government’s guidance on its expectations for the use of retained business rates, a potential investment will need to fall within one or more of the following categories in order to be eligible for support from the business rates programme:

- Freeport operating costs.
- Physical or digital infrastructure that will facilitate investment in the Freeport area or wider area of impact.
- Land assembly or site remediation works that will facilitate investment in the Freeport area or wider area of impact.
- Skills and workforce development.
- Innovation initiatives.
- Regeneration or the development of economic assets within the Freeport area or wider Solent area.
- Mitigating any displacement and/or negative externalities associated with the Freeport.
- Activity in support of the SFCL's Net Zero ambitions.
- The delivery of Freeport-specific planning measures.
- Co-funding project and programme development and design.

Furthermore, to be eligible for investment from the business rates programme, potential schemes and/or initiatives will need to demonstrate that they:

- i) would not otherwise occur, or occur at a much slower rate or on a smaller scale,
- ii) require public funding (e.g., owing to market failures), and
- iii) are most appropriately funded from retained business rates, wholly or in part.

The SFCL will be open to making funds available to public sector entities, private sector entities, not-for-profits, charities and other types of organisation. In all cases, appropriate due diligence of recipients will be undertaken prior to the release of funds.

Investments will be considered that take the form of a one-off grant, a multi-year grant (for example to support borrowing undertaken by the project’s sponsor), equity investments, co-investment, and - in exceptional circumstances - loans. Investments of both a capital and revenue nature will be considered.

It is expected that the promoters of potential investments will be required to demonstrate their commitment to the project, especially through the availability of matched funding to support a contribution from the business rates programme.

## 5. Financial Focus

This section summarises the current expected value of retained business rates and proposed approach to any planned borrowing against future income from retained rates.

### Value of Business Rate Growth

The following table summarise outputs from financial modelling on the size and profile of the business rates programme. This is broken down by Tax Site and Relevant Authorities.

**Table 1. Summary of estimated retained business rates revenue**

Tax site	Rating Authority	Estimated BRR over 25 years (£m)	Hectares	£m BRR per ha
Dunsbury Industrial Park	Havant	<i>tbc</i>		
Navigator Quarter	Eastleigh	<i>tbc</i>		
Southampton Water	SCC/NFDC	<i>tbc</i>		
Southampton Water - SCC	Southampton	<i>tbc</i>		
Southampton Water - NFDC	New Forest	<i>tbc</i>		
<b>Total</b>				

Note: finalisation of figures in progress

For annual Business Rate Retention cash flows refer to Annexe C. These figures remain forecasts only and will in practice be driven by the timing and pace of investment, the rateable values determined by the Valuation Office Agency (subject to appeals and review), and any future reform of the business rates system (including changes to the multiplier).

This forecast will be updated on an annual basis in line with the NDR forms submitted to Government and agreed by the SFCL.

### Allocation of the retained business rate pool

Prior to the commencement of each investment round, the Investment Committee will consider the overall quantum of funding that is to be made available to the SFCL for investment during the relevant period, based on information provided by the Accountable Body as to the retained business rates receipts on each Tax Site.

The allocation of retained business rates is expected to be:

#### 1. Contribution to SFCL operating costs

The first priority for allocation from the business rates pool will be any contribution required to support the ongoing operating costs of the SFCL.

The quantum of business rates allocated for this purpose will be based on consideration of a budget and forward financial plan for the period submitted by FRAC, alongside key assumptions and sensitivity analysis, which will indicate the contribution to SFCL operating costs that is requested from the business rates pool.

#### 2. Administrative costs for Relevant Authorities and Accountable Body

As set out in its Terms of Reference, the membership of the Investment Committee will comprise

- The Leaders (or other democratically elected member as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)
- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative.

The s151 of the Accountable Body will have the ultimate veto on any investment under financial grounds but will not have voting rights on the type of geography of investments are agreed as long as they are compliant with financial regulations and within the risk appetite of the Accountable Body.

Ex-officio Members:

- The Chief Executive Officer of the SFCL / The SFCL Senior Responsible Officer
- The Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives

Given the time commitments of members to developing and administering the Investment Process (see Figure 2) funding will be agreed towards administrative costs for Relevant Authorities and Accountable Body.

### 3. Commitments from previous rounds

Where allocations from the business rates programme are provided on a multi-year basis which outlast a single investment plan period, these will need to be accounted for in subsequent rounds.

### 4. Contingency

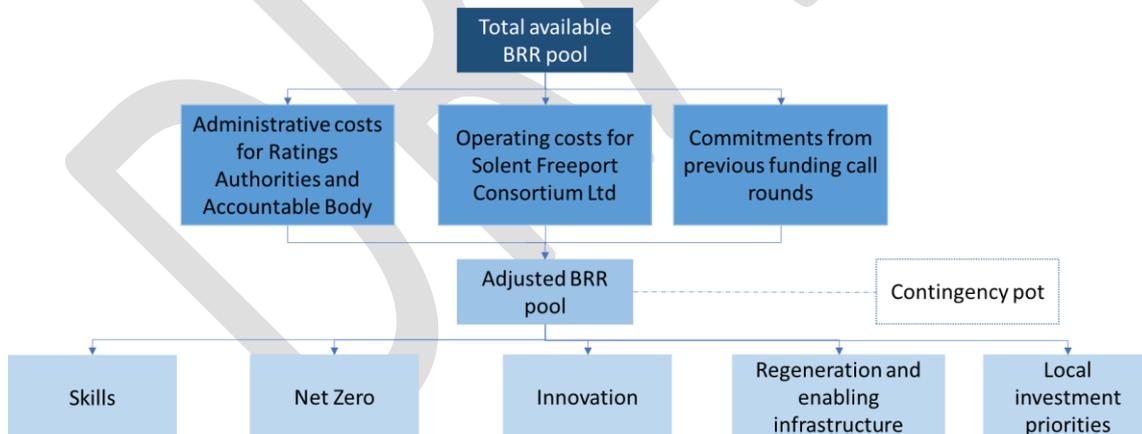
An amount of funding may be kept aside within each investment round for contingency

### 5. Core investment programme (adjusted BRR pool)

The remaining funds will then be allocated to support a suite of investments designed to deliver the objectives of the programme. The workstreams are expected to be:

- 1) Skills
- 2) Net Zero
- 3) Hotbeds of innovation
- 4) Regeneration and enabling infrastructure
- 5) Local investment priorities

Figure 1. Allocation of retained business rate pool



The SFCL have not developed an indicative allocation between workstreams at this stage. This is because we consider that doing so now would be premature as there are likely to be overlapping initiatives (e.g. a Green Skills project) and it will ultimately depend on the funding needs on a project-by-project basis. In addition, as set out in the Governance section of this document, one of the key considerations of prioritising projects for BRR funding is the balance of projects across the SFCL area and between workstreams. Therefore whilst it is not anticipated that the SFCL will have a predetermined allocation of funding to each theme, over time it is expected that projects across all themes will be funded.

## Financial Risk

The Accountable Body will underwrite the borrowing risk in line with the following:

- The actual rates growth received, and the forecast of rates growth will be reviewed on a regular basis to inform any investment decisions in terms of affordability and risk. The expectation is that borrowing will be more front ended as it can't exceed the life of the pool.
- The approach to risk will include the certainty of business rate growth forecasts including the strength of covenant of tenancies in the tax sites. This approach should ensure that funding can be deployed early to stimulate growth and deliver the Freeports objectives.
- The Accountable Body will ensure that the fund is not over committed over the life of the Freeport and any interest costs on advance commitments will be charged to the Pool.
- No investment can take place unless it is ultimately agreed by the Accountable Body and the SFCL Board. This will be advised by the Investment Committee.
- Should the rates pool fall into deficit (actual or forecast) the first call on future pooled rates will be to bring the pool back into a surplus position.
- Where business rates are proposed to support capital projects or initiatives with uncertain costs and revenues, contributions from the business rate pool may need to be capped and only approved subject to an agreed full allocation of risks. The Investment Committee will provide advice to the Board should this situation arise.

Any planned borrowing against future income from retained rates including why borrowing is needed, when it occurs, who will borrow and from whom.

## Use of Borrowing

- Borrowing will be used to invest in projects recommended by the Investment Committee and approved by the SFCL Board within the geography (see maps at Annexe E) of the Solent Freeport as set out in the FBC approved by Government
- Borrowing will be used to enable and accelerate development
- Borrowing will be used to meet the key priorities and themes priorities set out in the FBC
- Projects and programmes to be funded from borrowing will be considered by the Investment Committee in line with the eligibility criteria in section 4 and the scoring / prioritisation matrix referred to in section 6 and agreed by the Investment Committee.

## Pooling Mechanism

- Each Relevant Authority will be required to pass on the actual growth in business rates over the agreed baseline within 14 days after the deadline for the NDR3 (or equivalent) return
- The Accountable Body will hold and account for these pooled business rates on a separate area of its balance sheet and report the status of the pooled rates on a regular basis to the Finance, Resources and Audit Committee, the Investment Committee and the SFCL Board
- Any interest earned on pooled rates held will be added to the pool on an annual basis and become available for reinvestment into eligible SFCL projects or costs associated with the operation of the SFCL.

## Borrowing

- The Accountable Body will undertake all of borrowing on behalf of the SFCL at the most favourable (subsidy control compliant) rate and on the condition that the Relevant Authorities have passed on the growth in Business Rates every year.  
In exceptional circumstances there could be occasions where borrowing could be jointly underwritten with the relevant Billing Authority where either the investment might exceed the risk appetite of the SFCL and Accountable Body or where the investment might generate financial and or economic benefits beyond the life of the Pool upon which the underwriting is then passed over in full.  
In some circumstances this approach could generate additional business rates in the area but outside of the tax site which should then make the ability to borrow more flexible.  
Any proposal of this nature would be separately considered by the Investment Committee.
- Any borrowing for Investment will be a full financial appraisal and appropriate due diligence and in accordance with the Accountable Body's Treasury Management Strategy
- Borrowing will be used for Projects of a lower risk nature, with Projects of a higher risk nature being funded from cash receipts to the Pool
- Any borrowing undertaken will be for periods not exceeding the life of the Pool or the life of the economic benefits generated by the investment, whichever is the shorter
- Borrowing should be undertaken on the most favourable terms
- Borrowing needs to be tested for subsidy control compliance before any investment is agreed

### Worked Example:

A worked example of how business rates growth will be calculated by each Relevant authority at the end of each financial year is set out at Annexe F

## 6. Governance

This section sets out how decisions regarding the use of retained rates will be taken, the process for prioritising and selecting projects for funding, and where ownership of the Business Rates policy lies.

### Investment Committee (Terms of Reference are included at Annexe D)

The Investment Committee will lead on the strategy and prioritisation of investments and make recommendations to the SFCL Board for final decision. This will include:

- Prioritisation to workstreams / specific projects contained within the FBC and the Site-Specific Agreements
- Equity of Use
  - Top Slice for agreed significant investment priorities
  - Allocation for Rating Authority Programmes / Projects which will consider proportionate levels of investment in line with Business Rate Growth.
- Prioritisation matrix and to be used by the Investment Committee
- Scoring Matrix to be reviewed annually

### Principles of prioritising projects for Retained Business Rate funding

The plan is to prioritise Projects using the following criteria:

Pass / Fail - is the project eligible based on the objectives of Retained Business Rate funding

- 1) Deliverability - evidence that the initiative is deliverable, with the appropriate level of procurement strategy, project management and governance in place
- 2) Value for money - benefits generated against costs of the project (benefits delivered will vary by workstream e.g. skills developed, productivity uplift, reduced carbon emissions, employment unlocked, land value uplift, agglomeration)
- 3) Strategic fit with Solent policy objectives and relevant national guidance
  - Solent LEP e.g. world leading marine & maritime economy, decarbonisation, coastal renaissance, thriving visitor economy, world class talent base, outstanding business environment
  - Central Govt e.g. Levelling up, Net Zero, Innovation, Green Growth, Global Britain
- 4) Additionality – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams (to also consider subsidy control)
- 5) Private sector leverage – private sector contributions unlocked. Preference of 50% but a minimum of 20% in specific circumstances
- 6) Public sector contributions – further public sector funding unlocked. Preference of 50% but a minimum of 20% in specific circumstances
- 7) Availability of alternative funding – given the objective of closing gaps in wider funding mechanisms
- 8) Affordability – scale of the funding ask
- 9) Delivering the strategic outcomes across the whole geography of the Freeport

**Consideration will be given to the geographic balance of Projects and benefits across the wider SFCL area and between workstreams (i.e. Infrastructure, Skills, Net Zero and Innovation)**

- Projects with existing commitments to be honoured (e.g., s106) but could be topped up with pooled rates if agreed

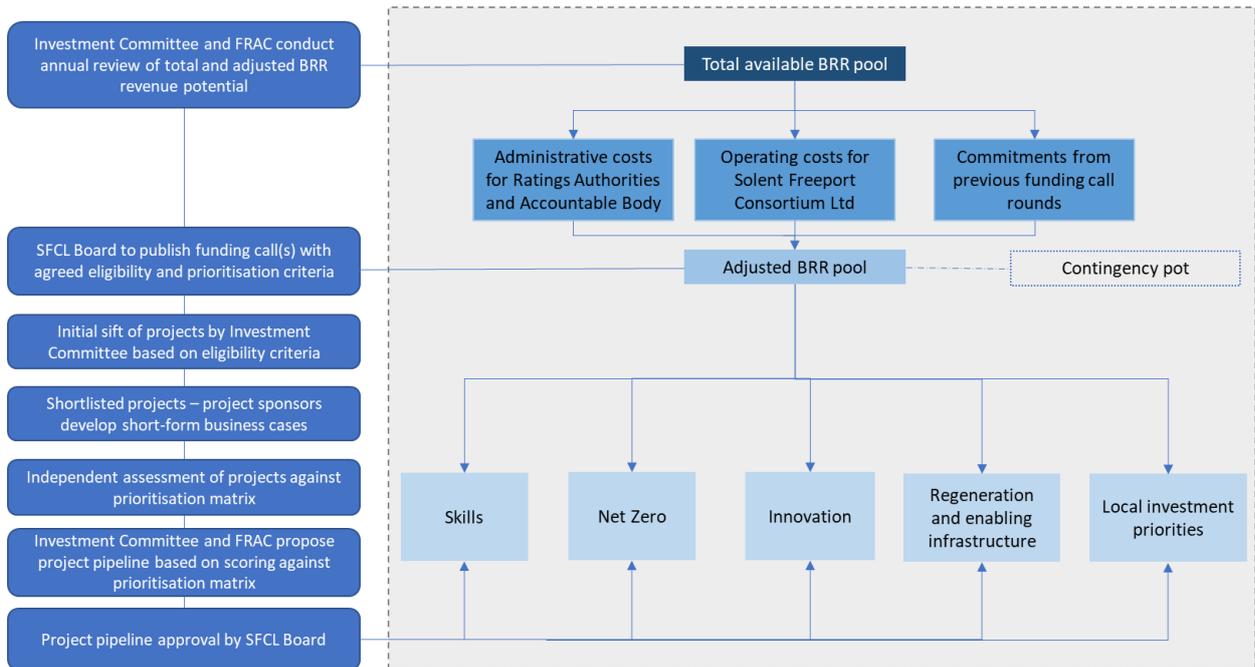
### Investment process

- Agree risk appetite for SFCL - to be agreed and reviewed at least annually by SFCL Board / Accountable Body (who will underwrite borrowing risk)
- SFCL to agree top-slice for priority projects based on recommendations from the Investment Committee and the Finance, Resources and Audit Committee.
- SFCL Board to agree and publish funding call(s) with agreed eligibility and prioritisation criteria
- Initial internal assessment against funding call criteria via the Investment Committee before external, independent assessment starts to ensure projects meet the eligibility criteria.
- Full project assessment by external independent experts with broad range of skills (appointed by the SFCL)
- Independent expert assessment presented to the investment Committee and the Finance, Resources and Audit Committee with recommendations to SFCL Board (Relevant Authority S151 officers to brief their Board members)
- Project approval by SFCL Board including a pipeline of projects

**Figure 2. BRR investment process**

## Investment process

## Allocation of retained business rate pool



## Monitoring and Reporting

- The Accountable Body will hold and account for pooled business rates on a separate area of its balance sheet and report the status on a regular basis in an agreed format to the Finance, Resources and Audit Committee and the SFCL Board.  
To include:
  - Rates received
  - Rates deployed
  - Rates committed
  - Rates expected
  - Status of reserves
  - Interest Earned and Accountable Body Treasury Management Policy
- The SFCL will publish an annual report, approved by the Accountable Body, on decisions, progress, expected costs and benefits, delivery and evaluation of projects, programmes and initiatives supported through retained business rates

## Policy and Review Process

- SFCL Board to review the effectiveness of the Investment Committee on an annual basis
- Ultimate ownership by SFCL Board advised by Accountable Body in line with the principles set out in this MoU
  - Formal review on an annual (or exceptional) basis - advised by the FRAC
- Delivery of benefits realisation review - published in the SFCL Annual Report
- Regular item on FRAC to include:
  - Minimum annual forecast update
  - Rates received / deployed / due
  - Summary and broken down by tax site
  - Benefits delivered / forecast
  - Comparison to FBC
  - Recommendations to SFCL Board

- Review of Borrowing risk appetite to take place annually or by exception should circumstances dictate
- Changes to government policy - trigger for all parties to review

## 7. Term and Termination

7.1 This MOU shall commence on DATE, and shall expire on DATE.

## 8. Dispute Resolution

- 8.1 If any issues, concerns or complaints arise of in or in connection with the MOU, that Party shall notify the other Parties and the Parties shall then collectively seek to resolve the dispute by a process of consultation. If the dispute cannot be resolved within a reasonable period of time, the matter shall be escalated to the SFCL Board, which shall decide on the appropriate course of action to take. If the matter cannot be resolved by the SFCL Board within 14 days of notification of a dispute, the matter may be escalated to the senior officers of each respective Party.
- 8.2 If any Party receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, requests for information made under the Freedom of Information Act 2000) in relation to the Project, the matter shall be promptly referred to the Investment Committee (or its nominated representatives). No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect the Project, without the prior approval of the Investment Committee (unless otherwise required by law)

## 9. Variation

This MOU, including the Annexes, may only be varied by written agreement of the Parties.

## 10. Status

- 10.1 This MOU is not intended to be legally binding, and no legal obligations or legal rights shall arise between the Parties from this MOU. The Parties enter into the MOU intending to honour all their obligations.
- 10.2 Nothing in this MOU is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute any Party as the agent of the other Party, nor authorise any of the Parties to make or enter into any commitments for or on behalf of the other Party.

## 11. Governing Law and Jurisdiction

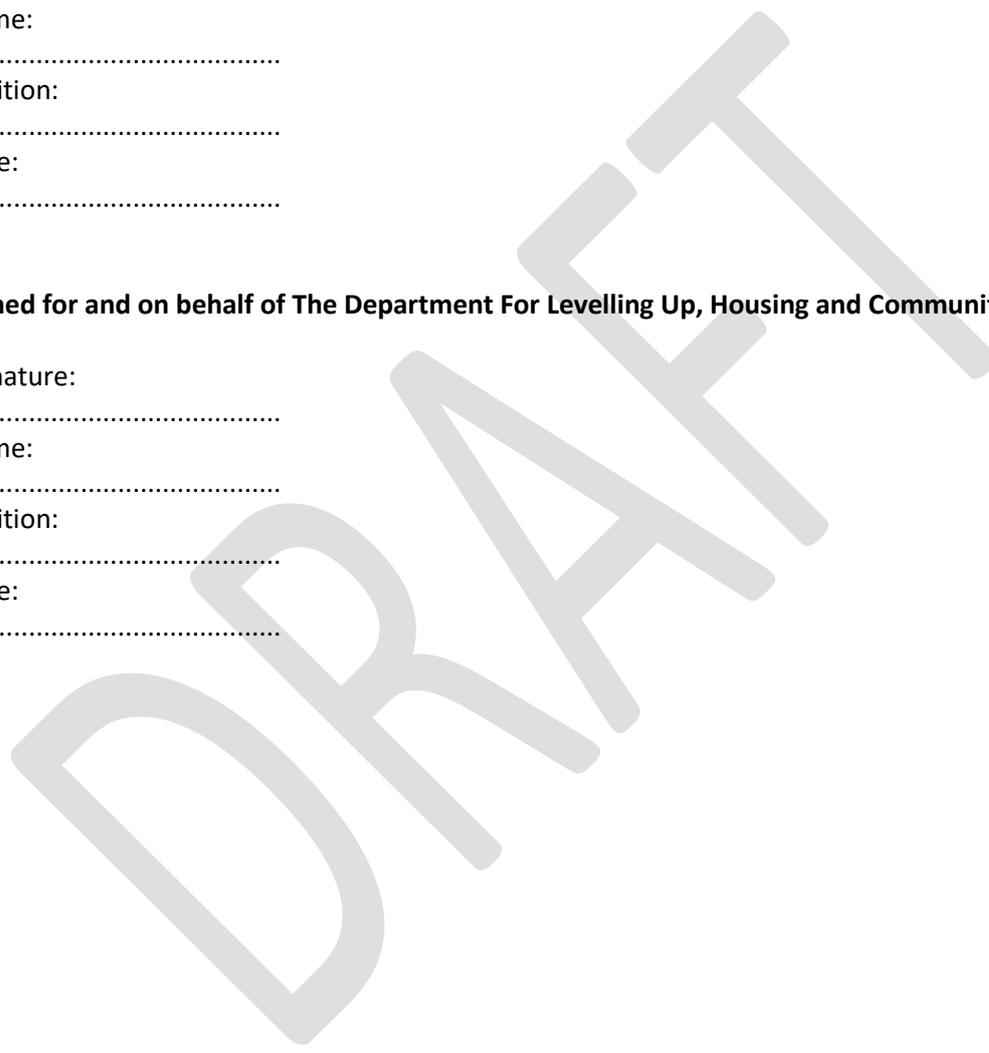
This MOU shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in paragraph 8, each Party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

**Signed for and on behalf of Portsmouth City Council**

Signature:  
.....  
Name:  
.....  
Position:  
.....  
Date:  
.....

**Signed for and on behalf of The Department For Levelling Up, Housing and Communities**

Signature:  
.....  
Name:  
.....  
Position:  
.....  
Date:  
.....



## Annexe A - Agreed Baselines

Relevant Authority	Tax Site	Agreed Baseline
Eastleigh Borough Council	Navigator Quarter	<i>tbc</i>
Havant Borough Council	Dunsbury Park	<i>tbc</i>
New Forest District Council	Southampton Water	<i>tbc</i>
Southampton City Council	Southampton Water	<i>tbc</i>

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## **Annexe B - Calculating 'No-Detriment'**

The pooling and use of the growth in the retained business rates from each Freeport Tax Site is without detriment to the resources that would have been available to each Relevant Authority prior to full designation of each tax site within the Solent Freeport.

To the extent that in any individual financial year the business rates collected in any tax site falls below the agreed baseline then no sum would be required to be added to the business rates pool that year.

The 'no detriment' calculation will be undertaken as part of the end of the financial year reconciliation [refer to worked example / NNDR forms?]

Principles:

To calculate whether the 'no detriment' clause is triggered, for each authority within each designated tax site there will be a comparison between (A) and (B) for each financial year, where:

- (A) Are the actual rates received for an individual tax site by a Relevant Authority at the end of each financial year [refer to calculation / worked example?], and
- (B) Is the baseline for the same tax site for the same relevant Authority as set out in Annexe A

If the sum of (A) minus (B) is zero or a negative figure then no business rates will be required to be paid into the pool that financial year (what about cumulative??)

**Annexe C - Business Rate Growth (retained) Forecast**

To be finalised

DRAFT

**Annexe D - Investment Committee Terms of Reference**

Document provided to s151s for comments - to be added

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**Annexe F - Business Rates Growth Calculation Worked Example**

Work in progress with s151s - to be added when complete

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# Solent Freeport Retained Rates Investment Committee

## Draft Terms of Reference

(February 2022)

### Background

The Solent Freeport represents a major opportunity to transform the Solent region, Britain's gateway to the world. It will rejuvenate our local areas and industrial clusters and will be the centrepiece for the Solent's strategy to build back better. The Freeport will directly:

- **deliver increased capacity and throughput of international trade** through the region's three ports, facilitating the growth of industries and supply chains in other UK regions, as well as locally within the Solent;
- **leverage significant levels of private investment** to unlock un/under-developed sites for development by facilitating new infrastructure and enabling private enabling investment;
- **catalyse the growth of innovative new industries** that will provide solutions for the challenges of our times, including how to deliver the benefits of growth to our hard to reach and left behind coastal communities, and also generate significant regional and national economic value, for which a strong pipeline private sector of proposals and enquiries already exists. These include examples of international additionality for the UK; and
- provide both a platform and significant additional funds, not least through pooled retained business rates, **to deliver supporting infrastructure, innovation, skills and a steppingstone to net zero programmes**, coordinated through a dedicated Freeport Company supported by appropriate and robust management resources and governance.

The local retention of incremental business rates generated on Tax Sites is expected to be one of the most valuable elements of the Freeports package in terms of delivering the Solent Freeport's medium and long-term objectives for the Solent's economy and communities.

The Retained Rates Investment committee has been established to ensure that the retained business rates growth is deployed in the most effective way to ensure that the overarching objectives of the Solent Freeport are realised.

### Objectives

The Retained Rates Investment Committee is the forum through which the Solent Freeport Consortium Limited and relevant Rating Authorities will work together to agree:

- protocols by which retained rates collected by different rating authorities within the Solent Freeport Area may be pooled;
- a joint decision-making process relating to the assessment of applications for Retained Rates Funding and

- how the costs of rating authorities and the Solent Freeport Consortium Limited incurred in administering such funding and business rates relief will be funded.

The work of the Retained Rates Investment Committee will include advising the Board of Solent Freeport Consortium Limited on:

- The prioritisation of workstreams / specific projects for investment of retained rates funding
- Equity of Use
  - Top Slice for agreed significant investment priorities
  - Allocation for Rating Authority Programmes / Projects
- Prioritisation Matrix
- Scoring Matrix to be reviewed annually or for each funding call
- The content and management of funding calls
- Financial reporting on the availability and use of the pooled retained business rate growth.

### Relationship with SFCL Governance Structure

The Investment Committee is an Investment Committee that is appointed by and reports and provides advice to the main SFCL Board.

The Investment Committee sits within the SFCL Governance Structure. This Committee will have regard for, and act in accordance with, the relevant scheme of delegation and any SFCL Assurance Framework established by Solent Freeport Consortium Limited or HM Government.

The Investment Committee sits below the SFCL Board with its main focus on the deployment of the SFCL resources with a key role in terms of the use of retained business rate growth to deliver the SFCL objective as set out in the Full Business Case.

It will provide advice to the Board on strategic and operational matters related to retained rates.

### Membership and Structure

Membership of the Investment Committee shall consist of six members with voting rights comprising of the following:

- The Leaders (or other democratically elected member as nominated by the Leader) of the Four Freeport Rating Authorities
- The Chair of the Investment Committee (to be a member of the Freeport Board)
- The Chief Financial (S151) Officer of Portsmouth City Council, the Accountable Body to the SFCL or their nominated representative.

The s151 of the Accountable Body will have the ultimate veto on any investment under financial grounds but will not have voting rights on the type of geography of investments are agreed as long as they are compliant with financial regulations and within the risk appetite of the Accountable Body.

Ex-officio Members:

- The Chief Executive Officer of the SFCL / The SFCL Senior Responsible Officer
- The Chief Financial (S151) Officers of the Four Freeport Rating Authorities or their nominated representatives.

The Accountable Body will always have the right to veto an Investment on affordability grounds so as to not place the SFCL at financial risk.

### **Directions on Appointments to the SFCL Investment Committee**

Retained Rates Investment Committee membership is at the discretion of the Board of Solent Freeport Consortium Limited. The Committee Chair must always be the Solent Freeport Senior Responsible Officer (SRO). Committee Members may nominate substitutes from their relevant organisations in the event that they are unable to attend a Retained Rates Investment Committee meeting. Nominees will have full voting rights. Members of the Retained Rates Investment Committee may resign their position at any time by giving notice in writing to the Chair.

### **Quorum**

For the Investment Committee to be quorate at least four members will need to be present at meetings. This must include the Chair; two Rating Authority Leaders, and the Chief Financial Officer of Portsmouth City Council, or their nominated representatives.

### **Decisions and Voting**

The role of the Retained Rates Investment Committee is both advisory and decision making, and there is an expectation that they will provide recommendations on matters relating to the use of retained rates for consideration by the main SFCL Board and the Chief Finance Officer of Accountable body for the SFCL. It is expected that the advice and recommendations of the Committee will normally be reached by consensus, but if a vote is required decisions shall be made on the basis of a majority of those members attending and voting.

Should a case arise where a proposed project is not wanted in their own LA boundary the Leader of that LA can oppose this and have the ability to make representation to the Board to set out the rationale for this opposition.

### **Attendance by Others**

The work of the Retained Rates Investment Committee will be supported by the attendance of the SFCL Executive and Accountable Body Finance Team, supplemented by other representatives where agreed by the Chair. These attendees will not have any voting rights.

### **The Role and Responsibilities of the SFCL Retained Rates Investment Committee**

The Freeport Retained Rates Investment Committee is the forum through which the Solent Freeport Consortium Limited and relevant Rating Authorities will lead work together to agree:

- a joint decision-making process relating to the assessment of applications for Retained Rates Funding and
- how the costs of rating authorities and the Solent Freeport Consortium Limited incurred in administering such funding and business rates relief will be funded.

The work of the Retained Rates Investment Committee will include advising the Board of Solent Freeport Consortium Limited on:

## Deployment of Funding

- Ensure that the deployment of retained rates funding made by the SFCL is being used to deliver the agreed outcomes
- To receive and consider quarterly reports on progress against the deployment of retained rates funding, taking any necessary action within the limits of the delegated authority as granted by the Board
- The prioritisation of workstreams / specific projects for investment of retained rates funding
- Developing the Prioritisation Matrix and Scoring Matrix related to the use of retained rates
- The content and management of any funding calls related to retained rates as outlined in the MoU:
  - Contribution to Freeport Operating Costs
  - Administrative Costs for Rating Authorities and Accountable Body
  - Commitments from previous rounds
  - Contingency
  - Rating Authority Local Investment Priorities
  - Core Investment Programme
- Financial reporting on the availability and use of the pooled retained business rate growth.
- Equity of Use
  - Top Slice for agreed significant investment priorities
  - Allocation for Rating Authority Programmes / Projects
- To receive reports from other Solent Freeport committees as appropriate to inform consideration of retained rates related matters
- Providing advice to the SFCL Board on Retained Rates funding more generally

## Prioritisation Principles for Business Rate Retention Funding

Funding calls to attract projects for retained rates investment will use the following criteria:

- Deliverability - evidence that the initiative is deliverable, with the appropriate level of procurement strategy, project management and governance in place
- Economic outcomes and growth potential - clear link to levelling up the Solent region through unlocking employment and/or improving economic opportunities for local residents
- Strategic fit with Solent policy objectives and relevant national guidance
  - Solent LEP e.g., world leading marine & maritime economy, decarbonisation, coastal renaissance, thriving visitor economy, world class talent base, outstanding business environment
  - Central Govt e.g., Levelling up, Net Zero, Innovation, Global Britain
- Additionality – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams (to also consider subsidy control)
- Private sector leverage – private sector contributions unlocked
- Public sector contributions – further public sector funding unlocked
- Availability of alternative funding – given the objective of closing gaps in wider funding mechanisms

- Affordability – scale of the funding ask

Investments will also be considered in terms of the geographic balance of projects and wider Freeport benefits across the wider Solent Freeport area and between workstreams (i.e., Infrastructure, Skills, Net Zero and Innovation)

Prioritisation / scoring matrix will be used by the Retained Rates Investment Committee and will include (but not exhaustive):

- Scale of matched funding investment would attract
- Private Sector investment (min %) / risk
- Level of Freeport resources required Deliverability
- Speed of delivery
- Job Creation
- Additional GVA
- Benefit Cost Ratio
- Geography

Projects with existing commitments to be honoured (e.g., s106) but could be topped up with pooled rates if agreed

Government Approved Business Case Templates will be required to be completed depending on size of the bid and should be Green Book compliant

- Low Value / Risk
- Medium Value / Risk
- High Value / Risk

Templates are available here: <https://www.gov.uk/government/publications/the-green-book-templates-and-support-material>

## Investment Process

- Recommend a risk appetite for retained rates investment to the SFCL - to be agreed and reviewed at least annually by SFCL Board / AB (who will underwrite borrowing risk)
- Recommend allocation of funding for significant priority projects and for rating authority programmes
- SFCL Board to agree and publish retained rate funding call(s) with agreed eligibility and prioritisation criteria
- Initial internal assessment against retained rate funding call criteria via the Retained Rates Investment Committee before external, independent assessment starts to ensure projects meet the eligibility criteria.
- Full project assessment by external independent experts with broad range of skills (appointed by the Solent Freeport)
- Independent expert assessment presented to the Investment Committee with recommendations to SFCL Board (Relevant Authority S151 officers to brief their Board members)
- Project approval by Board including a pipeline of projects

## Monitoring and Reporting

- The Accountable Body will hold and account for pooled business rates on a separate area of its balance sheet and report the status on a regular basis in an agreed format to the Finance, Resources and Audit Committee, the Retained Rates Investment Committee and the Solent Freeport Consortium Board.

To include:

- Rates received
- Rates deployed
- Rates committed
- Rates expected
- Status of reserves
- The Solent Freeport Consortium will publish an annual report, approved by the Accountable Body, on decisions, progress, expected costs and benefits, delivery and evaluation of projects, programmes and initiatives supported through retained business rates

### Policy and Review Process

- SFCL Board to review the effectiveness of the Investment Committee on an annual basis
- Ultimate ownership by SFCL Board advised by AB in line with the principles set out in the MoU
  - Formal review on an annual (or exceptional) basis - advised by the FRAC
- Delivery of benefits realisation review - published in Freeport Annual Report
  - Regular item on FRAC to include:
    - Minimum annual forecast update
    - Rates received / deployed / due
    - Summary and broken down by tax site
    - Benefits delivered / forecast
    - Comparison to FBC
    - Recommendations to SFCL Board
- Changes to government policy - trigger for all parties to review

### Governance and Risk Management

- Monitoring compliance with all terms and conditions attached to retained rates funding awards and recommending action where they are not fully complied with.
- Monitor and evaluate performance of retained rates funding investment against the SFCL Full Business Case and subsequent policies and strategies
- Annual review of the SFCL risk appetite to the use of borrowing against the growth in retained rates

Any other issues that are specifically delegated to the Investment Committee by the Board.

### The Role of the Chair

The Chair will be responsible for agreeing the agenda for each meeting and deciding the order of matters to be discussed.

The Chair will agree in partnership with the SFCL Executive at the start of the new financial year the programme for the forthcoming year.

The Chair will chair all the meetings of the Retained Rates Investment Committee. If the Chair is unable to attend a meeting, the Chair will nominate a representative to attend and Chair the meeting on their behalf.

The Chair will decide the order in which members will be called to speak ensuring that all members present, who wish to, are given an opportunity to speak and also seeking to ensure that all views are fairly represented.

The Chair may suspend the meeting if in his or her view this is necessary; for whatever period of time, he or she thinks appropriate.

The Chair will act as an ambassador for the SFCL and the work of the SFCL in relation to the Retained Rates Investment Committee.

### **Conduct of SFCL Investment Committee Members**

All SFCL Members are expected to follow "The 7 principles of public life" code of conduct and a SFCL Code of Conduct has been established which all Retained Rates Investment Committee Members are required to sign. A copy of the SFCL Code of Conduct is available [here](#)

### **Deputations at meetings**

The Retained Rates Investment Committee may receive deputations on a matter from any organisation or individual, where notice has been given, which is deemed relevant to the role of the Committee. The following rules will apply:

- Notice of the intended deputation stating its purpose must be received in writing by 12 noon on the working day preceding the meeting.
- Decisions on whether to receive deputations on a matter will be made by the Chair and the Chair may waive the giving of notice in any case they consider appropriate.
- When the deputation is given it must relate to the agreed purpose in respect of which it is made.
- No person may speak for more than 6 minutes per deputation.
- The total time for those in favour and against a proposal will be 12 minutes respectively. If more than 2 people wish to speak for or against a proposition, the time allocated to each will be reduced proportionately, unless they agree otherwise amongst themselves how to apportion the 12 minutes.
- Those attending may make a written or verbal presentation which may be supplemented by a modest visual aid such as a single plan, photograph or video recording. This will be retained by the SFCL. Video recording presentations are included within the time allowed to deputations.
- Questions to deputations will be permitted, but only to clarify a statement.

### **Support and Administration Arrangements**

The SFCL Executive team will provide the secretariat for the Investment Committee.

Portsmouth City Council is the accountable body for the SFCL and a protocol and service support agreement is in place between the accountable body and SFCL which is available [here](#).

Independent support may be commissioned by the SFCL and Portsmouth City Council to support them with the discharge of their roles and strategic advice in relation to support requirements may, from time

to time, be requested from the Retained Rates Investment Committee to inform such commissions. Equally, the SFCL and Portsmouth City Council will welcome, consider and respond to any advice from the Committee in relation to future commissions which have the potential to support the utilisation of retained rates in the Solent Freeport geography.

### **Working Arrangements and Meeting Frequency**

The Investment Committee shall meet four times per year, or as agreed by the Chair in partnership with the SFCL Board.

### **Declarations of Interest**

In accordance with the National Local Growth Assurance Framework, a register of interest has been established by the Solent Freeport Consortium Limited and all Directors have a statutory duty to declare their interests (direct or indirect) in transactions or arrangements involving the Solent Freeport. This requirement has been extended to all Chairs and Members of dedicated advisory committees, Section 151 Officers and Chief Executive Officers of any accountable body organisation operating on behalf of the Solent Freeport and Any other persons with significant influence over the activities of the Solent Freeport (for example, Solent LEP employees and senior points of contact at accountable body organisations such as legal and financial contacts).

# Integrated Impact Assessment (IIA)

Integrated impact assessment (IIA) form December 2019

[www.portsmouth.gov.uk](http://www.portsmouth.gov.uk)

The integrated impact assessment is a quick and easy screening process. It should:

- identify those policies, projects, services, functions or strategies that could impact positively or negatively on the following areas:
  - Communities and safety
  - Regeneration and culture
  - Environment and public space
  - Equality & - Diversity - This can be found in Section A5

Directorate:

Regeneration

Service, function:

Economic Growth

Title of policy, service, function, project or strategy (new or old) :

Solent Freeport

Type of policy, service, function, project or strategy:

- Existing
- New / proposed
- Changed

What is the aim of your policy, service, function, project or strategy?

It is to boost economic growth in Portsmouth and the Solent via designation of the area as a Freeport with specific customs sites and tax sites bestowing huge economic benefits for businesses and hence increasing GVA and employment.

Has any consultation been undertaken for this proposal? What were the outcomes of the consultations? Has anything changed because of the consultation? Did this inform your proposal?

There has been extensive consultation with key stakeholders - the proposal has been greatly revised.

**A - Communities and safety**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**A1-Crime** - Will it make our city safer?



In thinking about this question:

- How will it reduce crime, disorder, ASB and the fear of crime?
- How will it prevent the misuse of drugs, alcohol and other substances?
- How will it protect and support young people at risk of harm?
- How will it discourage re-offending?

If you want more information contact [Lisa.Wills@portsmouthcc.gov.uk](mailto:Lisa.Wills@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cou-spp-plan-2018-20.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

Yes as it will bring more economic opportunities and because of this it will reduce crime, disorder, ASB and fear of crime.

How will you measure/check the impact of your proposal?  
There will be monitoring of many socio-economic metrics.

**A - Communities and safety**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**A2-Housing** - Will it provide good quality homes?



In thinking about this question:

- How will it increase good quality affordable housing, including social housing?
- How will it reduce the number of poor quality homes and accommodation?
- How will it produce well-insulated and sustainable buildings?
- How will it provide a mix of housing for different groups and needs?

If you want more information contact [Daniel.Young@portsmouthcc.gov.uk](mailto:Daniel.Young@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/psh-providing-affordable-housing-in-portsmouth-april-19.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

It will mean greater demand for homes in the Solent and could mean that Homes England designate our area a Strategic Partnership area for more funding for new homes.

How are you going to measure/check the impact of your proposal?

**A - Communities and safety**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**A3-Health** - Will this help promote healthy, safe and independent living?



In thinking about this question:

- How will it improve physical and mental health?
- How will it improve quality of life?
- How will it encourage healthy lifestyle choices?
- How will it create healthy places? (Including workplaces)

If you want more information contact [Dominique.Letouze@portsmouthcc.gov.uk](mailto:Dominique.Letouze@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cons-114.86-health-and-wellbeing-strategy-proof-2.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

As it will increase numbers of well paid jobs in Portsmouth and the Solent it will have a positive impact on physical and mental health.

How are you going to measure/check the impact of your proposal?

The impact of the proposal will be monitored with a whole range of socio-economic metrics.

**A - Communities and safety**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**A4-Income deprivation and poverty**-Will it consider income deprivation and reduce poverty?



In thinking about this question:

- How will it support those vulnerable to falling into poverty; e.g., single working age adults and lone parent households?
- How will it consider low-income communities, households and individuals?
- How will it support those unable to work?
- How will it support those with no educational qualifications?

If you want more information contact [Mark.Sage@portsmouthcc.gov.uk](mailto:Mark.Sage@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cou-homelessness-strategy-2018-to-2023.pdf>

<https://www.portsmouth.gov.uk/ext/health-and-care/health/joint-strategic-needs-assessment>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

As it will create a lot of new jobs and will increase inward investment and attract new businesses to Portsmouth and the Solent it will have a positive impact

How are you going to measure/check the impact of your proposal?  
The proposal has a whole set of socio-economic metrics which will be measured.

**A - Communities and safety**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**A5-Equality & diversity** - Will it have any positive/negative impacts on the protected characteristics?



In thinking about this question:

- How will it impact on the protected characteristics-Positive or negative impact (Protected characteristics under the Equality Act 2010, Age, disability, race/ethnicity, Sexual orientation, gender reassignment, sex, religion or belief, pregnancy and maternity, marriage and civil partnership,socio-economic)
- What mitigation has been put in place to lessen any impacts or barriers removed?
- How will it help promote equality for a specific protected characteristic?

If you want more information contact [gina.perryman@portsmouthcc.gov.uk](mailto:gina.perryman@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cmu-equality-strategy-2019-22-final.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

It will provide new employment opportunities right across the Solent so will enable all groups in the area to benefit. As it will encourage global inward investment it will have a positive impact on equality and diversity.

How are you going to measure/check the impact of your proposal?  
There are a huge set of socio-economic metrics which will be measured broken down by groups.

**B - Environment and climate change**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**B1-Carbon emissions** - Will it reduce carbon emissions?



In thinking about this question:

- How will it reduce greenhouse gas emissions?
- How will it provide renewable sources of energy?
- How will it reduce the need for motorised vehicle travel?
- How will it encourage and support residents to reduce carbon emissions?

If you want more information contact [Tristan.thorn@portsmouthcc.gov.uk](mailto:Tristan.thorn@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cmu-sustainability-strategy.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

Net Zero is a critical strand of the Solent Freeport. At its heart it aims to be the greenest Freeport in the UK. It will set up a Green Growth Institute to ensure green growth is maximised. Each site must have a net zero plan

How are you going to measure/check the impact of your proposal?  
We will be measuring impact on Net Zero.

**B - Environment and climate change**

**Yes**

**No**

Is your policy/proposal relevant to the following questions?

**B2-Energy use** - Will it reduce energy use?



In thinking about this question:

- How will it reduce water consumption?
- How will it reduce electricity consumption?
- How will it reduce gas consumption?
- How will it reduce the production of waste?

If you want more information contact [Triston.thorn@portsmouthcc.gov.uk](mailto:Triston.thorn@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/pln-portsmouth-plan-post-adoption.pdf>  
<https://democracy.portsmouth.gov.uk/documents/s24685/Home%20Energy%20Appendix%201%20-%20Energy%20and%20water%20at%20home%20-%20Strategy%202019-25.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

It will not reduce energy use as it will bring new development to currently under or un-developed sites. But each with be developed as far as possible to make sure they are net zero.

How are you going to measure/check the impact of your proposal?  
We will be monitoring impact on CO2.

**B - Environment and climate change**

Yes

No

Is your policy/proposal relevant to the following questions?

**B3 - Climate change mitigation and flooding**-Will it proactively mitigate against a changing climate and flooding?



In thinking about this question:

- How will it minimise flood risk from both coastal and surface flooding in the future?
- How will it protect properties and buildings from flooding?
- How will it make local people aware of the risk from flooding?
- How will it mitigate for future changes in temperature and extreme weather events?

If you want more information contact [Tristan.thorn@portsmouthcc.gov.uk](mailto:Tristan.thorn@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/env-surface-water-management-plan-2019.pdf>

<https://www.portsmouth.gov.uk/ext/documents-external/cou-flood-risk-management-plan.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

All of the sites will mitigate against climate change and flooding.

How are you going to measure/check the impact of your proposal?

This will be measured and checked via the planning process and EIS which will be done.

**B - Environment and climate change**

Yes

No

Is your policy/proposal relevant to the following questions?

**B4-Natural environment**-Will it ensure public spaces are greener, more sustainable and well-maintained?



In thinking about this question:

- How will it encourage biodiversity and protect habitats?
- How will it preserve natural sites?
- How will it conserve and enhance natural species?

If you want more information contact [Daniel.Young@portsmouthcc.gov.uk](mailto:Daniel.Young@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/pln-solent-recreation-mitigation-strategy-dec-17.pdf>

<https://www.portsmouth.gov.uk/ext/documents-external/pln-portsmouth-plan-post-adoption.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

Yes as part of the planning process for all the new sites that are un-developed the development will include some green space.

How are you going to measure/check the impact of your proposal?

This will be measured via the S106 process.

**B - Environment and climate change**

Yes

No

Is your policy/proposal relevant to the following questions?

**B5-Air quality** - Will it improve air quality?



In thinking about this question:

- How will it reduce motor vehicle traffic congestion?
- How will it reduce emissions of key pollutants?
- How will it discourage the idling of motor vehicles?
- How will it reduce reliance on private car use?

If you want more information contact [Hayley.Trower@portsmouthcc.gov.uk](mailto:Hayley.Trower@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/env-aq-air-quality-plan-outline-business-case.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

It will not improve air quality as it is about bringing currently empty sites into productive use.

How are you going to measure/check the impact of your proposal?  
Air quality will not be measured.

**B - Environment and climate change**

Yes

No

Is your policy/proposal relevant to the following questions?

**B6-Transport** - Will it improve road safety and transport for the whole community?



In thinking about this question:

- How will it prioritise pedestrians, cyclists and public transport users over users of private vehicles?
- How will it allocate street space to ensure children and older people can walk and cycle safely in the area?
- How will it increase the proportion of journeys made using sustainable and active transport?
- How will it reduce the risk of traffic collisions, and near misses, with pedestrians and cyclists?

If you want more information contact [Pam.Turton@portsmouthcc.gov.uk](mailto:Pam.Turton@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/travel/local-transport-plan-3>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

As it will increase economic activity and traffic movements by sea, road and rail it will not address road and transport safety. Although all new roads and rail and sea routes will be carefully designed to ensure they meet stringent rules on road and transport safety

How are you going to measure/check the impact of your proposal?  
It will be measured via the planning process.

Is your policy/proposal relevant to the following questions?

**B7-Waste management** - Will it increase recycling and reduce the production of waste?



In thinking about this question:

- How will it reduce household waste and consumption?
- How will it increase recycling?
- How will it reduce industrial and construction waste?

If you want more information contact [Steven.Russell@portsmouthcc.gov.uk](mailto:Steven.Russell@portsmouthcc.gov.uk) or go to:

<https://documents.hants.gov.uk/mineralsandwaste/HampshireMineralsWastePlanADOPTED.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

Inevitably as more development takes place on un-developed sites they will produce more waste. But all businesses will have strict waste conditions as part of planning

How are you going to measure/check the impact of your proposal?

Via the planning process and S106 conditions.

**C - Regeneration of our city**

Yes

No

Is your policy/proposal relevant to the following questions?

**C1-Culture and heritage** - Will it promote, protect and enhance our culture and heritage?



In thinking about this question:

- How will it protect areas of cultural value?
- How will it protect listed buildings?
- How will it encourage events and attractions?
- How will it make Portsmouth a city people want to live in?

If you want more information contact [Claire.Looney@portsmouthcc.gov.uk](mailto:Claire.Looney@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/pln-portsmouth-plan-post-adoption.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

By making the city more successful economically it will increase wealth in the city and hence support cultural assets, events and attractions.

How are you going to measure/check the impact of your proposal?  
The socio-economic impact will be measured as regards GVA and impact on above via separate reporting.

**C - Regeneration of our city**

Yes

No

Is your policy/proposal relevant to the following questions?

**C2-Employment and opportunities** - Will it promote the development of a skilled workforce?



In thinking about this question:

- How will it improve qualifications and skills for local people?
- How will it reduce unemployment?
- How will it create high quality jobs?
- How will it improve earnings?

If you want more information contact [Mark.Pembleton@portsmouthcc.gov.uk](mailto:Mark.Pembleton@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cou-regeneration-strategy.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

The whole reason for the Freeport is to increase employment and skills. The sites will all have employment and skills plans.

How are you going to measure/check the impact of your proposal?  
All will be measured.

Is your policy/proposal relevant to the following questions?

**C3 - Economy** - Will it encourage businesses to invest in the city, support sustainable growth and regeneration?



In thinking about this question:

- How will it encourage the development of key industries?
- How will it improve the local economy?
- How will it create valuable employment opportunities for local people?
- How will it promote employment and growth in the city?

If you want more information contact [Mark.Pembleton@portsmouthcc.gov.uk](mailto:Mark.Pembleton@portsmouthcc.gov.uk) or go to:

<https://www.portsmouth.gov.uk/ext/documents-external/cou-regeneration-strategy.pdf>

Please expand on the impact your policy/proposal will have, and how you propose to mitigate any negative impacts?

Yes the Solent Freeport will encourage growth of key industries and sectors and it will improve the local economy as we have two sites one at Dunsbury and one at the Port.

How are you going to measure/check the impact of your proposal?  
GVA by sector and employment by area and sector will be measured.

#### Q8 - Who was involved in the Integrated impact assessment?

Mark Pembleton, Economic Growth Manager

This IIA has been approved by: Tristan Samuels, Director of Regeneration

Contact number: 8857

Date: 14.02.22

# Agenda Item 13



## **THIS ITEM IS FOR INFORMATION ONLY**

**(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)**

<b>Title of meeting:</b>	Cabinet & Full Council
<b>Subject:</b>	Carbon Budget Methodology
<b>Date of meeting:</b>	8 March 2022 & 15 March 2022
<b>Report by:</b>	Kristina Downey, Principal Strategy Adviser - Carbon Management
<b>Wards affected:</b>	n/a

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### **1. Requested by**

Cabinet Member for Climate Change and the Green Recovery

### **2. Purpose**

- 2.1 To provide information to the Cabinet and Council on the approach that is being taken for the carbon management process, and the method being used to develop future carbon targets to meet the 2030 net zero targets for the Council and city.

### **3. Recommendation**

- 3.1 It is recommended that Cabinet note the contents of this Report and that it proceeds to Full Council to further note.

### **4. Information Requested**

- 4.1 Significant year-on-year reductions in carbon emissions will be required to meet the 2030 net zero targets.
- 4.2 The carbon management process that is being used to help achieve this is described below:
- 1) Calculate the carbon baseline. This will be a 'rolling-baseline' based on the most recent annual carbon inventory.
  - 2) Develop a forward projection of 'business-as-usual' (BaU) carbon emissions to 2030 based on national level changes (e.g., decarbonisation of the Grid, population changes etc.). The BaU represents the likely changes to emissions if we did not take any further actions to reduce carbon.
  - 3) Testing against the BaU projection, develop an alternate projection of carbon emissions to 2030 based on our proposed carbon action plans.

**THIS ITEM IS FOR INFORMATION ONLY**

**(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)**

- 4) Update and publish the carbon action plans for the Council and the city on an annual basis, including a revised baseline, changes to the BaU projection and revised alternative projection to 2030.
- 4.3 The evaluation and prioritisation of carbon reduction initiatives will be formally documented in a consistent manner against factors such as available funding, financial cost per volume of carbon saved, links to other Council strategies and plans, support, and important local co-benefits to Portsmouth including the green economy. This evaluation process will aid accountability and help to identify priority initiatives that help to address inequalities in Portsmouth.
- 4.4 This approach to evaluating and prioritising carbon reduction initiatives is inline with the national Net Zero Strategy that states local authority actions should be on a 'placed-based approach', and in-line with the Council's stated aims and priorities.
- 4.5 This process builds upon earlier initiatives to reduce carbon emission associated with Council operations and within the wider city. Examples include:
- Delivery of a number of domestic energy schemes to increase energy efficiency through the Local Energy Advice Partnership, Switched On Portsmouth, Warmer Homes, and the Emergency Boiler Replacement scheme. It is estimated that Switched On Portsmouth has reduced carbon emissions by an estimated 426 tonnes CO<sub>2</sub>
  - Replacement of lighting in Council buildings and street lighting with energy efficient LED. LED street lighting has reduced energy demand by approximately 40%
  - Progressive replacement of existing heating systems on buildings we own with energy efficient and lower carbon systems
  - Installation of 36 electric vehicle charging points
  - Electrification of operational Council fleet vehicles
  - Upgrade of 105 city busses to a Euro VI emission standard that reduces carbon emissions
  - Supporting active travel in the city with servicing and repair clinics, training, and promotion of quieter cycle routes
  - Award-winning major retrofit of Wilmcote House, providing thermal comfort to the 107 properties saving an estimated 90% of annual heating costs and up to £1,000 per property per year in energy costs. Largest residential EnerPHiT-standard (Passivhaus equivalent) project delivered with residents *in-situ*.
- 4.6 Future carbon reduction initiatives will be dynamic and will be collated and evaluated and are likely to include:
- Installation of 2,600 roof-mounted solar panels at Portsmouth International Port, reducing their annual carbon emissions by an estimated 239 tonnes CO<sub>2</sub>
  - Plans to install a further 62 EV charging points, with more in development

**THIS ITEM IS FOR INFORMATION ONLY**

**(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)**

- Doubling the number of trees in the city in the next 25 years
  - Installation of innovative battery storage technology at a number of sites.
- 4.7 We will also use the independent assessment undertaken by the Tyndall Centre for Climate Change Research in conjunction with Manchester University and related Setting City Area Targets and Trajectories for Emissions Reduction (SCATTER) to support the evaluation of carbon reduction initiatives.
- 4.8 We will continue to influence city-wide carbon reductions through funding applications, collaboration with partners and major employers, lobbying, leading on innovation, acting as a local knowledge hub and as a responsible and innovative landlord. This will be important to help us achieve our ambitious targets.

.....  
Signed by  
Paddy May  
Corporate Strategy Manager

**Appendices:** None

**Background list of documents:** None

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# Agenda Item 14



<b>Title of meeting:</b>	Employment Committee
<b>Date of meeting:</b>	March 2022
<b>Subject:</b>	Pay Policy Statement 2022/23
<b>Report by:</b>	Natasha Edmunds, Director for Corporate Services
<b>Wards affected:</b>	None
<b>Key decision:</b>	No
<b>Full Council decision:</b>	Yes

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## 1. Purpose of report

The Council is required by section 38(1) of the Localism Act 2011 (openness 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 31<sup>st</sup> March of each year, prior to the financial year to which it relates and be published on the council's website.

## 2. Recommendations

The Employment Committee is recommended to:

- 2.1 Agree the Pay Policy Statement attached as **Appendix 1**, to go forward for approval by the Full Council prior to 31 March 2022.

## 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 Levelling Up, Housing and Communities published a revised Local Government Transparency Code on 3<sup>rd</sup> October 2014. The code enshrines the principles of transparency 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 "Openness 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 2021 and is based on the difference between the highest salary and the median salary which is 7.21.

The Council also considers that the relationship between the base salaries of its highest and lowest paid employees, which is currently a ratio of 1:8.45, represents an appropriate, fair, and equitable internal pay relationship.

3.6 Whilst the Pay Policy Statement relates to the year 2022/23, 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 alternative 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. Integrated impact assessment**

The contents of this report do not have any relevant equalities and environmental impact and therefore an Integrated Impact assessment is not required.

**6. Legal implications**

- 6.1 The Director of Corporate Services 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 2022/23 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 31<sup>st</sup> March 2022 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.

Natasha Edmunds

.....  
Signed by Director of Corporate Services

**Appendices:**

**Appendix 1: Pay Policy Statement 2022/23**

**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:

## **PAY POLICY STATEMENT FOR THE FINANCIAL YEAR 2022/23**

### **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 must 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);
- The Directors, who report to and are directly accountable to the Chief Executive or any Director who acts in the capacity of Deputy Chief Executive. These Directors fulfil the roles of statutory Chief Officers, Section 151 Officer, and non-statutory Chief Officers;
- City Solicitor and Monitoring Officer
- 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 2010 and 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 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 based on 1 April 2021 (\*subject to change once the 2021/22 NJC national pay award is agreed):

Chief Executive	£149,099 - £164,794
Port Director	£111,778 - £121,123
Director (upper band) **	£111,778 - £121,123
Director (lower band)	£95,809 - £105,898
Senior Managers*	£80,909 - £89,427

\*\*This includes any Director (upper band) who also acts in capacity of Deputy Chief Executive as part of their role as Director.

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) 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 1<sup>st</sup> 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 (lower and upper bands) 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.

With effect from 1<sup>st</sup> 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, subject to review each year. The current annual full-time equivalent value of this pay level, based on a 37-hour standard working week at £9.50 per hour is £18,329.

From 1<sup>st</sup> April 2022 this will result in employees\* from SCP1 to SCP4 (subject to change depending on the agreement of the national pay award) receiving a minimum hourly rate of £9.90 per hour, with the full-time equivalent value of pay, based on a 37-hour standard working week, being £19,100.

(\*The lowest paid does not include Apprentices for whom there are separate pay arrangements).

## **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 31<sup>st</sup> March 2020. This multiple is 7.21 with a median salary of £22,526.

(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 1:8.45, 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, Directors (including those who act in the capacity as Deputy Chief Executive) 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.

#### **Childcare (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 2022 for the financial year 2022/23.

### **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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# Agenda Item 16



## Portsmouth CITY COUNCIL

**QUESTIONS FOR THE CABINET OR CHAIR  
UNDER STANDING ORDER NO 17.**

**ORDINARY CITY COUNCIL MEETING – 15 MARCH 2022**

### **QUESTION NO 1**

**FROM: COUNCILLOR CAL CORKERY**

**TO REPLY: CABINET MEMBER FOR COMMUNITY SAFETY &  
ENVIRONMENT  
COUNCILLOR DAVE ASHMORE**

"Is the Cabinet Member for Community Safety aware of the apparent degradation in safe working practices with regards to breathing apparatus and high rise firefighting within Hampshire and Isle of Wight Fire and Rescue Service?"

### **QUESTION NO 2**

**FROM: COUNCILLOR CHARLOTTE GERADA**

**TO REPLY: CABINET MEMBER FOR TRAFFIC & TRANSPORTATION  
COUNCILLOR LYNNE STAGG**

"Can the Cabinet Member for Traffic and Transportation explain why no bike hangars will be rolled out in any wards in the north of the city, despite there being a number of requests from Nelson, Cosham, Hilsea and Copnor residents?"

### **QUESTION NO 3**

FROM: COUNCILLOR JUDITH SMYTH

TO REPLY: CABINET MEMBER FOR COMMUNITY SAFETY &  
ENVIRONMENT  
COUNCILLOR DAVE ASHMORE

"I understand that there is a new approach to removing graffiti and tagging from Portsmouth streets. Please explain what you are doing to monitor whether this is working?"

### **QUESTION NO 4**

FROM: COUNCILLOR HANNAH BRENT

TO REPLY: CABINET MEMBER FOR HOUSING AND  
PREVENTING HOMELESSNESS  
COUNCILLOR DARREN SANDERS

"Can you confirm what consultation was undertaken with residents in Cliffdale Gardens/Henderson Road with regard to the charging of commission on sales of mobile homes."

### **QUESTION NO 5**

FROM: COUNCILLOR RYAN BRENT

TO REPLY: CABINET MEMBER FOR PLANNING POLICY &  
CITY DEVELOPMENT  
COUNCILLOR HUGH MASON

"Can the Cabinet Member provide an update on the progress of the development at Tipner West?"

## **QUESTION NO 6**

FROM: COUNCILLOR DANIEL WEMYSS

TO REPLY: THE LEADER OF THE COUNCIL  
COUNCILLOR GERALD VERNON-JACKSON

Can the Leader update the council on seeking bids for sponsorship of the Spinnaker Tower?

## **QUESTION NO 7**

FROM: COUNCILLOR SCOTT PAYTER-HARRIS

TO REPLY: THE LEADER OF THE COUNCIL  
COUNCILLOR GERALD VERNON-JACKSON

Can the Leader update the council on how much has been spent on setting up Ravelin Housing?

## **QUESTION NO 8**

FROM: COUNCILLOR MATTHEW ATKINS

TO REPLY: CABINET MEMBER FOR CULTURE, LEISURE AND  
ECONOMIC DEVELOPMENT  
COUNCILLOR BEN DOWLING

Do you envisage the KGV fireworks display will continue after the FA excellence centre has opened?

## **QUESTION NO 9**

FROM: COUNCILLOR BENEDICT SWANN

TO REPLY: CABINET MEMBER FOR COMMUNITY SAFETY &  
ENVIRONMENT  
COUNCILLOR DAVE ASHMORE

Can you update the council on the progress to achieving a full citywide rollout of the food waste bin programme?

## **QUESTION NO 10**

FROM: COUNCILLOR SIMON BOSHER

TO REPLY: THE LEADER OF THE COUNCIL  
COUNCILLOR GERALD VERNON-JACKSON

How does the leader propose to address the projected £23 to £40 million funding gap should the City Deal Tipner West scheme go forward in the Local Plan

## **QUESTION NO 11**

FROM: COUNCILLOR HANNAH BRENT

TO REPLY: CABINET MEMBER FOR COMMUNITY SAFETY &  
ENVIRONMENT  
COUNCILLOR DAVE ASHMORE

Can you update the council on: the sale of the PCMI site to Hampshire Fire and Rescue, when is this likely to go through and a new fire station be built and what support has Portsmouth City Council provided to Hampshire Fire and Rescue to ensure the successful relocation and creation of a new fire station in the north of the city?