



# Agenda & minutes

Full Council meeting of  
Tuesday, 14 March 2023



# *Portsmouth City Council*

AN ORDINARY MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall, Portsmouth on Tuesday, 14 March 2023 at 2.00 pm 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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## **Public health guidance for staff and the public due to Winter coughs, colds and viruses, including Covid-19**

- Following the government announcement 'Living with Covid-19' made on 21 February 2022 and the end of universal free testing from 1 April 2022, attendees are no longer required to undertake any asymptomatic/ lateral flow test within 48 hours of the meeting; however, we still encourage attendees to follow the public health precautions we have followed over the last two years to protect themselves and others including vaccination and taking a lateral flow test should they wish.
- We strongly recommend that attendees should be double vaccinated and have received any boosters they are eligible for.
- If unwell we encourage you not to attend the meeting but to stay at home. Updated government guidance from 1 April 2022 advises people with a respiratory infection, a high temperature and who feel unwell, to stay at home and avoid contact with other people, until they feel well enough to resume normal activities and they no longer have a high temperature. From 1 April 2022, anyone with a positive Covid-19 test result is still being advised to follow this guidance for five days, which is the period when you are most infectious.
- We encourage those attendees with an underlying health condition 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 protects us from coughs, colds and winter viruses, including Covid-19.
- 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 a correct record the Minutes of 28 February 2023**  
To follow under separate cover.

**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 ([james.harris@portsmouthcc.gov.uk](mailto:james.harris@portsmouthcc.gov.uk)) by 12 noon of the working day before the meeting (so Monday, 13 March 2023 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.**

No questions from the public have been received under the provisions of this Standing Order.

**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 Contract Procedure Rules (Pages 15 - 58)**

To receive and consider the recommendations of the Governance & Audit & Standards Committee meeting held on 25 January 2023, the recommendations and report for which are attached.

**9 Capital Strategy 2023/24 - 2032/33 (Pages 59 - 102)**

To receive and consider the attached report from Cabinet held on 7 March (recommendation to follow)

**10 Treasury Management Policy 2023/24 (Pages 103 - 140)**

To receive and consider the attached report from Cabinet held on 7 March (recommendation to follow)

**11 Council Tax Premiums on Second Homes and Empty Properties (Pages 141 - 156)**

To receive and consider the attached report from Cabinet held on 7 March (recommendation to follow)

**12 Anaerobic Digestion Plant Project (Pages 157 - 160)**

To receive and consider the attached information report from Cabinet held on 7 March.

This report is being considered by Council following a Notice of Motion agreed by Council on 8 November 2022.

**13 Forward Plan Omission Notice - Enabling Redevelopment of Former Debenhams, Palmerston Road - Compulsory Purchase Order (Pages 161 - 162)**

The Enabling Redevelopment of Former Debenhams, Palmerston Road -

Compulsory Purchase Order report by the Director of Regeneration was omitted from the Forward Plan covering 6 February to 5 May 2023. The Chair of the City Council's Scrutiny Management Panel has been notified and a public notice published.

**14 Exclusion of Press and Public**

**“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972”.**

**The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.**

**Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed item is shown below.**

**Members of the public may make representation as to why the item should be held in open session. A statement of the Council’s response to representations received will be given at the meeting so that this can be taken into account when members decide whether or not to deal with the item under exempt business.**

**(NB The exempt/ confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senbior Local Democracy Officer at the conclusion of the meeting for shredding).**

<b>Item</b>	<b>Paragraph</b>
Enabling Redevelopment of Former Debenhams, Palmerston Road - Compulsory Purchase Order Appendix 4	<b>3, 4</b>

**15 Enabling Redevelopment of Former Debenhams Palmerston Road - CPO (Pages 163 - 192)**

To receive and consider the attached report from Cabinet held on 7 March (recommendation to follow)

**16 Appointment of Independent Person (Pages 193 - 196)**

To receive and consider the attached report from Governance & Audit & Standards Committee held on 8 March (recommendation to follow)

**17 Pay Policy Statement 2023/24 (Pages 197 - 206)**

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.

**18 Notices of Motion**

**(a) Tesco Supermarkets - Removal of Recycling Facilities**

Proposed by Councillor Gerald Vernon-Jackson  
Seconded by Councillor George Madgwick

The city council regrets the decision by Tesco supermarkets to remove recycling facilities from their large Fratton and Port Solent Stores.

Supermarkets sell huge amounts of products in packaging that can be recycled.

Supermarkets should be doing more to cut down on packaging and waste, instead they have removed facilities to allow local residents to recycle at their stores.

The city council regrets the actions of Tesco who seem to be putting company profits before care for the environment and asks Tescos to bring back recycling centres in their Portsmouth stores.

**(b) Neighbourhood Policing Matters**

Proposed by Councillor Lee Hunt  
Seconded by Councillor Dave Ashmore

This Council notes the allocation of funding for each policing area is worked out using a formula. At present Hampshire and IoW Constabulary serving Portsmouth, is disadvantaged by this formula and it has been calculated that as a result the force is underfunded by £41.6 million a year compared to the national average.

Furthermore this Council notes in 2019 the Chief Constable and the Police & Crime Commissioner wrote to the Government demanding more funding pointing out Hampshire and IoW Constabulary receives a quarter less funding than is needed.

Hampshire and IoW Police Federation commenting on the 'England and Wales Pay and Morale' survey state: Hampshire and IoW is underfunded by £43 million and that its members say morale is low.

This Council regrets that successive Police & Crime Commissioners have closed Police counters across Portsmouth including Southsea, North End, Cosham and City Central and notes the only public counter is now on the Airport Industrial Estate with no public transport, so out of reach unless you have a car or can cycle there.

This Council notes in January 2021 the Chief Constable and Police & Crime Commissioner argued for and secured an increase in the police precept levied on local homes of 7.1% to “take the fight to criminals and those blighting our neighbourhoods with anti-social behaviour.”

This Council notes that at the recent Police & Crime Panel they approved a rise of 6.34% sought by the current Police & Crime Commissioner arguing similar reasons as the 2021 needs.

This Council is concerned that, despite ongoing police precept increases, at police/public meetings across Portsmouth residents describe how nothing seems to have changed, how they are kept waiting on 101; that reports of crime and anti-social behaviour in their neighbourhoods are not investigated. Hampshire and IoW Constabulary publicly admit they prioritise ‘High Harm’ and ‘County Lines’ offences.

This Council welcomes and supports police investigation of High Harm and County Lines crimes and continues to invest in citywide safeguarding cameras to help prevent and detect crime in partnership with city police. Furthermore the Council notes the creation of a new permanent post in the current budget of a specialised Anti-Social Behaviour officer.

This Council supports Hampshire Police Federation, the Chief Constable and the Police & Crime Commissioner's calls for fair funding for Hampshire and IoW Constabulary.

However this Council is concerned crime and anti-social behaviour is overwhelming our local Neighbourhood Police Teams, and that residents report neighbourhood crimes and anti-social behaviour are not being properly investigated if at all.

Therefore the Council invites the Police & Crime Commissioner and the Chief Constable to a future meeting of this Council to inform us about:

- the current state of recruitment and retention of Police, staff and PCSOs, especially how many extra Police each part of our city will be getting;
- how Neighbourhood policing will be improved. This should be through extra neighbourhood Police officers that reflect local people's priorities;
- how 101 will be improved;

- and how they will open accessible police public contact counters in the accessible locations in the north and south of Portsmouth.

(c) **Extending Safe Spaces for People in Portsmouth**

Proposed by Councillor Charlotte Gerada

Seconded by Councillor Suzy Horton

**Full Council notes:**

- Evidence suggests that Portsmouth is generally a safe city for young people. However, we know that recorded crime, actual crime, and fear of crime are different. The fear of crime can make areas that should feel safe and accessible, inaccessible.
- Some parents and young people have told us they worry about issues like drugs, County Lines and antisocial behaviour and their fear of these crimes makes them feel unsafe in some public places. There are also additional concerns and vulnerabilities based on protected characteristics.
- Portsmouth City Council has responsibility to improve safety and life chances among young people. These include:
  - The 'Is This Love' campaign to raise awareness about healthy and unhealthy relationships;
  - Mentors in Violence Prevention (MVP) which is a peer-led leadership and bystander programme that trains young people as mentors and equips them with the confidence, knowledge, and skills to identify and speak out against bullying, abusive behaviour and violence;
  - Two additional posts in the Edge of Care team to support young women and girls at risk of exploitation and those absent from school;
  - Portsmouth City Council having strong partnership arrangements including with the Office of the Police and Crime Commissioner to reduce the risks of violent crime in the city and Hampshire, Isle of Wight and Southampton Safeguarding partnerships to reduce risks of exploitation to young people;
  - Developing restorative approaches in schools;
  - Developing a youth strategy and adolescent board to improve the council's response to adolescents who may feel at risk;
  - Working closely as a council with youth organisations and charities.



- Portsmouth City Council has a network of safe spaces for young people across the city, including schools, police stations, the Multi Agency Safeguarding Hub, youth centres, play centres and via outreach projects.

**Full Council believes:**

- Everyone has a right to feel safe in Portsmouth, no matter their background, age, ability or location in the city.
- Portsmouth City Council must do all it can to work with partners to improve public safety, tackle crime and give every person the best possible chance of not just surviving, but thriving in Portsmouth.
- All citizens and sectors in Portsmouth can and should play a role in keeping young people safe, using appropriate collective spaces and willpower to improve public safety.

**Full Council resolves:**

- (i) To encourage all councillors to promote the existing Portsmouth City Council services, including youth centres, which aim to keep Portsmouth's young people safe and to ensure Portsmouth City Council is proactively promoting such services. This includes Portsmouth City Council updating its website on all live projects;
- (ii) To request that Portsmouth City Council supports schools to speak to young people in age appropriate ways about keeping safe when out in the community;
- (iii) To invite Portsmouth City Council to review its existing schemes to increase public safety for young people and explore if further improvements can be made;
- (iv) To request that relevant external partnership bodies ensure they are meeting their obligations and responsibilities in improving young people's safety in Portsmouth, such as through the Police and Crime Panel; and
- (v) For Portsmouth City Council to endeavour to engage local young people in the development of any new programmes about young people's safety, including with Portsmouth's Youth Cabinet, the Council of Portsmouth Students and the Primary Council of Portsmouth Students.

(d) **Southern Water**

Proposed by Councillor Kimberly Barrett  
Seconded by Councillor Abdul Kadir

Sewage dumping into our waterways damages an already delicate ecosystem that we rely on as a coastal city. The consequence these discharges have affect our resident's health and wellbeing, can damage environmental habitats, and harm species all whilst being detrimental to our tourism industry.

Full Council has debated motions in 2019 and 2021 regarding the harmful discharges Southern Water have pumped out into Langstone Harbour. There have been many actions taken forward by the leader of the Council, group leaders, members and the 2 MPs for Portsmouth however, many residents feel that not much notice has been taken by the company and therefore, not much change has happened. Discharges are still occurring, and a recent report jointly undertaken by both Portsmouth University and Brunel University show that drugs such as antidepressants, antibiotics and cocaine are now being detected in animals in the harbour environment. A citizen led project by the clean harbour's partnership called 'Project Spotlight' has been set up to take water samples from the harbour and look at the creatures in this environment to see how those discharges and chemical cocktails are influencing them.

Several organisations have been working to highlight these issues and this council wishes to thank those who have done so including the Stop the Sewage - Southsea group and the Hayling Sewage Watch group. Due to groups such as these, real time signs have been installed at points along Portsmouth Seafront and water testing is also occurring. This is also due to the Council working in partnership with neighbouring councils and the Langstone Harbour Board.

Back in 2021, 750 hours of raw sewage was pumped out of the outflow pipe into Langstone Harbour. So far this year, 305 hours of confirmed sewage discharges have already been sent out into the harbour from Budds Farm. Southern Water was fined £90m due to this in 2021 and in 2022, they were fined a further £28.3m and forced to reduce customer bills.

Consequently, Full Council acknowledges that we are disturbed that discharges continue to happen to this day and continue to happen for significant lengths of time.

The council also acknowledges that funding by the Environmental Agency has been cut almost in half in the last decade. The number of water samples taken has also fallen by 51% and there has been a 94% drop in prosecutions against water companies who continue to illegally discharge affluent into our waters.

Therefore, Full Council asks:

- (i) that Southern Water pay for electronic signs on the seafront to notify bathers if there have been any recent discharges so that individuals can take the decision on whether they wish to swim in the sea and also reimburse any money spent by this council on the signs already put up.
- (ii) That Southern Water also pay for a live update E.coli buoy to be stationed at Southsea beach like the one recently installed at Hayling Island
- (iii) To ask that Southern Water supports the efforts of the Langstone Harbour Board, Portsmouth City Council and Havant Borough Council to find solutions jointly and therefore, pay for regular water testing to see what effect their discharges are having on our marine environment and to meet with all 3 parties to discuss these issues.
- (iv) That Southern Water meet with the Council to discuss their plans going forward for any improvements to Budds Farm and the sewage infrastructure across the city.
- (v) To ask Southern Water to discuss with all members the plans for the proposed wastewater recycling for our drinking water and to ask them to have public events so that the public can have a chance to look at these plans and make an informed decision as part of their consultation. This means that the deadline of the 20<sup>th</sup> February should also be extended.

Full Council also requests:

- (i) That group leaders sign a letter written by the Council leader to be sent to the Prime Minister, Therese Coffey MP (Secretary of State for Environment, Food and Rural Affairs), Lord Benyon and Mark Spencer (Minister of State for DEFRA) to remind them of the environmental destruction and ongoing health concerns that these discharges cause. To request they to publicly condemn the water companies who are causing these discharges and to reiterate that a timescale has been requested to end these discharges occurring in our marine environment as quickly as possible.

- (ii) For the Chief Executive to write a letter to the Environment Agency asking them to continue acting against those who illegally discharge sewage into our waterways. To ask them to lobby the government for further funding to allow for more water sampling to occur, for more investigations of suggested illegal dumping to occur and therefore, more prosecutions being able to happen.

(e) **Stop The Knock: local authority debt collection practices**

Proposed by Councillor Cal Corkery

Seconded by Councillor Kirsty Mellor

Too many Portsmouth households live in constant fear of bailiffs knocking their door. The poorest and most vulnerable suffer disproportionately from debt issues and the local authority should not be actively adding to their woes.

One in two adults with debts has a mental health problem. One in four people with a mental health problem is also in debt. Debt can cause - and be caused by - mental health problems.

Those on the lowest incomes in our city used to be eligible for Council Tax Support for up to 100% of their liability. However this level of support was cut in 2016 so now even the poorest have to pay at least 20% of their total Council Tax bill.

Despite their public service remit, local authorities have some of the most stringent debt collection practices of all creditors. Debts owed to councils often end up in court and Council Tax is the only debt where a debtor can be sentenced to a custodial sentence for non-payment.

In 2018/19, Portsmouth City Council instructed bailiffs to collect debts from individuals and businesses on 17,534 occasions - an increase of 77% since 2016/17. Of these bailiff referrals 6,011 related to Council Tax debts.

There is divergence between local authorities regarding how affordability is assessed and appropriate repayment plans calculated. The Standard Financial Statement (SFS), produced by the Money and Pensions Service, provides a consistent, fair and industry-recognised method of working out affordable repayments, for residents in financial difficulty.

Full Council supports the Money Advice Trust's campaign 'Stop The Knock' and calls on Cabinet to:

- (i) Make a clear public commitment to reduce the council's use of bailiffs over time;
- (ii) Review the council's signposting to free debt advice, including phone/online channels;
- (iii) Adopt the Standard Financial Statement (SFS) to objectively assess affordability;
- (iv) Review the formal policy covering indebted residents in vulnerable circumstances;
- (v) Consider following the example set by other local authorities by exempting Council Tax Support recipients from bailiff action; and
- (vi) Sign the Citizens Advice/LGA 'Council Tax Protocol' and review the authority's current practice against the Money and Pensions Service's 'Supportive Council Tax Recovery' Toolkit.

(f) **Young Carers**

Proposed by Councillor Suzy Horton

Seconded by Councillor Gerald Vernon-Jackson

Council notes:

- (i) Each year the Carers Trust organises Young Carers Action Day (YCAD) to raise public awareness of the challenges faced by young people because of their caring role, and to campaign for greater support for young people and young adult carers to meet their needs.
- (ii) Young Carers Action Day is 15 March 2023 and this year's theme is 'Make Time for Young Carers'
- (iii) Estimates suggest that as many as one in five schoolchildren could be young carers (University of Nottingham 2018), with this number increasing during the COVID-19 pandemic.
- (iv) Caring for someone can be very isolating, worrying, and stressful. For young and young adult carers, this can negatively impact on their experiences and outcomes in education, having a lasting effect on their life chances.
- (v) The work that Portsmouth City Council does to support our young carers, including:
  - The Education network meetings in all schools;
  - Learning and Development and Awareness raising;

- Weekly support groups;
- Holiday Activities;
- 1-1 support; and
- Participation in Young Carers Festival

Council resolves:

- (i) To commend the young and young adult carers in Portsmouth;
- (ii) To promote YCAD on an annual basis;
- (iii) To promote and work in partnership with local care organisations like the Carers Centre;
- (iv) To write to the Government calling on them to ensure that young carers are actively identified and provided with the support they need; and
- (v) To write to the local Members of Parliament and ask them to join the All-Party Parliamentary Group (APPG) for Young Carers and Young Adult Carers.

**19 Questions from Members under Standing Order No 17. (Pages 207 - 208)**

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 Senior Local Democracy Officer at [James.Harris@portsmouthcc.gov.uk](mailto:James.Harris@portsmouthcc.gov.uk).

Civic Offices  
Guildhall Square  
PORTSMOUTH  
6 March 2023

# Agenda Item 8

From GOVERNANCE & AUDIT AND STANDARDS COMMITTEE held on 25 January 2023

Council Agenda Item 8 (Governance & Audit & Standards Committee minute No 4)

## **Contract Procedure Rules**

Recommendation (for Council)

RECOMMENDED that Full Council resolves to approve those revised CPRs, as amended at the request of the Governance & Audit & Standards Committee to include amended and/or additional wording in paragraphs 10, 12 and 34 to provide a greater emphasis on outcomes, as an amendment to Part 3A of the Council's Constitution, to be fully implemented and take effect from 1 July 2023.

*\*Note - the appendix to the report enclosed contains the amended and/or additional wording requested in paragraphs 10.3, 12.1.4 and 34.1 to provide a greater emphasis on outcomes.*

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<b>Title of meeting:</b>	Governance & Audit & Standards Committee / Full Council
<b>Date of meeting:</b>	25 January 2023 Governance & Audit & Standards Committee 14 March 2023 Full Council
<b>Subject:</b>	Contract Procedure Rules
<b>Report by:</b>	Peter Baulf - City Solicitor & Richard Lock - Assistant Director, Procurement
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	Yes

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## 1. Purpose of report

- 1.1. The purpose of this report is to seek approval to replace the Council's current Contract Procedure Rules ("**CPRs**") with those attached at Appendix A. Adopting the revised rules will help ensure that the Council is able to more effectively and proportionally discharge its procurement function in readiness for the forthcoming legislative procurement reforms. The revised rules will also provide a dynamic platform from which to implement existing and future locally led policy within the Council's procurement practices.

## 2. Recommendations

- 2.1. To endorse the revised CPRs as attached at Appendix A and:
- 2.2. To RECOMMEND that Full Council resolves to approve those revised CPRs as an amendment to Part 3A of the Council's Constitution, to be fully implemented and take effect from 01 July 2023.

## 3. Background

### Legal position

- 3.1. The Local Government Act 1972 requires the Council to have rules in place about "*the manner in which the Council buys goods or materials, services and works*" which shall include "*provision for securing competition*".



- 3.2. As a 'Best Value' authority, the Council "*must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness*" (Local Government Act 1999)
- 3.3. As a "Contracting Authority" for the purpose of the Public Contracts Regulations 2015 ("**PCR 2015**"), the Council must procure goods, works and services in compliance with those rules.
- 3.4. The CPRs meet the legislative requirement under the LGA 1972 and should enable the Council to meet its best value obligations and procure lawfully.
- 3.5. CPRs are 'owned' for constitutional purposes by the City Solicitor.

#### **Current rules**

- 3.6. The current CPRs were drafted in late 2015, approved by the Council on the 10 November 2015 under Council minute 2015/93 and came into effect on 01 January 2016.
- 3.7. CPRs were last reviewed in late 2019 when a report was taken to this committee with recommendations for amendment, which were endorsed by this committee on the 20 September 2019 and approved by Council on 15 October 2019.
- 3.8. Since early 2021, Legal Services, Procurement Services and Finance have undertaken a detailed review of the effectiveness and proportionality of the CPRs and have noted a number of issues within the existing CPRs;
  - the structure of current CPRs does not reflect the typical sequencing of the procurement life cycle which can make them difficult to navigate ;
  - the current rules are not fully up to date with existing policy and practice which can create confusion and ambiguity;
  - the current rules include areas of duplication and contradiction with other areas of the constitution, particularly in relation to Financial Rules;
  - the current rules are overly prescriptive in places and can compromise the Council's ability to act dynamically within the constraints of the wider regulatory procurement framework, this will only be exacerbated when the wider regulatory reforms come into place unless action is taken in advance;

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

- 4.1. The new CPRs have been drafted to be a more coherent, legally correct and practical document than the current CPRs. Procurement activity is a fundamental part of the Council's activity as it is the means through which the Council spends a significant amount of taxpayer money.
- 4.2. The new CPRs have been reviewed in parallel against other existing related constitution / policy to ensure that the Council benefits from maximised synergy and co-ordination.



- 4.3. The new CPRs have been developed in conjunction with a review of procurement governance processes and associated value / risk thresholds which will allow for proportionate focusing of valuable professional resources onto higher risk / value procurement activities, improve efficiency and address risk on a relevant and proportionate basis.
- 4.4. The new CPRs remove locally imposed value thresholds. This will give greater flexibility to the Council to make commissioning decisions and focus more upon local needs, communities and businesses within the broader constraints of the wider regulatory framework.
- 4.5. Whilst the language used within the new CPRs must retain an element of 'legalese', the ambition with the new CPRs is for them to be seen as a useful, practical and easy to read document which will help an officer, irrespective of their level of expertise in procurement, to understand where they are in the procurement process and what they need to take into account.
- 4.6. Through focusing on providing a summary framework rather than detailed process requirements the new CPRs will provide a flexible platform and allow for the dynamic implementation of regulatory requirements, local policy, process re-design and adoption of best practice on a continuous improvement basis.
- 4.7. To achieve the ambitions outlined above, the structure has been an important focus of the redraft with it split into 8 separate parts reflecting the key procurement responsibilities. This structure largely replicates the structure suggested by the Chartered Institute of Public Finance and Accountancy (**CIPFA**). The key points are as follows;

#### **Part 1 - The Rules and Key Responsibilities**

Sets out why the Council needs these rules; the legal basis of the rules; the roles and responsibilities across the council for compliance with them; and a simplified process through which all procurement activity will have an appropriate level of assurance

#### **Part 2 - Activity Before a Procurement**

An area that the current CPRs does not address e.g. the need for early and appropriate engagement with support services (legal, procurement and finance); the requirement to consider alternative options to procurement (make or buy, shared service arrangements, etc.); the ability to reserve procurements to local business or certain categories of business; highlighting the regulated nature of pre-procurement activity (i.e. market engagement and testing); and the requirement to set out clearly what it is the Council wants (specification). Generally the biggest contributor to the achievement of best value lies in effectively planned and executed pre-procurement activity which the revised rules will focus on to a much greater extent.

#### **Part 3 - Selecting a Sourcing Process**

This part better reflects the legal obligations on the Council under PCR 2015, recognising the numerous legal ways of meeting those obligations in a proportionate



way. The legal method to 'reserve' contracts to local businesses or Small and Medium sized Enterprises (SMEs) /Voluntary, Community and Social Enterprises (VCSEs) is reflected and supports the Council's Social Value Policy objectives. A process has been set out for oversight of the 'emergency' procurement process under regulation 32 of PCR (negotiated procedure without prior publication).

#### **Part 4 - The Form of Contract**

This Part sets out the responsibilities of Directors for agreeing contract terms below a certain value with minimum requirements on those terms based on statutory requirements (e.g. 30 days payment terms, mandatory termination provisions) as well as simply good practice (the VAT position, the management of contracts and insurance provisions). The rules also address the increasing use of electronic signatures and provide clear instructions as to how these should be used.

#### **Part 5 - The Procurement Process**

Here the draft revised CPRs focus on how the Council lawfully selects its contractors - the need to ensure contractors are suitable both in delivering services and their economic and financial standing. Ensuring that the legal obligations to set fair, transparent, proportionate and appropriate award criteria and the process for managing the procurement process (e.g. administration of bids, clarifications, corrections etc)

#### **Part 6 - After the Commencement of the Contract**

The principles for on-going contract management responsibility and the oversight of strategic contracts to the Council.

#### **Part 7 - Transparency and Record Keeping**

This section is focused on the legal obligations of the council in relation to confidentiality duties owed to suppliers; the publication of contract award notices; debriefing tenderers; the contents of the statutory procurement report under regulation 84 and the responsibilities in relation to the maintenance of the Council's contract register.

#### **Part 8 - Variations and Extensions**

This refers to the legal principles that apply when the Council wishes to vary a contract and the relevant level of engagement with the support services required. It also deals with the process for the extension of contracts, and where an extension is proposed that is not provided for within the terms of the contract, that it be treated as a new contract for the purpose of procurement legislation and internal sign-off.

#### **Part 9 - Waivers**

This sets out a simpler process for sign-off of waivers based on the value of the contract.

## **5. Implementation**

- 5.1. On the assumption that the Committee endorses the recommendations set out within this report and the revised CPRs are formally approved at Full Council on 14 March 2023 the new rules will come into effect from 01 July 2023.



- 5.2. Any procurement activity which is in the process of being completed and was formally instigated prior to the launch date for the new rules will need to comply with the existing rules.
- 5.3. During the approximately 3 month implementation period, Procurement and Legal will engage with services at all levels to provide information and, as appropriate, training on the new rules. Communications will be engaged to ensure that all staff email communications and other means of raising awareness of the forthcoming changes can be utilised.
- 5.4. Information and training materials will be developed which can be flexibly communicated via meetings, in-person training courses, e-learning and revised web page content.
- 5.5. In order to gain maximum benefit from the revised CPRs procurement skills will need to be developed across all Council services.
- 5.6. Procurement, in consultation with Legal and other services as relevant, will develop and deliver wider corporate training which covers all key procurement life cycle activities - establishing need, soft market testing, specification writing, bid evaluation through to contract management and benefits realisation. This training is currently being scoped with the target that it will be ready for delivery prior to April 2023.
- 5.7. Similarly, a review of procurement governance processes and associated procurement documentation will also be undertaken to ensure that when the new rules come into effect the Council will be able to immediately benefit from improved flexibility, efficiency and effectiveness.
- 5.8. No further additional Procurement and Legal resource capacity is envisaged to be required to support the implementation of the new rules, although there may be some impact on the capacity of these services to support other development of further policy initiatives during the implementation period.
- 5.9. Sufficient budget is currently in place to develop the training materials mentioned above which will be developed within the 22/23 financial year and no on-going budget allocation is being sought in order to effectively deliver the recommendations set out within this report.

**6. Integrated impact assessment**

6.1. An integrated impact assessment is not required as the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

**7. Legal implications**

7.1. This report is written by the City Solicitor and contains the legal implications within the body of the report.

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

8.1. The revised CPR framework including appropriate financial thresholds and limits have been formulated in consultation with the Director of Finance.

.....  
Signed by: Richard Lock - Assistant Director, Procurement

**Appendices**

Appendix A: Draft: Contract and Procedure Rules.

**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**  
**Contract and Procurement Rules**

Approved by Full Council with effect from [date] and containing all subsequent approved amendments up to [date].

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## **Part 1) The Rules and key responsibilities**

### **1. Purpose**

- 1.1. These Contract and Procurement Rules ("**the Rules**") are made in accordance with section 135 of the Local Government Act 1972. They set out the manner in which the Council buys goods or materials, services and works and how it ultimately contracts with outside parties ("**Procurement**").
- 1.2. The over-riding public procurement policy requirement is that all public procurement must be based on Value for Money, defined as "*the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought*". This should be achieved through competition, unless there are compelling reasons to the contrary.
- 1.3. Public procurement is subject to a legal framework which encourages free and open competition and Value for Money, in line with internationally and nationally agreed obligations and regulations. As part of its strategy, the Council aligns its procurement policies within this legal framework as well as its own wider policy objectives.
- 1.4. UK public procurement applicable to the Council is primarily governed by the Public Contract Regulations 2015 ("**PCR 2015**") and the Concession Contract Regulations 2016 ("**CCR 2016**") and on certain specific occasions when it concerns the Port, the Utilities Contract Regulations 2016 ("**UCR 2016**"). The key "**Procurement Principles**" that apply to all public sector procurements are;
  - 1.4.1. **non-discrimination** - decision making and actions must be unbiased
  - 1.4.2. **equal treatment** - comparable situations are not treated differently and that different situations are not treated in the same way unless such treatment can be objectively justified
  - 1.4.3. **transparency** - open and available to all tenderers
  - 1.4.4. **proportionality** - measure is appropriate for attaining the objective pursued
- 1.5. As well as the procurement regulations referred to in paragraph 1.4, the Council must also adhere to other domestic legislation and guidance which affects procurement policy, which includes (but is not limited to);
  - 1.5.1. The Local Government Act 1999 which requires the Council (as a 'best value authority') to make arrangements to secure the continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
  - 1.5.2. The Late Payment of Commercial Debts Regulations 2013 - which aims to make pursuing payment a simpler process, reducing the culture of paying late and making payment on time the norm;
  - 1.5.3. Equality Act 2010 - the Council must always comply with the Public Sector Equality Duty when conducting public procurement;

- 1.5.4. Public Services (Social Value) Act 2012 - at the pre-procurement stage, the Council must consider how what it is procuring may improve the social, environmental and economic well-being of the area in which the contract will be applied, how it might secure any such improvements and to consider the need to consult.
- 1.5.5. The Local Government (Transparency Requirements) (England) Regulations 2015 - which requires the Council to publish certain information about public contracts
- 1.5.6. Procurement Policy Notes (PPNs) published by the Cabinet Officer which provide guidance for procurement for public sector organisations;
- 1.5.7. Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") - which protects employees and may be relevant where the Council is changing contractor or outsourcing/insourcing services.

## **2. Councillor Responsibilities**

- 2.1. The Council is composed of its elected Councillors who provide democratic accountability on behalf of the whole community of Portsmouth. The Councillors, meeting as "the Council" will set the policy and budgetary framework for the Council as a whole. The Cabinet, as the part of the Council which is responsible for most day-to-day decisions, will be responsible for making decisions which are in line with this framework.
- 2.2. Individual Cabinet Members have public accountability for the budget and contracting framework within their portfolio and will be informed by the key Council officers who are responsible for advising, implementing and managing the day-to-day delivery of services by officers.
- 2.3. Cabinet Members will be asked to approve certain "Key Decision". These Key Decisions (as defined in the Constitution) are decisions which are likely to;
  - 2.3.1. Result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
  - 2.3.2. Be significant in terms of its effects on communities living or working in an area comprising 2 or more wards in the Council's administrative area.
- 2.4. Officer accountability for procurement will be with its Chief Officers (in accordance with the Constitution). Those Chief Officers (referred to in these Rules as "**Directors**"), have responsibility for procurement in accordance with the Council's Scheme of Delegation.

## **3. Director responsibilities**

- 3.1. All Directors are responsible for ensuring that the Rules are correctly applied and understood in accordance with the areas for which they are responsible including for any emerging relevant best practice, policy and statutory obligations, in regular consultation with Procurement, Legal and Finance.

- 3.2. Directors must not commence or permit the commencement of a procurement process without a specific delegated authority to act under the scheme of delegation or from the relevant Cabinet Member, through a published decision or as otherwise authorised in accordance with the Council's Constitution.
- 3.3. Directors shall;
  - 3.3.1. be responsible and provide strategic direction for all procurements undertaken in their directorate;
  - 3.3.2. ensure that all procurement and delegated decision making adheres to the scheme of delegation;
  - 3.3.3. comply with the Financial Rules as set out in the Council's Constitution;
  - 3.3.4. ensure that all sourcing decisions represent Value for Money and are within approved budgets;
  - 3.3.5. ensure that they delegate to appropriately skilled and qualified Responsible Officers to undertake procurement activity;
  - 3.3.6. engage with Procurement, Finance and Legal Services;
  - 3.3.7. provide for appropriate and effect contract and supplier management for all contracts they are responsible for (see [Part 6](#) of these Rules);
  - 3.3.8. ensure sufficient funds are available in their budget for relevant procurement and contracting activities; and
  - 3.3.9. ensure that they update their directorate risk register to include any identified procurement risks.

#### **4. Responsible Officer.**

- 4.1. The Responsible Officer will be the person nominated by their Director to conduct a compliant procurement process or to participate in or lead a team of officers assembled for that purpose.
- 4.2. The Responsible Officer shall;
  - 4.2.1. ensure compliance the Council's Financial Rules;
  - 4.2.2. ensure that they are suitably confident in their duties in relation to procurement activity;
  - 4.2.3. ensure that they have sufficient information to support and justify all commissioning and procurement activity;
  - 4.2.4. ensure that an options appraisal has been undertaken in relation to the activity they are undertaken (see Rule 9).
  - 4.2.5. manage the procurement process in compliance with the Rules, PCR 2015 (or CCR 2016 if applicable) and any other relevant Council policy or process for commissioning and procurement including the Gateway Process as advised by Procurement;
  - 4.2.6. seek appropriate advice and support from their Director, Procurement, Legal Services, and Finance departments.

- 4.2.7. plan an appropriate and proportionate timetable for any procurement exercise, taking into account any advice from Procurement, Finance and Legal Services as necessary;
- 4.2.8. devise a procurement plan which is efficient and suitable for the requirement and the market concerned which considers any other relevant sourcing options such as the use of existing contracts or Framework Agreements or DPS Agreements taking into account any advice from Procurement, Finance and Legal Services;
- 4.2.9. ensure that all procurement activity follows Procurement Principles (see 1.4);
- 4.2.10. maintain a full record and audit trail of all procurement activity ("**the Procurement File**" see [Part 7](#) of the Rules), including decisions made and communications with suppliers; and
- 4.2.11. ensure contracts are recorded as out in [Part 7](#) of the Rules.
- 4.3. The Responsible Officer shall take advice from the City Solicitor or officer acting with delegated authority from the City Solicitor;
  - 4.3.1. On all legal, regulatory and constitutional aspects of the procurement process; and
  - 4.3.2. as set out in Rule 24, concerning the content and form of any contract before it is made available to bidders (irrespective of procurement process) and/or before it is entered into on behalf of the Council.

## **5. The City Solicitor and Assistant Director of Procurement**

- 5.1. The City Solicitor is responsible for updating and maintaining these Rules.
- 5.2. If an issue arises upon which the Rules are silent or incomplete, the matter shall be referred to the City Solicitor for determination. The Contracts, Commercial and Procurement Legal Team within Legal Services (for simplicity referred to as "**Legal Services**" in these rules) will be responsible, on behalf of the City Solicitor, for the provision of such advice and guidance.
- 5.3. The Director of Finance and Resources & section 151 Officer has delegated authority under the Council's constitution for the Council's procurement function and undertaking such processes as may be required to ensure the most effective procurement of services, goods, works and all other contractual arrangements required by the Council. This responsibility has been onward delegated to the Assistant Director for Procurement.
- 5.4. The Assistant Director of Procurement and the City Solicitor shall jointly be responsible for ensuring the compliance of the Council with these Rules.
- 5.5. Officers shall seek and comply with any advice from the City Solicitor (Legal Services), the Assistant Director of Procurement and the s151 Officer.

## **6. Council Gateway process**

- 6.1. The Assistant Director of Procurement, in consultation with the City Solicitor and s151 Officer, shall be responsible for setting out an assurance process (known as "**Gateway**") which will take into account such matters as financial, legal and reputational risks to the Council.

- 6.2. The key functions of the Council's Gateway process will be to ensure that that the Council;
  - 6.2.1. Is able to proportionally manage the risks of its procurement activity;
  - 6.2.2. acts lawfully in accordance with legislation, the Council's constitution and these Rules;
  - 6.2.3. acts consistently across all procurement and sourcing activity;
  - 6.2.4. provides support and advice to maximises Best Value to the Council at all stages of the procurement cycle; and
  - 6.2.5. follows emerging best practice and support the delivery of national and Council policy and strategies;
- 6.3. The Gateway will be assessed by a board ("**Gateway Board**") which will include the Assistant Director of Procurement, City Solicitor and s151 Officer (or their respective delegates).
- 6.4. Gateway Board shall consider;
  - 6.4.1. Contracts with an annual value of £5 million or more; or
  - 6.4.2. Any contract considered higher risk, as decided by the Assistant Director of Procurement and City Solicitor (or their respective delegates).

## **7. Application of the Rules**

- 7.1. The Rules shall apply to all spend by the Council with external suppliers (except as listed at Rule 7.3) regardless of the source of funding. They apply to contracts let by the Council on its own behalf or when acting as a purchasing authority on behalf of others.
- 7.2. These Rules shall also apply to all spend by Maintained Schools with external suppliers (except as listed at Rule 7.3) regardless of the source of funding **except** where any Rule requires them to do anything incompatible with any of the provisions of the Council's Schools Scheme for Financing Schools.
- 7.3. The Rules do not apply to;
  - 7.3.1. Grants to local and voluntary organisations (which are dealt with in the Council's Financial Rules);
  - 7.3.2. Contracts solely for the acquisition or disposal of an interest in land;
  - 7.3.3. arbitration or conciliation services
  - 7.3.4. legal services connected with litigation or the exercise of official authority (see regulation 10(1)(d) of PCR 2015);
  - 7.3.5. certain financial services related to the issue, sale, purchase or transfer of securities or other financial instruments;
  - 7.3.6. for loans, whether or not in connection with the issue, sale, purchase or transfer of securities or other financial instruments;
  - 7.3.7. Contracts for permanent or fixed term employment (consultants are dealt with at Rule 21);

- 7.3.8. Works or orders placed with utility companies;
  - 7.3.9. Services delivered by a Portsmouth City Council in-house service (save for where the services are delivered by any PCC owned private company);
  - 7.3.10. Direct payments to customers following care assessment (e.g. direct payments or a personal budget);
  - 7.3.11. Non-trade payments to third parties, such as insurance claims, pension payments, court judgments, and statutory payments to public bodies; or
  - 7.3.12. Grant of a licence (unless a licence involves the letting of a Concession Contract).
- 7.4. Where the proposed contracts is subject to the Public Contract Regulations 2015 ("**PCR 2015**"), the Concession Contracts Regulations 2016 ("**CCR 2016**") or the Utilities Contracts Regulations 2016 ("**UCR 2016**"), then those regulations apply in addition to the Rules. Where there is a conflict, then PCR 2015, CCR 2016 or UCR 2016 (as applicable) take precedence.
- 7.5. The Council is legally obliged to comply with these rules. Failure to comply with the Rules may result in the Council being subject to judicial review and legal, financial and reputational damage to the Council.
- 7.6. Failure to adhere to the Rules is a disciplinary offence.
- 8. Conflict of Interest**
- 8.1. All Directors shall ensure that officers involved in procurement processes in their directorates are familiar with the Employees' Code of Conduct, part of the Council's constitution.
- 8.2. Officers who are also directors of Council owned companies maybe involved in procurement processes of the Council but must ensure their interests in the companies are declared in accordance with rule 8.3 and such interests must also be made clear in the tender documents in accordance with rule 8.6.3.
- 8.3. Any officer involved in a procurement shall:
- 8.3.1. comply with the Employees' Code of Conduct; and
  - 8.3.2. disclose in writing to their Director or the City Solicitor any direct or indirect, financial, economic or other personal interest which might be perceived to compromise their impartiality and independence in the context of a procurement procedure.
- 8.4. Where an officer discloses such a conflict of interest the Director shall, in consultation with the City Solicitor, make arrangements to allocate the role to another person and shall consider whether any changes to the procurement process should be made to address any issues arising from the conflict.
- 8.5. Any officer involved in a procurement shall take appropriate measures to ensure competition is not distorted where a Candidate or Tenderer, or an undertaking related to that Candidate or Tenderer, has advised the Council on the procurement in question or been involved in the preparation of the procurement.

- 8.6. Where the Responsible Officer engages any external party to evaluate any tenders on behalf of the Council, the Responsible Officer shall ensure:
- 8.6.1. compliance with these Rules;
  - 8.6.2. that the party has received appropriate training and guidance, following advice from Procurement;
  - 8.6.3. that the invitation to tender includes relevant details of the party who will be involved in evaluation of tenders;
  - 8.6.4. that the external party is required to sign a confidentiality/non-disclosure agreement and declaration confirming they do not have any conflict of interest and will notify the Council immediately should a potential or actual conflict arise at any time during the procurement process.

## **Part 2) Activity before a procurement**

### **9. Initial assessment**

- 9.1. The contract must be valued in accordance with Rule 13.
- 9.2. If the contract is;
  - 9.2.1. a contract;
    - 9.2.1.1. over 5 years in duration (including extensions); or
    - 9.2.1.2. a High Risk Contract, with a value of £30,000 or more; or
  - 9.2.2. is of a value of £150,000 or more; or
  - 9.2.3. it is proposed to advertise the contract opportunity on Contract Finder; or

Then Procurement Services and Legal Services must be engaged.

- 9.3. If the contract does not meet the requirements of Rule 9.2, then it will be subject to 'self-service', meaning that it is not expected that the Responsible Officer will instruct Procurement Services and Legal Service to support the procurement of the contract. The Responsible Officer must then procure the contract in accordance with Rule 15, 16 or 17 depending on value.

### **10. Options Appraisal**

- 10.1. The Responsible Officer will ensure that the sourcing approach adopted (which shall include but will not be limited to the review of any existing contractual arrangement and the decision as to whether or not the goods/works/services shall be procured or provided in-house or through collaboration with other public bodies etc) is appropriate to the particular requirements taking into account the budget, the requirements of the Council, its service users and residents, the relevant market and any other relevant commercial considerations.
- 10.2. The sourcing approach must comply with the requirements of the Public Services (Social Value) Act 2012 which requires the Council to consider;
  - 10.2.1. How what is being proposed to be procured might improve the economic, social and environmental well-being of the relevant area; and
  - 10.2.2. How, in conducting the process of procurement, it might act with a view to securing that improvement; and
  - 10.2.3. Whether to undertake a consultation on the potential improvements or how they might be secured.

The Council's Social Value policy, maintained by procurement, sets out how the Council will comply with this requirement.

- 10.3. The Responsible Officer will in particular give due consideration to any relevant PCC policy which affects procurement activity as advised by procurement services, which may include (but are not limited to) those on the Real Living Wage, **Modern Slavery, Social Value**, the Armed Forces Covenant and Environmental Policy.



10.4. The Responsible Officer will ensure a record is kept of the sourcing decision with the Procurement File and that the decision is referenced in any decision to approve the commencement of the procurement.

## **11. Preparation (market testing and engagement)**

11.1. The Responsible Officer shall determine the sourcing approach based on;

11.1.1. The views of service users, residents and other stakeholders;

11.1.2. Consultation or testing with the relevant market and peer review

11.1.3. Current performance and future objectives of the product, works or service

11.1.4. Budgetary constraints; and

11.1.5. The existence of other public contracts, Framework Agreements or DPS Agreements which might be suitable for the Council to use

11.2. Market consultation, as a regulated activity in accordance with regulations 40 and 41 of the PCR 2015, shall be conducted in consultation with Procurement. The Responsible Officer must comply with any guidance or advice provided.

11.3. Any proposals to sell or trade in services, supplies, or assets or to enter into collaboration or partnership agreement (such as under section 75 of the National Health Service Act 2006) must be referred to Legal Services.

11.4. Where the Council proposes to procure a Contract jointly with one or more other Contracting Authorities then advice must be sought from the Assistant Director of Procurement in consultation with Legal Services.

## **12. The Requirement (Specifications)**

12.1. The Responsible Officer shall ensure that the specification for the contract

12.1.1. Complies with the requirements of PCR 2015 in respect of technical specifications and any internal guidance and Council policies;

12.1.2. Clearly and effectively sets out the obligations on the supplier to deliver to the Council's requirements;

12.1.3. Is legally enforceable, taking advice from Legal Services where necessary;

12.1.4. Contains suitable and appropriate service levels and/or key performance indicators/monitoring arrangements **and/or outcome measures**.

## **13. Valuation of the Contract**

13.1. The value or estimated value of all contracts to be procured must be properly assessed to determine whether or not they meet particular thresholds as set out in the Rules and under PCR 2015 and CCR 2016. The Responsible Officer shall follow advice from Procurement Services and Legal Services.

13.2. Contracts subject to PCR 2015 must be valued in accordance with regulation 6 of the PCR 2015; Contracts subject to CCR 2016 must be valued in accordance with Regulation 9 of CCR 2016.

- 13.3. The value of all other contracts shall be the value;
  - 13.3.1. including VAT;
  - 13.3.2. Including all possible extensions and renewals;
  - 13.3.3. In the case of a Framework Agreements or DPS Agreements, the maximum estimated value of all the contracts to be awarded during the total term of the Framework Agreements or DPS Agreements; and
  - 13.3.4. Inclusive of any potential spend through the contract concerned by other contracting authorities
- 13.4. Notwithstanding Rule 14, contracts shall not be subdivided with the effect of preventing it from falling within the scope of the Rules, PCR 2015 or CCR 2016.
- 13.5. Where a supply or service contract is regular in nature or is intended to be renewed or re-procured on or shortly after its expiry, the calculation of the contract value shall be based on the total value of the successive contracts being planned including those of the same type awarded during the preceding 12 months or previous financial year..
- 13.6. Where a supply or service contract does not indicate a total price, the basis for calculating the estimated contract value shall;
  - 13.6.1. In the case of fixed-term contracts where that term is less than or equal to 48 months, the total value for their full term;
  - 13.6.2. In the case of contracts without a fixed term or with a term greater than 48 months, the monthly value multiplied by 48

#### **14. Lots**

- 14.1. For every procurement relating to a contract which exceeds the Threshold, the Responsible Officer must, in consultation with Procurement;
  - 14.1.1. Review whether the contract should be sub-divided into and procured in lots;
  - 14.1.2. Provide reasons for any decision not to subdivide into lots, which shall be included in the Procurement Report; and
  - 14.1.3. Where a contract is to be divided into lots, comply with the requirements in Regulation 46 of PCR 2015.

### **Part 3) Selecting a sourcing process**

#### **15. Contracts with a value of under £5,000 in value**

- 15.1. The Responsible Officer must, in relation to any contract with a value of less than £5,000, demonstrate and record that the contract represents Value for Money. In doing so, the Responsible Officer should consider whether the contract relates to services that maybe purchased by another Council department or other corporate arrangements (e.g. frameworks, e-catalogues etc)
- 15.2. The form of contract shall comply with the requirements of Rule 25.1.

#### **16. Contracts with a value between £5,000 and £30,000**

- 16.1. The Responsible Officer shall, in relation to any contract with a value between £5,000 and £30,000:
  - 16.1.1. without advertising the opportunity, obtain a minimum of three quotations from suppliers, where the Responsible Officer has sufficient knowledge of the market to be reasonably certain such an approach would elicit bids representing Value for Money and can evidence this; or
  - 16.1.2. use of a contract, Framework Agreement or Dynamic Purchasing System procured by another contracting authority in compliance with the PCR 2015 or CCR 2016 (as applicable); or
  - 16.1.3. obtain a single tender or quote from reputable supplier where the Responsible Officer has sufficient knowledge of the market to be reasonably certain such an approach would elicit a quote representing Value for Money and can, if required, provide evidence this. The format for such request and written approval shall be in the Council's standard form available from Procurement Services.
- 16.2. The form of contract shall comply with the requirements of Rule 25.1.

#### **17. Contracts with a value of over £30,000 and under the relevant Threshold**

- 17.1. The Responsible Officer shall use one of the following procurement routes to award a contract valued over £30,000 but below the relevant Threshold:
  - 17.1.1. a competitive procurement process advertised on Contracts Finder and the Council's own website using the Council's e-sourcing solution (contact Procurement Services);
  - 17.1.2. use of a contract, Framework Agreement or Dynamic Purchasing System procured by another contracting authority in compliance with the PCR 2015 or CCR 2016 (as applicable) using the Council's e-sourcing solution (contact Procurement Services); or
  - 17.1.3. obtain a minimum of three quotations from suppliers using the Council's e-sourcing solution (contact Procurement Services), where the Responsible Officer has sufficient knowledge of the market to be reasonably certain such an approach would elicit bids representing Value for Money and can evidence this; or

- 17.1.4. only if all other routes at Rule 17.1.1 to 17.1.3 are unavailable, without advertising the opportunity and with the prior written approval of the relevant Director or Assistant Director (as applicable per the Scheme of Delegation), obtain a single tender or quote from a reputable supplier where the Responsible Officer has sufficient knowledge of the market to be reasonably certain such an approach would elicit a quote representing Value for Money and can, if required, provide evidence this. The format for such request and written approval shall be in the Council's standard form available from Procurement Services.
- 17.2. The form of contract shall comply with the requirements of Rule 25.1.
- 18. Contracts with a value over the relevant Threshold**
- 18.1. Contracts which equal or exceed the Threshold shall use one of the following procurement routes;
- 18.1.1. By advertisement on FTS or by using one of the procurement routes mandated by the PCR 2015 or CCR 2016 (as applicable); or
- 18.1.2. where appropriate and lawful, by using an existing contract, Framework Agreement or Dynamic Purchasing System which was procured in compliance with the PCR 2015 or CCR 2016 (as applicable); or
- 18.1.3. Contracts subject to the 'Light Touch' regime (social care, education services and other services listed in Schedule 3 of the PCR 2015) must comply with the principles of regulation 76 of PCR 2015 or regulation 19 of CCR 2016 (as applicable).
- 18.2. The form of contract shall be as advised by Legal Services.
- 19. Requirement to advertise**
- 19.1. Contracts which exceed the Threshold must be advertised on FTS by publishing a Contract Notice or, where advised by Procurement, a Prior Information Notice ("**PIN**") as a call for competition.
- 19.2. The Council may use a PIN as a call for competition when using the restricted or competitive procedure with negotiation.
- 19.3. All contracts which are advertised on FTS must also be advertised on Contract Finder within 24 hours of the time the Council becomes entitled to post it, that is either after;
- 19.3.1. It appears on FTS;
- 19.3.2. It has not appeared by 48 hours have elapsed from the time that FTS has confirmed receipt of notice to the Council.
- 19.4. All Procurement Documents must be available from the time the Contract Notice is published on FTS. Therefore no advertisement must be placed until the Procurement Documents are complete. The Contract Notice must include a specified location where interested parties can electronically access all Procurement Documents.
- 19.5. The Responsible Officer or Procurement, as is appropriate, is responsible for ensuring all Contract Notices and publications on Contracts Finder are

published in accordance with the Rules.

## **20. Negotiated procedure without prior publication**

- 20.1. Where the Responsible Officer proposes to dispense with a Contract Notice and engage in negotiations with a single supplier under the negotiated procedure in regulation 32 of PCR 2015 or regulation 31(6) of CCR 2016, then the Responsible Officer must receive the written authorisation from the City Solicitor and Assistant Director of Procurement before using these procedures.

## **Other Considerations**

### **21. Reserved contracts**

- 21.1. The Responsible Officer may reserve participation in procurement processes for limited types of services contracts to certain qualifying organisations from the employee ownership and voluntary sectors in accordance with regulation 77 of PCR 2015. The maximum duration of contracts awarded under this power is three years.
- 21.2. The Responsible Officer may, for below Threshold contracts, reserve the procurement:
- 21.2.1. in relation to services contract only by supplier location - this means being able to run a competition and specify that only suppliers located in a geographical area can bid; and/or
  - 21.2.2. for Small and Medium sized Enterprises (SMEs) /Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.
- 21.3. The Responsible Officer must be able to demonstrate that reserving a procurement as described in rule 21 will represent Value for Money and must obtain written approval from the Assistant Director of Procurement before commencing a procurement in reliance on rule 21.1.

### **22. Consultancy Contracts**

- 22.1. A Consultant is an individual or company commissioned to do a short term, and clearly defined piece of specialised work, with clear outcomes where the work is project based, outside business as usual and there is a defined end point for the Consultant's involvement.
- 22.2. Where a Consultant is engaged, the Responsible Officer will need to consider the rules for 'off-payroll workers'. The off-payroll working legislation is likely to apply to consultancy engagement if;
- 22.2.1. The Consultant personally performs services for the Council;
  - 22.2.2. The Consultant is not contracting personally but chooses to contract via their own company / personal service company: or
  - 22.2.3. The nature of the contract and working practices means that the consultant is working in a similar way to an employee and would be considered 'employed' for tax purposes were they not engaged via their own company / personal services company

- 22.3. To establish the off-payroll status of a Consultant, the Responsible Officer must complete the IR35 Toolkit "Check Employment Status for Tax" (CEST) to establish whether or not an individual consultant is in scope for PAYE (tax and national insurance) contributions. Any queries on the CEST test following its completion must be referred to the Payroll and Pensions manager.
- 22.4. The CEST test will also enable the Responsible Officer to determine whether the engagement will derive employment rights to the Consultant (i.e. the rights to paid leave, pensions etc). Any queries on the employment status of the Consultant must be referred to the HR Business Partner.
- 22.5. The result of the CEST test must be kept on the Procurement File. No payment will be made by accounts payable until the CEST test and payroll status has been confirmed.
- 22.6. Failure to comply with the rules for off-payroll workers can result in financial penalties (as well as the back-payment of unpaid taxes) from HM Revenue and Customs. Failure to properly account for the employment status of the Consultant may result in the back-payment of paid leave, pensions contributions etc. Such financial penalties will be the liabilities of the relevant Council department.
- 22.7. Further guidance can be found on the Council's intranet site. Notwithstanding any other rule, advice maybe sought from Legal, Finance and Procurement on consultancy agreements.

### **23. Framework Agreements and Dynamic Purchasing Agreements (DPS)**

- 23.1. Where the Council is procuring (i.e. setting up) a Framework Agreement or a Dynamic Purchasing Agreement with a value above the relevant Threshold, then they shall be awarded in accordance with PCR 2015 or CCR 2016 (as applicable).
- 23.2. Where the Council is procuring a Framework Agreement or a Dynamic Purchasing Agreement (or pseudo-framework agreement) with a value below the relevant Threshold, then they shall be awarded in accordance with these Rules.
- 23.3. The Responsible Officer must consult Procurement before using a Framework Agreement or Dynamic Purchasing System set up by another contracting authority and the validity of the Framework or Dynamic Purchasing System and its contractual terms must be approved by Legal Services in advance of the Council carrying out any "call-off" procedure or awarding any contract under such Framework Agreement or Dynamic Purchasing System.

## **Part 4) The form of contract**

### **24. Form of Contract**

#### 24.1. For contracts;

24.1.1. less than £150,000, the relevant Director should use a standard form contract as approved by Legal Services but can choose to accept the supplier's standard terms, provided that such terms are fair and reasonable in the circumstances. The form of contract must be recorded in its final agreed form and shall contain as a minimum the requirements set out in Rule 25.1.

24.1.2. more than £150,000, Legal Services is responsible for providing or approving all forms of contract. The Responsible Officer shall follow any advice or guidance from Legal Services on the appropriate form of contract.

24.2. All contracts must be written or in an electronic form capable of providing a permanent record of the intentions of the parties to the contract.

24.3. Where contract terms are to be published by the Council in connection with any competitive tender or single tender process, the Responsible Officer must ensure that the proposed form of contract has been approved by Legal Services before it is made accessible to Tenderers or any other external interested party.

24.4. The Responsible Officer shall ensure there is a record of the contract kept in accordance with Rule 47.

### **25. General Clauses**

#### 25.1. Every contract must clearly specify;

25.1.1. The services, goods or works to be provided in accordance with Rule 12;

25.1.2. The price to be paid, with a statement of discounts and other deductions, including any Value Added Tax (VAT) payable and any provisions for price variation, whether by indexation or other means;

25.1.3. The duration of the contract including any specific dates by which any aspects are to be performed, together with any possible extensions of the contract term. Contracts should not normally exceed five years (including extensions) but contracts may be set for longer periods where the relevant industry practice, mobilisation and financing or partnership arrangements to be entered into, make it in the interests of the Council to do so. Contracts should not be for an ongoing rolling period. The Assistant Director of Procurement must be consulted on any business case for proposing a contract term longer than 5 years and the reasons for doing so must be recorded in the Procurement File.

### **26. Insurance**

26.1. Every contract must clearly specify that the supplier shall hold and maintain for the duration of the term of the contract sufficient insurance considering the likely risk under the contract.

- 26.2. Where the relevant type of cover is applicable and subject to a proper evaluation of risk, the following levels of insurance cover should be set out as the minimum amount in the contract for each single incident.

<b>Insurance</b>	<b>Minimum level</b>	
Public Liability (where the contractor interacts with the public or with third parties) and Product Liability (where the work, service or goods is for the design, manufacture or supply of a physical product)	For all services	No less than £5,000,000
	Social care	No less than £10,000,000
	Construction	As advised by Insurance Officer based on the activity undertaken and the contractor
Employer's Liability (where the contractor employs staff)	£5,000,000	
Professional Indemnity (where the council will be relying on advice, offers a professional service or handles client data or intellectual property. This includes design and architecture work)	No less than £1,000,000 but as advised by the Insurance Officer based on the activity undertaken and the contractor	

- 26.3. These amounts may only be lowered on the written advice of the Council's Insurance Officer whose advice shall be sought on any other insurances required. The Responsible Officer must provide an account for the reasons for the lower level of cover and include an assessment of risk associated with the contract.

## **27. Mandatory clauses**

### **27.1. Bribery and corruption**

27.1.1. Every contract shall include provision for termination if the supplier, their employees or anyone acting on the supplier's behalf;

27.1.1.1. Corruptly offers, gives or agrees to give anyone an inducement or reward in respect of any contract with the Council;

27.1.1.2. Commits an offence under the Bribery Act 2010; or

27.1.1.3. Commits any of the offences listed in regulation 57(1) of the PCR 2015 or regulation 38(8) of CCR 2016 (as applicable).

### **27.2. Termination of Contracts**

27.2.1. Every contract over the relevant Threshold shall include a provision for the Council to terminate the contract in any of the provisions of



regulation 73(1) of PCR 2015 or regulation 44 of the CCR 2016 (as applicable) apply. This is that;

- 27.2.1.1. the contract has been subject to a substantial modification which required a new procurement procedure to be started;
- 27.2.1.2. at the time of contract award, one of the mandatory exclusion criteria in regulation 57 PCR 2015 or regulation 38(8) of CCR 2016 (as applicable) applied and the supplier should therefore have been excluded from the procurement procedure; or
- 27.2.1.3. any competent court or authority has held that the contract should not have been awarded to the contractor in view of a serious infringement of the obligations under the PCR 2015 and any retained EC Treaty

### **27.3. Payment terms**

- 27.3.1. Every contract shall provide that the Council shall pay its supplier, in arrears of the services/works/supplies being delivered to the Council, no later than 30 days from receipt of a valid and undisputed invoice.
- 27.3.2. Payment must not be made in advance except as permitted by the Council's Financial Rules. Payments in advance must be approved by the s151 Officer.
- 27.3.3. The Responsible Officer must ensure that any purchase order raised makes reference to the specific and relevant Council contract that the purchase order relates to and that the purchase order clearly states that the terms and conditions in the contract take precedence/priority over any other terms and conditions stated on the purchase order and/or which the supplier may include on their invoice.
- 27.3.4. The contract shall also provide that the Council's suppliers shall pay their sub-contractors within a maximum of 30 days of receipt of an undisputed invoice.
- 27.3.5. Where the Responsible Officer proposes to deviate from the standard payment terms as set out in this Rule 27.3, they must;
  - 27.3.5.1. obtain the agreement of the s151 Officer, such agreement to be recorded in writing as a "Payment Exception" and a copy provided to Procurement; and
  - 27.3.5.2. engage with Legal to ensure the contractual terms reflect the Payment Exception.

### **28. Signing (executing) the contract**

- 28.1. All contracts shall be signed but not sealed unless they must be signed under seal in accordance with Rule 28.2.
- 28.2. The following contracts shall be signed under seal:
  - 28.2.1. Contracts involving land transactions;

- 28.2.2. Contracts with a value of £150,000 or more; and
- 28.2.3. Any contract as advised by Legal Services.
- 28.3. The City Solicitor shall have the discretion to dis-apply Rule 28.2 where appropriate, having considered the risks of the particular matter.
- 28.4. The relevant Director (as per the scheme of delegation) shall be authorised to sign all contracts up to the value of £150,000.
- 28.5. The City Solicitor shall execute all contracts which are required to be executed by the Council as a deed under seal and may execute all simple contracts not required to be sealed.

#### **Electronic execution**

- 28.6. Signing (but not sealing) of all contracts under £150,000 may be effected by a signature being affixed to a Contract either using physical handwritten means or an Electronic Signature.
- 28.7. An Electronic Signature must be affixed by the signatory themselves (for example it cannot be their PA on their behalf) and a copy of the executed contract must be kept in accordance with [Part 7](#).
- 28.8. The use of Electronic Signatures is not permitted where;
  - 28.8.1. the contract is to be signed under seal;
  - 28.8.2. a physical, handwritten signature needs to be filed;
  - 28.8.3. there is a condition in the contract which prevents it;
  - 28.8.4. the contract may need to be enforced in a jurisdiction where the method is not accepted;
  - 28.8.5. the contract needs to be notarised.

#### **29. Certification of the contract**

- 29.1. The City Solicitor shall be responsible for determining whether any contract should be certified under the Local Government (Contracts) Act 1997. This Act empowers local authorities to agree terms that will survive the main contract being set aside in the event of a finding that the Council has exceeded its statutory powers in entering into the contract. In these circumstances, the certification process ensures that the private sector party is compensated. All such certificates shall be in a form approved by and executed by the City Solicitor.

#### **30. Contract Management**

- 30.1. The Director (as per the Scheme of Delegation) shall ensure that there are in place arrangements that will monitor and actively address any concerns with:
  - 30.1.1. the performance of the contract against the specification and any key performance indicators or other performance monitoring regime;
  - 30.1.2. costs and Value for Money; and
  - 30.1.3. service user or end user satisfaction.
- 30.2. The Director (as per the Scheme of Delegation) shall ensure the Responsible Officers comply with guidance issued by the Council, including

from Procurement, from time to time on effective contract and supplier relationship management.

## **Part 5) The procurement process**

### **Selection and Award Criteria**

#### **31. Testing Suitability of Suppliers**

- 31.1. The Responsible Officer shall apply minimum standards of experience, relevant accreditations and economic standing to suppliers to test their suitability to bid for Council contracts in accordance with Procurement Guidance.

#### **32. Eligibility to Bid**

- 32.1. Suppliers who fail to meet all of the Council's minimum standards of reputation, technical ability, experience or economic and financial standing as specified in the Selection Questionnaire and accompanying documents used for that particular procurement shall be excluded from the procurement process.
- 32.2. Where the supplier is being excluded (including due to previous poor performance) because one of the exclusion grounds in regulation 57 of PCR 2015 or regulation 38 of CCR 2016 (as applicable) applies, but provides evidence in support of its reliability despite the existence of a relevant exclusion ground, the Responsible Officer must consider that evidence and determine whether to exclude that supplier.
- 32.3. The Responsible Officer shall consult with the City Solicitor before reaching any decision under paragraph 32.2.

#### **33. Assessing Economic and Financial Standing**

- 33.1. All assessments of the supplier's economic and financial standing must be conducted by Finance and Procurement and in accordance with Procurement Guidance.
- 33.2. Only those suppliers who meet the Council's minimum requirements of economic and financial standing (as well as technical and professional ability) used for that particular procurement shall be invited to participate in a tender process or be awarded the contract.
- 33.3. The Responsible Officer, in consultation with Procurement, Legal Services and Finance, shall decide;
- 33.3.1. whether any form of security (such as a performance bond or parent company guarantee) is required before entering into the contract.
- 33.3.2. the amount of, and form of security having carried out an appropriate financial risk assessment.
- 33.3.3. such security must be effected with a reputable body authorised to effect such security or by way of a parent company guarantee if appropriate.
- 33.3.4. where appropriate, a sum for liquidated damages shall be included in the contract prior to any award to a supplier.

#### **34. Award Criteria**

- 34.1. The Responsible Officer shall adopt **relevant and proportionate** award

criteria, which are fair, transparent, proportionate and appropriate to the subject matter of the contract, and which shall meet the Council's policy priorities as noted in 10.2.

- 34.2. The Responsible Officer shall follow Procurement Guidance on award criteria for all contracts, irrespective of value, unless otherwise approved in writing by the Assistant Director of Procurement.
- 34.3. The award criteria for any contract with a value at or above the relevant Threshold shall be in compliance with regulation 67 of the PCR 2015, save for any contract to which regulation 74 of the PCR 2015 applies (namely "Light Touch" services) in which case the award of the contract shall be in compliance with regulation 76 of the PCR 2015.
- 34.4. The Responsible Officer shall adopt evaluation methodologies that are robust, have been tested to ensure they are appropriate for the relevant procurement, and which are transparent.

## **The Tendering Procedure**

### **35. Administration of Tenders and quotes**

- 35.1. All tenders and quotations of a value equal to or in excess of £30,000 must be conducted through the Council's e-tendering portal except as permitted in these Rules or with the prior written approval of the Assistant Director of Procurement.
- 35.2. Tenders and quotations for contracts valued at less than £30,000 may be conducted outside the Council's e-tendering portal.

### **36. Clarifications Raised by Suppliers**

- 36.1. The Responsible Officer shall maintain a clarification log containing a list of questions/clarifications raised by suppliers during the course of a procurement process, with the Council's responses, to which all candidates or tenderers shall have unrestricted access (a "**Clarification Log**"). Where Procurement is involved with the conduct of a particular procurement process, it may maintain the Clarification Log itself and will notify the Responsible Officer of that approach.
- 36.2. Where a clarification leads to the amendment of one of the Procurement Documents, the Responsible Officer through advice from Procurement shall consider whether the deadline for submission of tender responses should be extended, or the procurement process otherwise revised to ensure equal treatment of suppliers, and take action accordingly.

### **37. Correction of Errors, Late Tenders and seeking post tender clarification**

- 37.1. All tenders must comply with the rules and conditions set out in the Procurement Documents. Tenderers should be advised that any failure to adhere to the rules and conditions applicable to the tender in question could result in their tender being rejected.
- 37.2. The Responsible Officer may reserve the right in the Procurement Documents to accept late submissions of documents forming part of the tender at the Council's discretion, for example, where:
  - 37.2.1. the delay was caused by a mistake or failure of the Council; or

- 37.2.2. the document or submission in question clearly pre-dated the deadline for receipt of tenders and the decision not to exclude the tenderer would not unduly favour any or disadvantage the other Candidates.
- 37.3. In all cases, the Responsible Officer shall adhere to the rules it established in the Procurement Documents and document any decision to permit a late or corrected tender.
- 37.4. The following authorisation must be obtained before the Responsible Officer can accept either a late or corrected tender, or seek a post tender clarification:
- 37.4.1. for contracts valued at £150,000 or less: the Director (as per the Scheme of Delegation); and
- 37.4.2. for contracts valued at £150,000 or more, the Assistant Director of Procurement as well as the Director (as per the Scheme of Delegation).

### **38. Evaluation**

- 38.1. The Director (as per the Scheme of Delegation) shall appoint evaluators in consultation with Procurement, who have the necessary skills, expertise and experience to undertake the role.
- 38.2. The Procurement Guidance shall provide appropriate guidance, advice and support on all aspects of tender evaluation and the Responsible Officer shall have regard to all such guidance.

### **39. Contract award**

- 39.1. The Responsible Officer shall ensure the award of the contract to the most economically advantageous tender, being the tender that represents best Value for Money applying the award criteria. Authority to award the contract shall be by the officer with appropriate delegation in accordance with the Council's Scheme of Delegation (or that officer's onward scheme).
- 39.2. All contracts shall be awarded in accordance with the criteria set out in the Procurement Documents.
- 39.3. For contracts with a value at or above their relevant Threshold, the Responsible Officer shall adhere to the contract award procedures set out in PCR 2015 or CCR 2016 (as applicable) and observe a standstill period before entering into the contract. The standstill period will normally end at midnight at the end of the tenth day after the date the Council sends notice to the tenderers, electronically, that it has made an award decision.

## **Part 6) After the commencement of the contract**

### **40. Contract management**

- 40.1. Contract management should be proportionate to the total value, risk, duration and complexity of the contract. There should be a clearly nominated Contract Manager for each contract, who has responsibility for contractual management, review and liaison with the contractor.

### **41. Strategic Contract Management Board**

- 41.1. The Strategic Contract Management Board shall be responsible for oversight of Strategic Contracts as defined in rule 41.2.
- 41.2. A Strategic Contract is a contract that;
- 41.2.1. Is 5 years in duration or longer, and has an annual value of over £5 million or a lifetime value of over £20 million; or
- 41.2.2. Is a contract critical to the ongoing effective operation of the Council (for example corporate utility contracts or those contracts essential to the operation to the Council); or
- 41.2.3. Has been declared as such by the Assistant Director of Procurement, the City Solicitor and the s151 Officer.

Where there is any uncertainty as to the identification of a Strategic Contract, the Assistant Director of Procurement, in consultation with the City Solicitor and the s151 Officer shall be responsible for deciding whether a contract is a Strategic Contract, which for the avoidance of doubt may include a contract that does not strictly meet the above definition.

- 41.3. The membership of the Strategic Contract Management Board shall as a minimum consist of the Assistant Director of Procurement, the City Solicitor and the s151 Officer (or their respective delegates).

## **Part 7) Transparency and record keeping**

### **42. Duty of confidentiality owed to suppliers**

- 42.1. The Responsible Officer shall, in compliance with regulation 21 of PCR 2015, not disclose information which has been forwarded by a supplier and designated by that supplier as confidential or commercially sensitive (including technical or trade secrets and the confidential aspects of tenders), without express authorisation from the City Solicitor who shall balance the duty of confidentiality owed to suppliers against the Council's obligations under the Freedom of Information Act 2000 and any other disclosure obligations.
- 42.2. The Procurement Documents should inform interested parties of the Council's duties of disclosure and invite potential suppliers to designate information as confidential or commercially sensitive. However, the Council cannot guarantee that all information so designated will be withheld

### **43. Contract Award Notice - OJEU or FTS**

- 43.1. Procurement shall ensure that a Contract Award Notice is published in accordance with the PCR 2015 or CCR 2015 (as applicable) and;
  - 43.1.1. on FTS (and subsequently Contracts Finder);
  - 43.1.2. where the notice is in respect of a contract let under a framework agreement or dynamic purchasing system:
    - 43.1.2.1. if the procurement procedure for the framework agreement or dynamic purchasing system was launched and concluded or was launched but not yet concluded by 23:00 on 31 December 2020, on OJEU and FTS (such notice must be published first to OJEU before FTS and subsequently Contracts Finder); or
    - 43.1.2.2. if the procurement procedure commences after 23:00 on 31 December 2020, on FTS (and subsequently Contracts Finder).

### **44. Contract Award Notice - Contracts Finder**

- 44.1. The Responsible Officer shall ensure that a Contract Award Notice is published on Contract Finder for all contracts with a value of £30,000 or more.
- 44.2. Where a Contract Award Notice is required to be published on OJEU and/or FTS, such notice must be published on OJEU and/or FTS before appearing elsewhere. OJEU/FTS must be published on Contracts Finder within 24 hours of them appearing in OJEU/FTS.
- 44.3. This Rule 44 applies to all contracts including contracts let under Framework Agreements, whether or not that Framework Agreement was itself advertised on Contracts Finder or anywhere else. In respect of contracts let under a DPS which have a value of £30,000 or more, publication of a Contract Award Notice on Contracts Finder shall be within no more than 90 days.

### **45. Debriefing Tenderers**



- 45.1. For contracts valued at or above the Threshold, the Responsible Officer shall ensure that all suppliers are offered debrief information;
  - 45.1.1. during the procurement process, in accordance with regulation 55 of the PCR 2015 or regulation 40 of CCR 2016 (as applicable); and
  - 45.1.2. at contract award, in accordance with regulation 86 of PCR 2015 or regulation 47 of CCR 2016 (as applicable).

#### **46. Procurement Report**

- 46.1. For all procurements irrespective of value, the Responsible Officer shall keep a copy of all Procurement Documents in accordance with the Council's records retention policy.
- 46.2. For contracts valued at or above the Threshold, the Responsible Officer shall prepare a written report in accordance with regulation 84 of PCR 2015 (the "**Procurement Report**") in relation to each procurement containing the following information (unless such information is contained in the Contract Award Notice);
  - 46.2.1. The subject matter and value of the contract, Framework Agreement or Dynamic Purchasing System;
  - 46.2.2. Where applicable, the results of the qualitative selection and reduction of numbers under regulations 65 and 66 of PCR 2015 which shall include;
    - 46.2.2.1. the names of the selected Candidates or Tenderers and the reasons for their selection;
    - 46.2.2.2. the names of the rejected Candidates or Tenderers and the reasons for their rejection;
    - 46.2.2.3. the reasons for the rejection of tenders found to be abnormally low;
    - 46.2.2.4. the name of the successful Tenderer and the reasons why its tender was selected and, where known the share (if any) of the contract or Framework Agreement which the successful Tenderer intends to subcontract to third parties, and the names of the main contractor's subcontractors (if any);
    - 46.2.2.5. for competitive procedures with negotiation and competitive dialogues, the circumstances as laid down in regulation 26 of PCR 2015 which justify the use of those procedures;
    - 46.2.2.6. for negotiated procedures without prior publication, the circumstances referred to in regulation 32 of PCR 2015 or regulation 31(6) of CCR 2016 (as applicable) which justify the use of this procedure;
    - 46.2.2.7. where applicable, the reasons why the Council has decided not to award a contract or Framework Agreement or to establish a Dynamic Purchasing System;
    - 46.2.2.8. where applicable, the reasons why means of

communication other than electronic means have been used for the submission of tenders; and

46.2.2.9. where applicable, conflicts of interests detected and subsequent measures taken.

- 46.3. The Responsible Officer shall maintain a Procurement File containing sufficient information to justify decisions taken at all stages of the procurement as advised by Procurement and Legal.
- 46.4. Procurement shall prepare a report containing such information as the Cabinet Office may request in respect of the procurement at or above the relevant Threshold.

**47. Contracts Register and storage of contracts**

- 47.1. For all procurements, the Responsible Officer shall ensure that an entry is made onto the Council's Contract Register and details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value of £5,000 or greater is provided to Procurement in order to ensure compliance with the Local Government Transparency Code 2015.
- 47.2. The Responsible Officer shall be responsible for ensuring appropriate arrangements are made for the safe storage of the original contract documents with the Council's Records team. The Responsible Officer may seek advice from Legal Services on the storage of original contract documents if required.

## **Part 8) Variations and extensions**

### **48. Variations permitted by law**

- 48.1. Contract subject to the PCR 2015 or CCR 2016 (as applicable) shall not be varied other than in accordance with the provisions of regulation 72 of PCR 2015 or regulation 43 of CCR 2016 (as applicable). The Responsible Officer shall request advice from Legal Services in relation to any variation subject to the PCR 2015 or CCR 2016.
- 48.2. Contracts not subject to the PCR 2015 or CCR 2016 shall be considered by the Director (as per the Scheme of Delegation) on a case by case basis in accordance with the terms of the contract and the obligations to ensure Value for Money.
- 48.3. The Responsible Officer must engage with Legal Services for any variations to an existing contract where the value of that contract is £150,000 or more or will increase the value of the contract to £150,000 or more.

### **49. Contract Extensions**

- 49.1. Contracts;
  - 49.1.1. above the relevant Threshold can only be extended where it is expressly provided for in their terms, or as otherwise permitted by the PCR 2015 or CCR 2016 (as applicable).
  - 49.1.2. below the relevant Threshold can only be extended where it is expressly provided for in their terms.
- 49.2. Where the proposed extension is not expressly provided for in the terms of the Contract, then the Responsible Officer must follow the relevant process in Part 3 of the Rules (as the extension will in effect be a new procurement).
- 49.3. All contract extensions must include a report into its performance and shall be approved by;
  - 49.3.1. If the value of the extension is less than £150,000, by the Director (as per the scheme of delegation); or
  - 49.3.2. If the value of the extension is £150,000 or more by the Director (as per the scheme of delegation) and;
    - 49.3.2.1. The Assistant Director of Procurement; and
    - 49.3.2.2. The City Solicitor
- 49.4. In determining how a contract extension or renewal shall be approved in accordance with Rule 49.3, the Responsible Officer shall not disaggregate or otherwise sub-divide any known spend during the period of any such extension or renewal with a view to avoiding obtaining the approvals referred to in Rule 49.3.2.

## **Part 9) Waivers**

### **50. Authority to Waive Contract and Procurement Rules**

- 50.1. Where the Responsible Officer seeks to deviate from the requirements of these Rules, a Waiver Form must be completed.
- 50.2. Authority to waive these Rules will be authorised by the signing of the Waiver Form as follows;
  - 50.2.1. Where the contract value is under £150,000 - the Director of Service, having taken advice from the City Solicitor and Assistant Director of Procurement where appropriate;
  - 50.2.2. Where the contract value is £150,000 or over, the Director of Service, the City Solicitor, s151 Officer and the Assistant Director of Procurement;
- 50.3. The Responsible Officer shall ensure that all Waiver Forms are kept with the relevant Procurement File.

## Appendix 1 - Glossary

<b>CCR 2016</b>	means the Concession Contract Regulations 2016 as amended and in force from time to time;
<b>Concessions Contract</b>	<p>is either:</p> <p><b>A Works concession contract.</b> A contract for pecuniary interest concluded in writing by means of which one or more contracting authorities or utilities entrust the execution of works to one or more economic operators, the consideration for which consists either solely in the right to exploit the works that are the subject of the contract or in that right together with payment; or</p> <p><b>A Services concession contract.</b> A contract for pecuniary interest concluded in writing by means of which one or more contracting authorities or utilities entrust the provision and the management of services (other than the execution of works) to one or more economic operators, the consideration of which consists either solely in the right to exploit the services that are the subject of the contract or in that right together with payment.</p>
<b>Constitution</b>	means the Council's rules as to how it operates, how decisions are made and the procedures that are followed to ensure efficiency, transparency and accountability to local people and which is published on the Council's website;
<b>Consultant</b>	means an individual or company commissioned to do a short term, and clearly defined piece of specialised work, with clear outcomes where the work is project based, outside business as usual and there is a defined end point for the Consultant's involvement;
<b>Contract Award Notice</b>	means a notice containing the information set out in regulation 86 of the PCR 2015, for above Threshold contracts, and regulation 112 for below Threshold contracts or regulation 47 of CCR 2016.
<b>Contract Finder</b>	means a Government website on which all public contracts over a minimum threshold must be advertised. <a href="https://www.gov.uk/contracts-finder">https://www.gov.uk/contracts-finder</a> ;
<b>Contract Manager</b>	means the Council officer responsible for the on-going management of the contract as described in Rule 40;
<b>Contract Notice</b>	means a notice advertising a public contract on OJEU or FTS as applicable;
<b>Dynamic Purchasing System/DPS</b>	means a system referred to in Regulation 34 of PCR 2015 and which can be described as an electronic system which allows pre-qualified suppliers to participate in mini-

	competitions for in scope services, similar to a framework agreement except that suppliers can join the DPS as any time and it is to be run as a completely electronic process;
<b>Electronic Signature</b>	Means; <ul style="list-style-type: none"> <li>a) a person typing their name into a contract or into an email containing the terms of a contract</li> <li>b) a person electronically pasting their signature (for example, in the form of an image) into an electronic (soft copy) version of the contract in the appropriate place (for example, next to the relevant party's signature block)</li> <li>c) a person accessing a contract through a web-based e-signature platform and clicking to have their name in a typed or handwriting font automatically inserted into the contract in the appropriate place (for example, next to the relevant party's signature block); and</li> <li>d) a person using a finger, light pen or stylus and a touchscreen to write their name electronically in the appropriate place (for example, next to the relevant party's signature block) in the contract;</li> </ul>
<b>Financial Rules</b>	means those financial rules of the Council as contained in Part 3, Section 3 of the Council's Constitution;
<b>Find a Tender Service / FTS</b>	means the UK e-notification service, Find a Tender (FTS): <a href="https://www.find-tender.service.gov.uk">https://www.find-tender.service.gov.uk</a> where notices for new procurements (for contracts valued at or above the Threshold) launched after 23:00 on 31 December 2020 are required to be published in place of the Official Journal of the European Union's Tenders Electronic Daily (OJEU/TED);
<b>Framework Agreement</b>	means an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded in a given period, in particular with regard to price and, where appropriate, the quality envisaged (regulation 33(2), PCR 2015);
<b>Gateway</b>	means the Council's assurance process for certain contracts as defined in Rule 6
<b>High Risk Contract</b>	means a higher risk contract in accordance with guidance published by Procurement;
<b>Light Touch</b>	means social and other specific services (including healthcare, cultural, educational and legal services) which are listed in Schedule 3 PCR 2015 and which are subject to a light touch regime at Regulation 74-76 PCR 2015;

<b>OJEU</b>	means the Official Journal of the European Union, where prior to 23:00 on 31 December 2020 all public contracts which exceed the EU Thresholds were required to be advertised and where a procurement has been launched but not yet concluded at this time, the Contract Award Notice is to be published;
<b>PCR 2015</b>	means the Public Contract Regulations 2015 as amended and in force from time to time;
<b>Procurement Documents</b>	means any document produced or referred to by the Council to describe or determine elements of the procurement or the procedure, which may include the: <ul style="list-style-type: none"> <li>• Contract Notice (or PIN where it has been used as a call for competition)</li> <li>• Technical specifications</li> <li>• Descriptive document</li> <li>• Proposed form of contract</li> <li>• Formats for the presentation of documents by Candidates and Tenderers</li> <li>• Information on generally applicable obligations</li> <li>• Any additional documents;</li> </ul>
<b>Procurement File</b>	means the record of each procurement, to be kept for a period of at least 3 years, that the Council must maintain in accordance with regulation 84(7)-(9) of the PCR 2015 namely; <ul style="list-style-type: none"> <li>• The progress of all procurement procedures, whether or not they are conducted electronically</li> <li>• Sufficient documentation to justify decisions taken in all stages of the procurement procedure, such as documentation on; <ul style="list-style-type: none"> <li>○ Communication with economic operators and internal deliberations;</li> <li>○ Preparation of the procurement documents;</li> <li>○ Dialogue or negotiations if any;</li> <li>○ Selection and award of the contract.</li> </ul> </li> </ul>
<b>Procurement Guidance</b>	The guidance published and maintained by Procurement and Legal which provides practical guidance on the Council's procurement activity.
<b>Procurement Principles</b>	means as defined in Rule 1.4;
<b>Procurement Report</b>	means the report that the Council is obliged to maintain in respect of each procurement of a contract valued at or

	above the relevant Threshold under regulation 84(1) of the PCR 2015 (see Rule 46);
<b>Responsible Officer</b>	means the person or persons charged by the Director to conduct a procurement process, or to participate in or lead a team of officers assembled for that purpose or dealing with a variation to a contract as the context requires
<b>Scheme of Delegation</b>	means the Council's formal written scheme of delegation in force and as amended from time to time and can be found in Part 2 of the Council's Constitution;
<b>Strategic Contract Management Board</b>	means the Board that oversees the management of strategic contracts as described in Rule 41;
<b>Threshold</b>	<p>means the total estimated financial value of a contract which determines which rules of PCR 2015 or CCR 2016 apply to the procurement of the contract, as is provided for in the PCR 2015 or CCR 2016 and set by the Cabinet Office.</p> <p>The Thresholds (net of VAT) applicable from 1 January 2022:</p> <p><b><u>PCR 2015</u></b></p> <p>Services/supplies - £213,477</p> <p>Light Touch services - £663,540</p> <p>Works - £5,336,937</p> <p><b><u>CCR 2016 Concession contracts</u></b></p> <p>£5,336,937</p>
<b>UCR 2016</b>	means the Utilities Contract Regulations 2016 as amended and in force from time to time.
<b>Value for Money</b>	<p>means the optimal use of resources to achieve the intended outcomes taking into account:</p> <p><u>Economy</u>: minimising the cost of resources used or required (inputs), i.e. spending less;</p> <p><u>Efficiency</u>: the relationship between the output from goods or services and the resources to produce them, i.e. spending well; and</p> <p><u>Effectiveness</u>: the relationship between the intended and actual results of public spending (outcomes), i.e. spending wisely.</p>
<b>Waiver Form</b>	means one of the Council's standard template forms which identifies the reason for a waiver of these Rules including justification, financial, legal and risk implications, and must be completed in order to seek authorisation to waive these Rules in accordance with Rule 50.





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# Agenda Item 9



**Portsmouth**  
CITY COUNCIL

<b>Title of meeting:</b>	Cabinet City Council
<b>Date of meeting:</b>	Tuesday 07 March 2023
<b>Subject:</b>	Capital Strategy 2023/24 - 2032/33
<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 updated annually as capital investment plans mature. The proposed Capital Strategy sets out an aspiration for £1.451bn of Capital investment in the City over the next ten years.
- 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 01 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 2023/24 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*

- 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 and long term treasury management investments exceeds 15.4% 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 2023/24. 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:

<b>Title of document</b>	<b>Location</b>
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:

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Portsmouth  
*CITY COUNCIL*

# **CAPITAL STRATEGY**

## **2023/24- 2032/33**

PART I

**“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

1.1. 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).

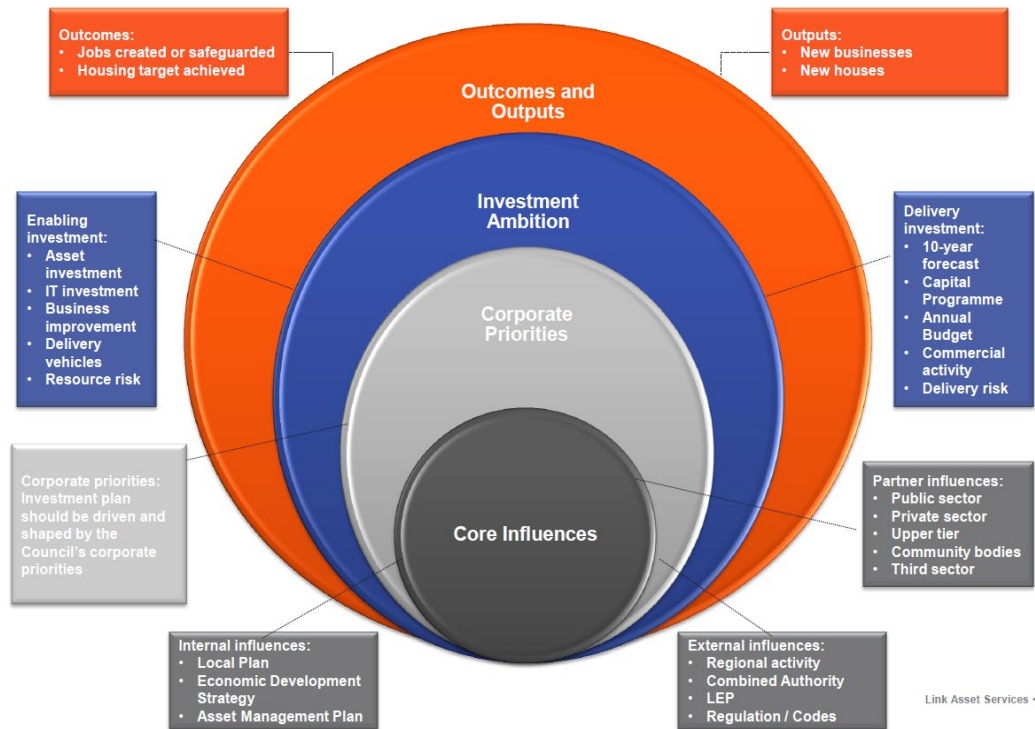
Capital expenditure also includes grants and advances made to the public or private sector for capital purposes, such as advances to Registered Social Landlords to provide adaptations to houses meet the needs of vulnerable people.

1.2. 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.

1.3. 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

- 1.4. 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 and aspirations. That plan describes what will be achieved, by when with key milestones and how it could be funded.
- 1.5. 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.
- 1.6. 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.
- 1.7. Following the December 2021 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

- 1.8. 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.
- 1.9. 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.
- 1.10. 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.
- 1.11. The top 3 most important service areas for residents at present are, in order of popularity:
  - i. Ensuring older people and vulnerable adults are looked after and supported to live independently
  - ii. Collecting bins and keeping the city clean
  - iii. Keeping children safe and families together
- 1.12. Additionally, for future investment of the Council's capital budget, the four 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. Building more classrooms and specialist provisions for children with additional needs
  - iii. Improving facilities at Portsmouth international Port to increase the money it generates to help protect local services
  - iv. Creating better facilities for sustainable transport such as cycling and walking

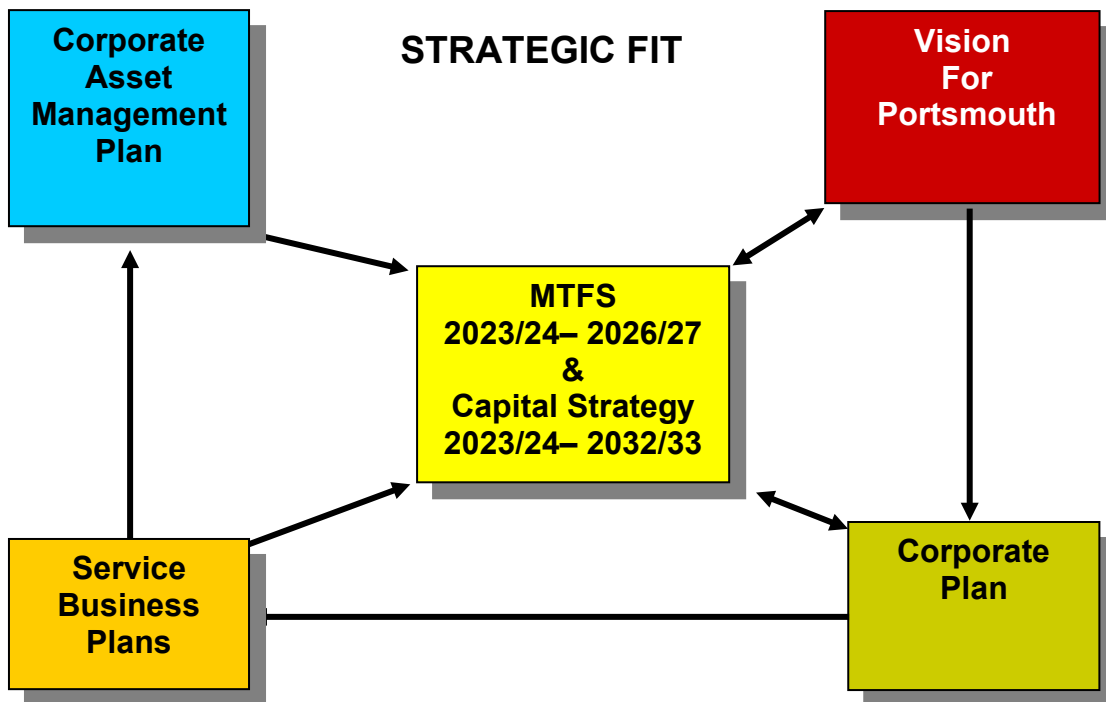
## 2. Portsmouth Vision & Corporate Plan – “Strategic Fit”

2.1. The Vision for Portsmouth is:

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

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
- 2.2. 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 strategies set out the financial frameworks that exist to support the achievement of the vision and priorities.
- 2.3. 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.
- 2.4. 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.
- 2.5. 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 on the next page:



- 2.6. 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.
- 2.7. 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**

- 3.1 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:

#### **3.2 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 timeframe.

### **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 neither place the Council in a position where the risks associated with the Capital expenditure exceed the benefits of undertaking that investment, nor 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 concern before any new Capital Expenditure is considered, 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**

- 4.1 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.
- 4.2 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**

5.1 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).

5.2 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.

5.3 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.

5.4 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.

5.5 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**

- 6.1. 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.
- 6.2. 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.
- 6.3. 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. Appendix 1 of this Strategy sets out the way in which these unfunded Capital expenditure plans could be achieved.
- 6.4. 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**

- 7.1. This strategy sets out the key capital expenditure priorities over the short, medium and longer term.
- 7.2. 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.
- 7.3. 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.

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<b>Capital Strategy</b>				
<b>Major Schemes Receiving Funding in 2023/24</b>				
<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Funding Approved 2023/24 £'000s</b>	<b>Expected Outcome</b>
<b>A City of lifelong learning</b>	Education 2023 24 & 2024 25 Conditions	1,537	1,537	A 2 year Planned Programme to address urgent school condition issues (Priority 1: Urgent repairs that require remedy within 1-2 years); priority items raised in the school condition surveys, and other statutory items recommended as a priority by Housing, Neighbourhood & Building Services
<b>A City of lifelong learning</b>	SEND - School Places	9,794	1,500	A programme to ensure that there are sufficient places for children and young people with SEND by ensuring mainstream places are able to meet needs where possible, and by creating sufficient specialist places in inclusion centres attached to mainstream schools and in special schools
<b>A green city</b>	Anaerobic Digestion Plant Project	35,775	13,515	This scheme will complete the next phase of the development of a 93,000 tonne Anaerobic Digestion facility, taking it to the submission of an outline planning application and then through to delivery of the full scheme
<b>A green city</b>	Green Waste Club (GWC) Bins	100	100	As part of bringing the waste collection service in-house, the Council will be taking over managing the Green Waste Club (GWC) collections from Biffa. In order to take over the service, the Council will also need to provide residents with a 240 litre brown bin
<b>A green city</b>	Greening the City - Doubling the Tree Canopy	100	100	Planting of trees within the City to double the existing tree canopy

## Capital Strategy

### Major Schemes Receiving Funding in 2023/24

Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Funding Approved 2023/24 £'000s	Expected Outcome
<b>A green city</b>	Twin Stream and City-Wide Food Waste Collection Service	2,500	2,500	Improvements to a range of recycling collections.
<b>A city with a thriving economy and a green city</b>	Shore Power	23,000	23,000	To provide a suitable and adequate shore supply facility at Portsmouth International Port, Berths 2, 3 & 4 allowing new hybrid ferries and a number of the port's existing and new cruise customers to connect electrically to the Port switching off their main and secondary engines assisting the port in meeting carbon reduction and air quality targets
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Mountbatten Centre Roofing Project	6,800	5,800	This scheme is to replace the existing 1980's roof at the Mountbatten Centre which has reached the end of its life and will include a new waterproofing system and the replacement of ageing plant
<b>A Green City and a City with a thriving economy</b>	Landlord's Maintenance Priority 1 Schemes	1,400	1,400	The Council has landlord maintenance responsibility for over 2,000 operational assets. Detailed surveys are carried out and updated annually, to ensure that maintenance needs of all assets are recognised and planned for within the medium term maintenance programme. Remediation requirements are categorised according to their severity and impact. Only works classified as being of the highest priority will proceed. Proposed maintenance work combines a number of projects including building works, mechanical and electrical installations and plant refurbishments that address critical health and safety issues

<b>Capital Strategy</b>				
<b>Major Schemes Receiving Funding in 2023/24</b>				
<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Funding Approved 2023/24 £'000s</b>	<b>Expected Outcome</b>
<b>A city with a thriving economy and a green city</b>	City Centre North Regeneration	19,575	4,450	This project continues to support the delivery of the wider city centre regeneration masterplan
<b>A Green City with a thriving economy and easy travel</b>	LTP 4 and other Transport Related Schemes	1,290	1,290	Transport is an enabler of activity and will underpin regeneration in the Portsmouth area. The regeneration and economic success of the city is dependent upon the reliability of the transport network, enabling people, freight and goods to access, and travel within the city
All other new capital investment 2023/24		6,157	6,132	
<b>Total</b>		<b>108,028</b>	<b>61,324</b>	

<b>Capital Strategy</b>					
<b>KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS &amp; PRIORITIES - 2024/25 ONWARDS</b>					
		<b>Source of Funding</b>			
<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A City of lifelong learning</b>	Additional Specialist School Places - SEND 4 - 16	40,000		40,000	Investing in specialist school places in both special schools and mainstream schools (existing and new) to ensure there is local provision that can meet the needs of SEND children with Education, Health and Care Plans

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A City of lifelong learning</b>	Additional Specialist School Places - SEND Post-16	11,000		11,000	Investing in specialist school places to ensure there is local provision that can meet the needs of older SEND children with Education, Health and Care Plans
<b>A City of lifelong learning</b>	Additional Mainstream School Places - Secondary and Primary	10,000		10,000	Investing in primary and secondary school places to meet the forecast shortfall in 26/27 (secondary only) and local needs arising from housing developments within the City, notably Tipner East and West and city centre developments
<b>A City of lifelong learning</b>	Relocation of The Harbour School at Tipner	15,000		15,000	The education team have identified that the Harbour Schools at Tipner is no longer fit for purpose and to improve the educational outcomes for this cohort of Students a new provision should be considered elsewhere in the city
<b>A City of lifelong learning</b>	Maintenance of LA Maintained School Buildings (rolling programme)	25,000		25,000	Maintain and improve Local Authority maintained school buildings to ensure they are safe and provide suitable accommodation for teaching and learning
<b>A City of lifelong learning</b>	Improving IT Infrastructure for Education and Children's Social Care	500		500	Maintain and improve PCC Assets
<b>A healthy and happy City</b>	Maintenance of Children, Families and Education Portfolio Buildings	2,000		2,000	Maintain and improve PCC Assets over the next 10yrs (e.g. PCC children's homes, family hubs)
<b>A healthy and happy City</b>	Carer's adaptations	500		500	Improve the number of children who can be cared for in homes within the city
<b>A green city</b>	Living Walls	1,000		1,000	To facilitate improvements to the city's environment
<b>A city with a thriving economy</b>	Crane Replacement - 40 Tonne	350		350	Maintain and improve PCC Assets



**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A city with a thriving economy</b>	Berth 5 Linkspan Replacement	15,000		15,000	Protect income to both the Council and the City
<b>A city with a thriving economy</b>	Berth 3 Linkspan Replacement	20,000		20,000	Protect income to both the Council and the City
<b>A city with a thriving economy and a green city</b>	Freight Gate Automation	2,000		2,000	Maintain and improve PCC Assets
<b>A city with a thriving economy and a green city</b>	Freight Inspection Point	500		500	Maintain and improve PCC Assets
<b>A city with a thriving economy and a green city</b>	Switch Room 1	750		750	Maintain and improve PCC Assets
<b>A city with a thriving economy and a green city</b>	Check-In Booths Automation	2,000		2,000	Maintain and improve PCC Assets
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Farlington Pavilion refurbishment	250		250	Refurbishment of internal facilities
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Replace Langstone Pavilion	1,000		1,000	Replacement of ageing Pavilion and portable changing rooms increasing the life of the asset
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Invest in Young People's Play over 10 years (£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

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

		Source of Funding			
Corporate Plan	Nature of Capital Investment	Total Capital Cost £'000s	Borrowing Requirements £'000s	Other Funding £'000s	Expected Outcome
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Invest in Public Open Spaces across the City (- including drainage works and Canoe Lake improvements)	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
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Horsea Island Countryside Ecological Reserve	200		200	Additional works to develop the site as a Countryside Ecological Reserve
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Conversion of West Chapel at Kingston Cemetery, Milton and South Kingston Lodge refurbishment	1,500		1,500	To provide office accommodation and toilets (Heritage Lottery funding being sought)
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Seafront & Old Portsmouth - Phase 3 - Grand Parade including Nelson's Column area	100		100	To maintain and improve customer experience whilst increasing the life of assets
<b>A City rich in Culture &amp; Creativity and A City of Lifelong Learning</b>	Refurbishment of Southsea Library	250		250	Maintain/Improve customer experience through reconfiguration of space and new furniture and fittings
<b>A City rich in Culture &amp; Creativity</b>	Refurbishment of ornamental Gardens	250		250	Enhance usage of popular Southsea sites
<b>A City rich in Culture &amp; Creativity</b>	Upgrade of Library Facilities	350		350	Structural works and improvements to facilities including supporting future aspirations for Central Library
<b>A City rich in Culture &amp; Creativity</b>	Maintenance & Upgrade of Museum facilities	1,330		1,330	To replace the heating system and update building appearance to enhance visitor experience

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A City rich in Culture &amp; Creativity</b>	Secure facility for Museum collection	1,100		1,100	To repair either existing or to identify an alternative repository for the City's Museum collection
<b>A healthy and happy City - supporting people to live active, healthy lives</b>	Seafront Lighting Enhancements - Phase 2	100		100	Lighting improvements to the seafront
<b>A City rich in Culture &amp; Creativity</b>	Southsea Castle- repairs to underground tunnels	275		275	Enhance the visitor experience
<b>A healthy and happy City</b>	Expansion and development of supported living and respite accommodation within the city.	10,000		10,000	Increase the range of accommodation within the city and to enable people to live independently within their communities
<b>A healthy and happy City</b>	Expansion of use of Assistive Technology.	1,000		1,000	Increase the 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	500		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.	500		500	To ensure that the provision of care services are run as efficiently and effectively as possible to deliver high quality services to residents

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<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 & signposting for clients, reporting tools, etc.)	1,500		1,500	To ensure that the service maximises the opportunities from enhancements and developments in technology, so services are delivered efficiently and effectively for the benefit of the residents of Portsmouth
<b>A City with a thriving economy</b>	Tipner Infrastructure	200,000		200,000	Supporting the City Deal at Tipner with new infrastructure including land raising, decontamination, new sea defences and a new bridge to Horsea island
<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>	Preparation of the city's road network to interact with connected vehicles - Smart Cities phase 3	500		500	Supporting the move to autonomous vehicles and better public transport
<b>A City with easy travel</b>	Tipner Transport Hub	45,000	25,000	20,000	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>	Landlords Maintenance 2023/24 Backlog plus 2024/25 priority 1 repairs	4,500		4,500	To maintain and improve PCC Assets in 2024/25
<b>A healthy and happy City</b>	PCC Estate Landlords Repairs & Maintenance (rolling programme)	10,400		10,400	To maintain and improve PCC Assets. Assumed 3-year programme 2025/26 to 2027/28

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A Green City and a city with a thriving economy</b>	Lakeside Solar PV	13,000		13,000	Provision of Solar PV and battery storage. Cost avoidance and income generation.
<b>A healthy and happy City</b>	Sea Defences - Enhancements - Future Phases	15,000	5,000	10,000	To enhance the sea defences with borrowing to support some commercial opportunities
<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 City with a thriving economy</b>	Supporting Ravelins Business Plan	180,000	180,000		Housing led developments to deliver BTR products in the City's broken markets funded by unsupported borrowing
<b>A healthy and happy City</b>	New Watersports Centre	30,000	20,000	10,000	Mixed use development to encourage an active lifestyle, develop communities and improve health outcomes
<b>A healthy and happy City</b>	Regeneration in Fratton	38,600	31,500	7,100	The purchase of a High Street site will enable the redevelopment of unit to mixed use including residential and commercial
<b>A healthy and happy City</b>	Housing Development - Somers Orchard	198,000	184,000	14,000	The Somers Orchard scheme creates a development of social housing to replace the council owned social housing lost when two tower blocks were deconstructed. The scheme proposes to use part of the development site for the PCC wholly owned housing company to develop a build to rent

**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
					block of flats and the scheme will improve the public realm in the surrounding area. Commercial and community space are also part of the scheme.
<b>A healthy and happy City</b>	Housing development - Cabbagefield Row	30,000	20,000	10,000	Housing developments at Cabbagefield Row
<b>A healthy and happy City</b>	Development - Paulsgrove Community Centre				Housing development and new community facilities at Paulsgrove Community Centre.  Brief being developed - Budget to be determined
<b>A healthy and happy City</b>	Housing Development - Hilsea Lodge				Housing development - North of the City  Brief being developed - Budget to be determined
<b>A healthy and happy City</b>	Hilsea Lido Development	6,000	4,320	1,680	Refurbishment of the Hilsea Lido site
<b>A green City</b>	Digital Strategy	1,750		1,750	Programme to introduce the use of digital technologies to ensure the most effective and efficient way of managing council assets including digitising paper records and untethering records management from expensive and insecure on premises storage solutions (i.e. in the civic office and its basement), introducing digital post, increasing the digital capability of our workforce to ensure we continue to meet the needs and expectations of our residents.

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**Capital Strategy**

**KEY SHORT / MEDIUM / LONG TERM CAPITAL INVESTMENT NEEDS & PRIORITIES - 2024/25 ONWARDS**

**Source of Funding**

<b>Corporate Plan</b>	<b>Nature of Capital Investment</b>	<b>Total Capital Cost £'000s</b>	<b>Borrowing Requirements £'000s</b>	<b>Other Funding £'000s</b>	<b>Expected Outcome</b>
<b>A Green City and a City with a thriving economy</b>	Civic Offices Redevelopment	To be determined	To be determined	To be determined	Creating a modern flexible space from which to deliver services to residents, creating community spaces, supporting city regeneration and sustainability of our buildings
<b>A City with easy travel</b>	Development of the City Centre Road Network to open the City Centre for Further Development	28,200		28,200	The City Centre Road will address the current problems that lead to congestion and poor air quality within the city centre. To support the building of a new city centre, there will be a need to change some of the roads around the city centre and also the way traffic moves around these and also over the wider area
<b>A City with easy travel</b>	Transport Hub - Southsea	20,000		20,000	Regeneration of the Hovertravel site and the relocation and redevelopment of Clarence Pier public toilets into a new Transport Hub and public realm area for Southsea
<b>A City with easy travel</b>	Super Cycle Highway	10,000		10,000	Feasibility, design and implementation of infrastructure improvements to ensure joined up and connected cycle routes from the North of the City to the City Centre and Seafront
<b>Total Future Investment</b>		<b>1,342,925</b>	<b>712,320</b>	<b>630,605</b>	

Total Capital investment included within this strategy £1,450,953

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Portsmouth  
*CITY COUNCIL*

# **CAPITAL STRATEGY**

## **2023/24- 2032/33**

PART II

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

# **PART II Borrowing and Investing**

## **CONTENTS**

- 1. Net Debt**
- 2. Borrowing**
- 3. Investments**
- 4. Skills and Knowledge**
- 5. Treasury Management Reporting**

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

- 1.1 Borrowings increase when capital schemes are financed from borrowing and decrease when debt is repaid.
- 1.2 The Council's reserves and working capital are invested until the money is required to finance expenditure.
- 1.3 The Council's forecast net debt, i.e. 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 2024/25

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	£m	£m	£m	£m	£m	£m
Borrowings	748	735	773	804	789	774
Less Investments	(325)	(125)	(50)	(39)	(25)	(24)
<b>Net Debt</b>	<b>423</b>	<b>610</b>	<b>723</b>	<b>765</b>	<b>764</b>	<b>750</b>

## 2. Borrowing

- 2.1 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 or use incidental income from the development of commercial properties for regeneration purposes to fund wider services.
- 2.2 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.
- 2.3 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.

- 2.4 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.

#### Affordability of Borrowing

- 2.5 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.
- 2.6 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 low MRP during the early years as income builds, or savings start to 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.
- 2.7 It is estimated that MRP will amount to £9.1m in 2023/24. The inclusion of further schemes in the capital programme financed by prudential borrowing will further increase the MRP.

#### Key Risks

- 2.8 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.
- 2.9 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
  - estimates the ratio of net income from commercial and service investments 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.

2.10 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.

2.11 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.

### Sensitivity Analysis

2.12 The Council's gross debt on 31 March 2022 was as follows:

	£m	£m
Fixed Rate Borrowing	636	
Finance Leases	1	
Private Finance Initiative (PFI) Schemes	50	
Sub Total - Fixed Rate Debt		687
Lenders Option Borrowers Option (LOBO) Loan	11	
Retail Price Index (RPI) linked loan	65	
Sub Total - Variable Rate Debt		76
<b>Total Gross Borrowing</b>		<b>763</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.

### Minimum Revenue Provision (MRP) for Debt Repayment

2.13 Early in 2018 the Government issued revised statutory guidance on MRP requiring the repayment of 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).

<b>Borrowing</b>	<b>MRP Methodology</b>
<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 including any surplus over the cost of acquisition 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. Any uplifts in rental income beyond that in the budget will be used to make MRP.
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.

- 2.14 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. Investments**

#### **3.1 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.

#### **3.2 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 are included in this category as income received would be used for regeneration purposes. Returns on this category of investment which are funded by borrowing are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

#### **3.3 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 no longer borrow to invest primarily for financial return.

#### Due Diligence

- 3.4 The Council initially identifies suitable Treasury Management 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.
- 3.5 All property acquisitions require a business case which includes a full financial appraisal. The detailed business case and financial appraisal includes building

surveys, environmental surveys and valuations in accordance with the Red Book. In addition, properties continue to be revalued on an annual basis.

- 3.6 Other sources of information that are relevant to particular sectors are 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.

#### Service and Commercial Investments Acquired Through the Capital Programme

- 3.7 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.

- 3.8 CIPFA has revised the Prudential Code relating to service and commercial investments so that:

- 1) The risks associated with service and commercial investments should be proportionate to a local authority's financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
- 2) An authority must not borrow to invest for the primary purpose of commercial return;
- 3) It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
- 4) An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- 5) A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
- 6) Local authorities should create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).



## Statutory Guidance

- 3.9 The Government issued revised statutory guidance on local government investments early in 2018 coming into effect from 01 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.

## Activity in the Investment Property Market

- 3.10 The Council has an investment property portfolio that it acquired over a number of years for £163m.
- 3.11 The Council's overall long-term strategy is to dispose of its investment property portfolio and to mitigate the risks attached to the investment property portfolio in the meantime. The Councils exit strategy is as follows:
- 1) To sell property when it becomes clear from a property and financial perspective that a sale will be preferable to a hold and rent (based on frequent review of forward cash flow forecasts)
  - 2) Use all proceeds to make MRP (including any surpluses)
  - 3) If the carrying (market) value of a property falls below that part of the purchase price financed from unsupported borrowing, MRP will be made for the shortfall over the residual life of the property.
  - 4) Any uplifts in rental income beyond that in the budget to be used to make additional MRP
  - 5) The savings in debt costs to contribute towards the loss of rental income to the General Fund. Over time the significance of the rental income will reduce as it is eroded by inflation.
- 3.12 The Council disposed of one investment property in 2022/23. A further investment property is currently being renovated prior to sale.

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

## Investment Indicators

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

- 3.13 The Council's GF borrowing is forecast to be two times its GF net service expenditure in 2023/24. It is recommended that GF borrowing be limited to five times GF net service expenditure in 2022/23. This will allow further borrowing to be undertaken if it is financially advantageous.

### *Income from Investments for commercial and service purposes to General Fund (GF) Net Service Expenditure*

- 3.14 The Council will depend on income from investments for commercial and service purposes to fund 10.3% of its estimated GF net service expenditure in 2023/24. To ensure that the Council does not become over dependent on income it is recommended that no more than 15% of GF net service expenditure will be funded from investment income.

### *Interest Cover*

- 3.15 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 2.4 times.

### *Loan to Value Ratio*

- 3.16 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*

- 3.17 The investment property portfolio is expected to make a net return of 2.3% against the original cost of the properties in 2023/24. 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*

- 3.18 The investment property portfolio is expected to generate a retained income of £3.9m in 2023/24.

### *External Operating Costs*

- 3.19 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**

- 4.1 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 Treasury Manager is a qualified Chartered Certified Accountant and holds the Association of Corporate Treasurers Certificate in Treasury Management.

- 4.2 On 31 March 2022 £35,500,000 of the Council's investments of surplus cash were being managed externally consisting of £23,000,000 invested in instant access money market funds, £4,800,000 invested in a multi-asset fund and £7,700,000 invested in corporate bonds that were being externally managed.

- 4.3 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**

- 5.1 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.

- 5.2 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.

- 5.3 To demonstrate good governance, all treasury management reports 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.

<b>Report</b>	<b>Reporting of Compliance &amp; Performance in Previous Period</b>	<b>Policy Changes</b>	<b>Audience</b>
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

## 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.						
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Forecast	279%	200%	182%	158%	130%	122%
Recommended Limit	500%	500%	500%	500%	500%	500%

**Forecast Investment Income to General Fund Net Service Expenditure**

This provides an indication of how dependent the Council is on investments to fund its services.						
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Investment Properties	4.8%	4.1%	4.5%	4.5%	4.5%	4.5%
Investments for Service Purposes	6.8%	5.9%	5.6%	5.6%	5.5%	5.4%
Long Term Treasury Management Investments	0.8%	0.3%	0.2%	0.1%	0.0%	0.0%
<b>Overall Investment Income</b>	<b>12.4%</b>	<b>10.3%</b>	<b>10.3%</b>	<b>10.2%</b>	<b>10.0%</b>	<b>9.9%</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						
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Investment Properties	7.2%	6.1%	6.7%	6.7%	6.8%	6.7%
Investments for Service Purposes	10.2%	8.8%	8.5%	8.4%	8.3%	8.2%
Long Term Treasury Management Investments	1.3%	0.5%	0.3%	0.1%	0.1%	0.1%
<b>Overall Investment Income</b>	<b>18.7%</b>	<b>15.4%</b>	<b>15.5%</b>	<b>15.2%</b>	<b>15.2%</b>	<b>15.0%</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>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Investment Properties	257%	236%	272%	272%	279%	279%

**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>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>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>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Investment Properties	2.42%	2.30%	2.89%	2.91%	3.02%	3.03%
Long Term Treasury Management Investments	1.55%	1.91%	2.12%	1.91%	n/a	n/a

### Gross and Net Income from Investment Properties

This indicator shows how much of the gross income is being retained by the Council.						
	2022/23 Estimate £'000s	2023/24 Estimate £'000s	2024/25 Estimate £'000s	2025/26 Estimate £'000s	2026/27 Estimate £'000s	2027/28 Estimate £'000s
Gross Income	8,424,966	8,186,117	9,410,092	9,442,728	9,671,182	9,671,182
Net Income	4,081,033	3,891,364	4,880,504	4,917,060	5,110,777	5,122,261

### External Operating Costs

This indicator shows the trend in operating costs over time, as the portfolio expands.						
	2022/23 Estimate £'000s	2023/24 Estimate £'000s	2024/25 Estimate £'000s	2025/26 Estimate £'000s	2026/27 Estimate £'000s	2027/28 Estimate £'000s
Investment Properties	1,062,933	829,047	1,063,882	1,059,962	1,094,699	1,083,215

# Agenda Item 10



**Portsmouth**  
CITY COUNCIL

<b>Title of meeting:</b>	Governance and Audit and Standards Committee Cabinet City Council
<b>Date of meeting:</b>	08 March 2023 (Governance and Audit and Standards Committee) 07 March 2023 (Cabinet) 14 March 2023 (City Council)
<b>Subject:</b>	Treasury Management Policy 2023/24
<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 temporarily unallocated cash resources flows for 2023/24.

In addition, the Prudential Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the City Council to also approve a Capital Strategy (reported elsewhere on the Cabinet Agenda for 07 March 2023) providing an overview of the Council's plans for capital expenditure, its borrowing, and its investments.

The Treasury Management Policy (attached) also sets several treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken.

### 1.2. Annual Investment Strategy

The Treasury Management Policy includes the strategy for the investment of temporarily unallocated cash resources, 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**

- 1.1. 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**

- 1.1. That the upper limit for principal sums invested for longer than 365 days contained in paragraph 4.6 of the attached Treasury Management Policy Statement be approved;
- 1.2. 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;
- 1.3. That the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2023/24 be approved;
- 1.4. That the following changes compared to the previous Treasury Management Policy be noted:
  - (i) the inclusion of a new treasury management indicator for 2023/24 known as the liability benchmark. This graphically compares the Council's net loans requirement against its existing loan debt, showing the amount of borrowing required in future years.
  - (ii) medium and longer dated borrowing rates are high, but are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. With this in mind, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully drawn with loan debt as cash from the Authority's reserves, balances and cash flows has been used as a temporary measure. This is a change of emphasis from the 2022/23 Treasury Management Strategy which was approved at a time of low interest rates which were expected to increase. The 2022/23 Treasury Management Strategy placed more emphasis on having a predictable revenue cost of borrowing in the long-term. Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance and Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, always seeking to balance risk, certainty and cost.
  - (iii) where state institutions own 50% or more of an entity and can exert significant influence over the counterparty through their shareholdings, the Council will in future avoid investments in such institutions where the state institution has a poor human rights record.
- 1.5. As set out in paragraph 1.5 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 £1,100m approved by the City Council on 28 February 2023;
  - (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
- 1.6. That the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff;
- 1.7. 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 of the Treasury Management Policy Statement).

## **2. Background**

- 1.1. The Council's treasury management operations cover the following:
- Cash flow forecasting (both daily balances and longer-term forecasting)
  - Investing temporary surplus cash flows 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
- 1.2. 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 will not 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.

1.3. The total borrowings of the Council on 01 April 2023 are estimated to be £748m. The Council's investments on 01 April 2023 are estimated to be £325m. 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 £26m per annum. The Council's treasury management activities account for a sizeable 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.

1.4. 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.

1.5. 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.

1.6. The Treasury Management Strategy, and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

## **5. Reasons for recommendations**

1.7. 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 inclusion of a new treasury management indicator for 2023/24 known as the liability benchmark is a requirement of CIPFA's Treasury Management in the Public Services Code of Practice. The liability benchmark graphically compares the Council's net loans requirement against its current borrowings. When the Council's existing loans exceed its net loans requirement, surplus funds must be invested, carrying credit risk if an investment counterparty defaults, and the risk that the temporary surplus cash cannot be invested at a return exceeding the cost of the borrowing, known as the cost of carry. When the Council's net loans requirement exceeds its current borrowings, the Council is exposed to the risk that interest rates could increase before actual external borrowing is undertaken.
- 5.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully drawn with loan debt as cash from the Authority's reserves, balances and cash flows has been used as a temporary measure. This is a change of emphasis from the 2022/23 Treasury Management Strategy which placed more emphasis on having a predictable revenue cost of borrowing in the long-term, always seeking to balance risk, certainty and cost. Undertaking borrowing from external sources when required allows the Council to lock into an interest rate on its borrowings and have a predictable cost of borrowing in the long term. When interest rates are low but expected to increase, as was the case when the 2022/23 Treasury Management Strategy was approved, it can be beneficial in the long term to borrow externally. However, the Council does not have to borrow externally as soon as capital expenditure is financed from borrowing as it is currently holding cash from its general balances and earmarked reserves. This gives the Council the ability to fund capital expenditure from its cash balances in the short term. This is known as internal borrowing. With interest rates currently being high but expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy, it is likely to be beneficial to delay undertaking external borrowing. Delaying external borrowing until the Council needs the cash also eliminates the risk of a cost of carry in the short term. This is where the returns on the Council's investments are less than the cost of borrowing. However, delaying borrowing externally does carry the risk that interest rates may increase resulting in a higher long-term cost of borrowing. The Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 5.4 It is recommended that where state institutions own 50% or more of an entity and can exert significant influence over the counterparty through their shareholdings, the Council will in future avoid investments in such institutions where the state institution has a poor human rights record. This will ensure that the Council is acting in an ethical manner and protect the Council from reputational risks.

**6. Integrated impact assessment**

1.8. 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**

1.9. 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**

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

.....  
Signed by: Director of Finance and Resources

**Appendices:** Treasury Management Policy Statement 2023/24

**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 2023/24 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

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. Temporary surplus cash flows are invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity primarily before considering investment return.

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 (usually from Reserves or Balances that are not required immediately but are earmarked or budgeted for future use). On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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 these are needed for a future purpose and any loss of principal will in effect result in a loss to the General Fund Balance and therefore put spending plans at risk

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.”*

Whilst any commercial initiatives or loans to third parties will affect the treasury function, these activities are 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

### Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare 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.

#### 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.

#### 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 2023/24

The strategy for 2023/24 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.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

#### **1.4 Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

A formal record of the training received by officers central to the Treasury function will be maintained by the Deputy Director of Finance and Section 151 Officer. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Deputy Director of Finance and Section 151 Officer.

#### **1.5 Treasury Management Staff**

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, Finance Managers, 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.

#### **1.6 Treasury Management Consultants**

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.

The Council currently retains "Link Asset Services, Treasury Solutions" as its external treasury management advisors. The contract will be re-let through a competitive process in accordance with the Council's procurement rules.

The Council also uses information from other sources such as the Building Societies Association and Homes England.

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.

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.

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 2022/23 – 2027/28

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 28 February 2023 can be summarised in Table A as follows:

<b>Table A</b>	<b>2021/22 Actual</b>	<b>2022/23 Revised Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
	£m	£m	£m	£m	£m	£m	£m
Other Non - Housing Revenue Account	163	247	279	151	74	34	4
Housing Revenue Account (HRA)	64	72	104	89	61	33	35
<b>Total</b>	<b>227</b>	<b>319</b>	<b>383</b>	<b>240</b>	<b>135</b>	<b>67</b>	<b>39</b>
<b>Element financed from borrowing</b>	<b>44</b>	<b>59</b>	<b>171</b>	<b>123</b>	<b>51</b>	<b>-</b>	<b>-</b>

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

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 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.

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.

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 £51m of such schemes within the CFR.

The projected CFR is shown below:

<b>Table B</b>	<b>2021/22 Actual</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>2027/28 Estimate</b>
<b>Capital Financing Requirement (£m)</b>							
Investment Properties	163	164	173	173	173	173	173
Other Non - Housing Revenue Account	465	481	563	617	631	622	611
<b>Sub - Total</b>	<b>628</b>	<b>645</b>	<b>736</b>	<b>790</b>	<b>804</b>	<b>795</b>	<b>784</b>
Housing Revenue Account (HRA)	229	260	331	390	417	414	411
<b>Total CFR</b>	<b>857</b>	<b>905</b>	<b>1,067</b>	<b>1180</b>	<b>1,221</b>	<b>1,209</b>	<b>1,195</b>

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 Liability Benchmark

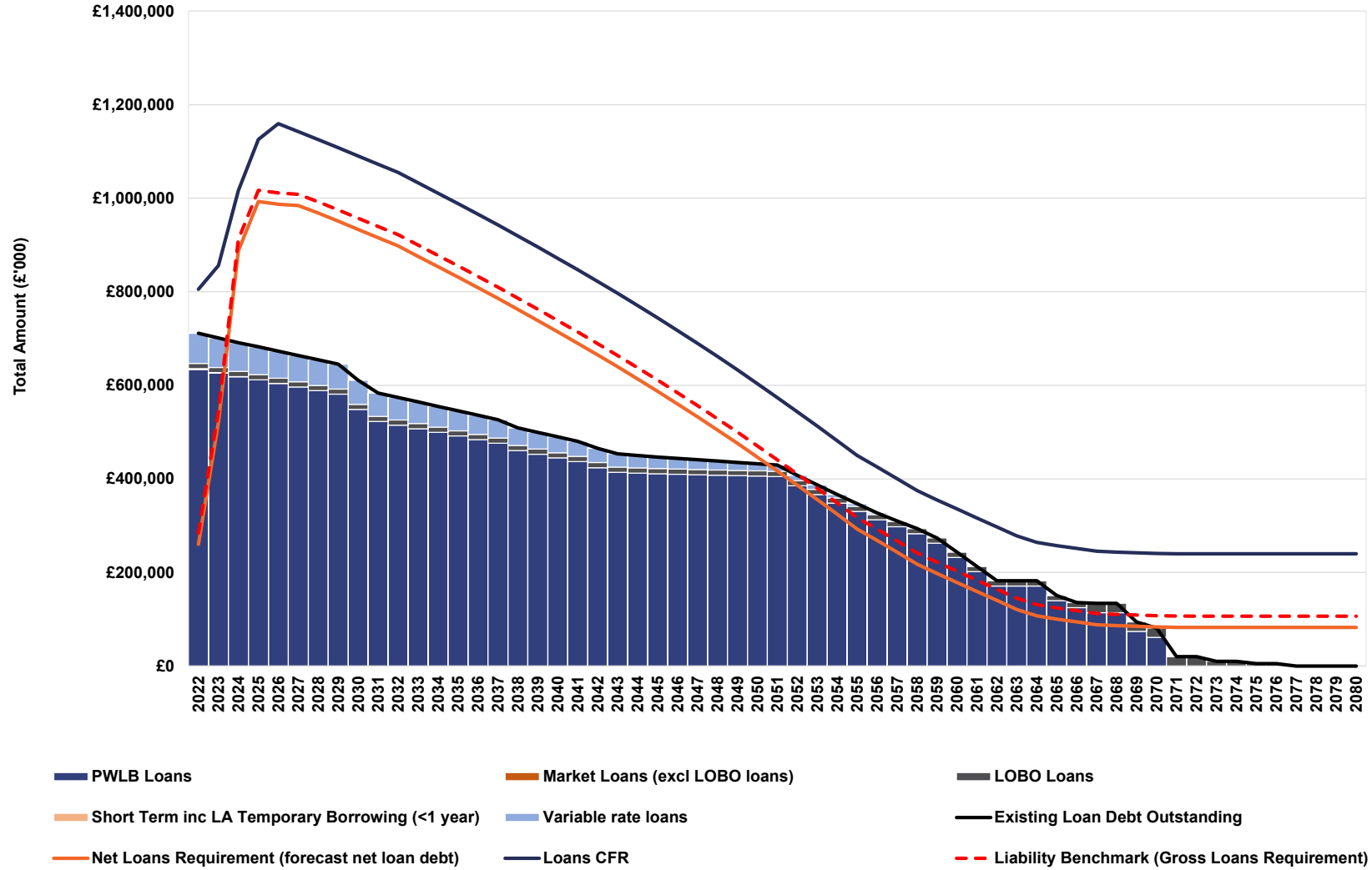
A new treasury management indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB:

- 1) **Existing loan debt outstanding** (shown as a bar chart below): the Authority's existing loans that are still outstanding in future years.
- 2) **Loans CFR** (the top line in the graph below): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- 3) **Net loans requirement** (the bottom line in the graph below): this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- 4) **Liability benchmark** (or gross loans requirement) (the middle line in the graph below): this equals net loans requirement plus short-term liquidity allowance.

The short-term liquidity allowance is an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed (due to short-term cash flow variations, for example).

# Liability Benchmark



The Council's current borrowing exceeds its liability benchmark. This has resulted in excess cash requiring investment. However between 2023/24 and 2052/53 the Council's actual loans are less than the liability benchmark indicating a future borrowing requirement.

## 2.4 Core funds and expected investment balances

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>2021/22 Actual</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>2027/28 Estimate</b>
Fund balances / reserves	274	216	191	180	179	179	179
Capital grants unapplied	48	48	48	48	48	48	48
Capital receipts	18	18	18	18	18	18	18
Provisions	15	15	15	15	15	15	15
Other	122	122	122	122	122	122	122
<b>Total core funds</b>	<b>477</b>	<b>419</b>	<b>394</b>	<b>383</b>	<b>382</b>	<b>382</b>	<b>382</b>
Working capital*	78	63	63	63	63	63	63
Over / (under) borrowing - see below	(95)	(157)	(332)	(407)	(417)	(420)	(421)
<b>Expected investments</b>	<b>460</b>	<b>325</b>	<b>125</b>	<b>50</b>	<b>39</b>	<b>25</b>	<b>24</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

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>2021/22 Actual</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>2027/28 Estimate</b>
<b>External Debt (£m)</b>							
Debt on 1 <sup>st</sup> April	721	711	702	693	735	769	760
Expected change in Debt	(10)	(9)	(9)	42	34	(9)	(9)
Other long-term liabilities (OLTL) on 1 April	57	51	46	42	38	35	29
Expected change in OLTL	(6)	(5)	(4)	(4)	(3)	(6)	(6)
<b>Actual gross debt on 31 March</b>	<b>762</b>	<b>748</b>	<b>735</b>	<b>773</b>	<b>804</b>	<b>789</b>	<b>774</b>
<b>The Capital Financing Requirement</b>	<b>857</b>	<b>905</b>	<b>1,067</b>	<b>1,180</b>	<b>1,221</b>	<b>1,209</b>	<b>1,195</b>
Over / (under) borrowing	(95)	(157)	(332)	(407)	(417)	(420)	(421)

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

<b>Table E</b>	<b>2021/22 Actual</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>2027/28 Estimate</b>
<b>External Debt for investment properties</b>							
Actual debt on 31 March £m	163	164	173	173	173	173	173
Percentage of total external debt %	21%	22%	24%	22%	22%	22%	22%

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 2023/24 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.

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

**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>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>	<b>2027/28 Estimate (£m)</b>
Commercial activities/ non-financial investments	164	173	173	173	173	173
Other Debt	696	852	969	1,013	1,019	1,014
Other long-term liabilities	46	42	38	35	29	23
<b>Total</b>	<b>906</b>	<b>1,067</b>	<b>1,180</b>	<b>1,221</b>	<b>1,221</b>	<b>1,210</b>

**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>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>	<b>2027/28 Estimate (£m)</b>
Commercial activities/ non-financial investments	164	173	173	173	173	173
Other Debt	727	885	1,002	1,047	1,053	1,049
Other long-term liabilities	46	42	38	35	29	23
<b>Total</b>	<b>937</b>	<b>1,100</b>	<b>1,213</b>	<b>1,255</b>	<b>1,255</b>	<b>1,245</b>



### 3.3 Prospects for interest rates

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 07 February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
<b>BANK RATE</b>	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

The MPC further demonstrated its anti-inflation credentials by delivering a further 0.5% increase in the Bank Rate on 02 February. Bank Rate stands at 4.0% currently but is expected to reach a peak of 4.5% in the first half of 2023.

In the medium term, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The consumer price index CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

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

Gilt yields and hence PWLB rates have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.

Our treasury advisors, Link Group, view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### 3.5 Investment and borrowing rates

**Investment returns.** With the increase in base rate, new investments made in 2022/23 have had higher returns, and this has resulted in the overall rate of return on the Council's investments increasing. This is expected to continue into 2023/24.

**Borrowing for capital expenditure.** Link's long-term (beyond 10 years), forecast for Bank Rate is 2.5%. As all PWLB certainty rates are currently above this level, our borrowing strategy will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed local authority (LA) to LA monies will be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

### 3.6 Borrowing strategy and risk appetite

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully drawn with loan debt as cash from the Authority's reserves, balances and temporary cash flows has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### **3.7 Policy on borrowing in advance of need**

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.

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 may exceed the interest earned on the investment of those funds. 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**

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is a large difference between premature redemption rates and the PWLB's new borrowing rates.

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	●	●
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)

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

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;

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.

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

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, the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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 2021

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 above guidance from the DLUHC and CIPFA place a high priority on the management 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.

**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).

**Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

This authority will set a limit for its investments that are invested for **longer than 365 days**, (see paragraph 4.7).

Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

This authority places **sector and geographical limits** on its investment portfolio to avoid the concentration of risk, (Appendix 5.3).

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. A further extension to the over-ride to 31 March 2025 has been agreed by the Government.

## 4.2 Creditworthiness policy

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.

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.

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.

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 ratingand 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.

**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.

**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 can have a considerable influence on their credit quality.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are summarised below (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 and Building Societies 1 highest quality	AA-	£26m	6yrs
Banks and Building Societies 1 higher quality	A+	£20m	6yrs
Banks and Building Societies 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
Building Societies with assets of more than £350m	-	£6m	2yrs
UK Government including DMADF and institutions guaranteed by the UK Government	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

\*Building Societies with assets of more than £350m was omitted from the above summary in the 2022/23 Treasury Management Strategy.



The proposed criteria for specified and non-specified investments are shown in Appendix 5.2 for approval.

**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.

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards in the autumn, 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 Authority 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 AA-** 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 (ESG) Factors

The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.

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.

The Council will give weight to the environmental, social and governance 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.

ESG ratings focus on non-financial performance indicators that address a counterparty's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations. Due to the volume of counterparties with which the Council transacts, the speed of such transactions and the depth of due diligence required to investigate and understand the ESG credentials, an ESG screening service is used using industry produced indicators.

Treasury Management investment transactions are limited to institutions with ESG ratings of "Leaders" or "Average". Institutions with an ESG rating of "Laggards" are declined.

An ESG Key Issue hierarchy is used to measure an institution's ESG rating and is based on three pillars, ten themes and thirty-five key issues as follows:

3 Pillars	10 Themes	35 ESG Key Issues	
<b>Environment</b>	<b>Climate Change</b>	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	<b>Natural Capital</b>	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	<b>Pollution &amp; Waste</b>	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	<b>Environmental Opportunities</b>	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
<b>Social</b>	<b>Human Capital</b>	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	<b>Product Liability</b>	Product Safety & Quality Chemical Safety Consumer Financial Protection	Privacy & Data Security Responsible Investment Health & Demographic Risk
	<b>Stakeholder Opposition</b>	Controversial Sourcing Community Relations	
	<b>Social Opportunities</b>	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
<b>Governance</b>	<b>Corporate Governance</b>	Ownership & Control Board	Pay Accounting
	<b>Corporate Behavior</b>	Business Ethics Tax Transparency	

The ESG ratings model seeks to answer four key questions about institutions:

- i) What are the most significant ESG risks and opportunities facing an institution, company, or industry?
- ii) How exposed is the institution or company to those key risks and/or opportunities?
- iii) How well is the institution or company managing key risks and opportunities?
- iv) What is the overall assessment of how the institution or company is managing ESG risks and opportunities and how does it compare to its global industry peers?

The key issue scores and weights are combined and normalised per industry to offer an overall ESG score (0-10) and rating (AAA-CCC) as follows:



The overall ESG Rating measures the ability of an institution to manage key medium- to long-term risks and opportunities arising from environmental, social and governance issues. The ESG Rating is provided on a AAA-CCC scale, with AAA and CCC being the respective highest and lowest fund ratings.

- i) Institutions or companies with a "Leader" rating tend to show strong and/or improving management of relevant environmental, social and governance issues. These institutions may be more resilient to disruptions arising from ESG events
- ii) Institutions or companies with an "Average" rating tend to show average management of ESG issues
- iii) Institutions or companies with a "Laggard" rating do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These institutions may be more vulnerable to disruptions arising from ESG events.

It should be noted that ESG credentials relate to counterparties, as distinct from the country in which the counterparty is domiciled. However, where state institutions own 50% or more of the entity and can exert significant influence over the counterparty through their shareholdings, the Council will avoid investments in such institutions where the state institution has a poor human rights record.

#### 4.5 Investment Strategy and Risk Appetite Statement

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 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.

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

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.

When investing temporary surplus cash flows, 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), and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos.

The Council will invest its temporary surplus cash flows 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 temporary surplus cash as possible, the Council will invest as much as it can in longer-term higher yielding investments whilst maintaining sufficient liquidity to meet its cash flow needs.

The Council may invest in lower risk structured investment products that follow the developed equity 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.

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.

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

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.

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>2024</b>	<b>2025</b>	<b>2026</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current investments as of 31 March more than 1 year maturing in each year	130	50	50

#### **4.7 End of year investment report**

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**

**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%	20%
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%

**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.
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) 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.	<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. 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

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# Agenda Item 11



**Portsmouth**  
CITY COUNCIL

<b>Title of meeting:</b>	Cabinet
<b>Date of meeting:</b>	07 March 2023
<b>Subject:</b>	Council Tax Premiums on Second Homes and Empty Properties
<b>Report by:</b>	Director of Finance and Resources
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes/No
<b>Full Council decision:</b>	Yes/No

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## 1. Purpose of report

- 1.1 The Levelling Up and Regeneration Bill is currently in the House of Lords, having had its second reading on 17 January 2023. The bill is currently timetabled to move to committee stage from 20 February 2023.
- 1.2 The Bill itself is wide-ranging, including devolution provisions across England, and enhancements to Local Authorities' abilities to move forward regeneration schemes.
- 1.3 If enacted, the Bill also allows councils to:
  - i) Levy a council tax premium on second homes of up to 100%; and
  - ii) Permits a council tax premium on empty properties at an earlier point than legislation currently permits.
- 1.4 Billing authorities intending to adopt any changes arising from the Levelling Up and Regeneration Bill are required to declare their intentions at least 12 months prior to the financial year in which the changes come into effect. This means the Bill will need to obtain Royal Assent prior to 31 March 2023, to adopt any changes for the financial year commencing 01 April 2024. Such a decision can only be made once the legislation is in force.
- 1.5 Portsmouth City Council must adopt policies for the application of council tax premiums, and this report therefore aims to notify Members that there is forthcoming legislation to apply council tax premiums on empty properties and second homes.

## 2. Recommendations

- 2.1 It is recommended that Full Council declares its intention to implement and approve the following additional council tax premiums, to be applied from 01 April 2024, or as

soon as possible thereafter, subject to the legislation being in place:

- i) A 100% premium for second homes;
- ii) A 100% premium for properties that have been empty and unfurnished for a period between 1 and 5 years - this will change the current policy of charging a 100% premium where a property is empty and unfurnished for a period between 2 and 5 years.

### **3. Background**

#### Premiums on Empty Properties

3.1 Billing Authorities are encouraged to adopt council tax premiums on empty properties to incentivise property owners to bring properties back into use. At present, premiums can be charged where properties are left empty and substantially unfurnished for periods of two years or more.

3.2 Where a dwelling remains unoccupied and substantially unfurnished for a period of two years or more, the City Council has previously resolved to charge an empty homes premium of the relevant maximum in addition to the full council tax charge. The relevant maximum is:

- 100% for dwellings that have remained unoccupied and substantially unfurnished for a period of less than 5 years;
- 200% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 5 years;
- 300% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 10 years

#### Premiums on Second Homes

3.3 In May 2022 Government published the Levelling Up and Regeneration Bill, which includes proposals to further address empty properties via the application of council tax premiums, as well as measures that recognise the impact that high levels of second homes can have in some areas.

3.4 Where a dwelling is classified as a second home, the City Council has previously resolved to award a second home discount of 0%, in essence meaning that the full council tax charge is levied on second homes. Until the Levelling Up and Regeneration Bill is enacted, the City Council has no powers to apply a premium to second homes.

3.5 Through the Levelling Up and Regeneration Bill, it is the Government's intention to:

- Reduce the minimum period for the implementation of a council tax premium for empty properties from two years to one year, and
- Allow local authorities to introduce a council tax premium of up to 100% in respect of second homes.

- 3.6 The recommendations in paragraph 2.1 are dependent on the Levelling Up and Regeneration Bill receiving Royal Assent and to become effective from 01 April 2024. Unless altered, the Bill in its current form requires the Council to make a resolution confirming their intentions on the application of the premiums at least 12 months prior to the financial year in which the changes will come into effect. This will mean that Royal Assent would be required to be obtained prior to 31 March 2023 in order for the Council to be given powers to make a resolution and adopt the changes for the financial year commencing 01 April 2024.
- 3.7 It is anticipated that the Bill is unlikely to complete its passage by 31 March 2023 but it is prudent for the Council to declare its intention to implement the recommendations in the event that it does so that there is a possibility that the additional premiums can come into effect from April 2024. Should the Regeneration Bill receive Royal Assent after 31 March 2023, the earliest that the premiums may be effective from is 01 April 2025, however final details will be understood once the Bill has been passed.

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

- 4.1 The Bill proposes changes to legislation that allows councils to apply a premium on second homes and empty properties, and this allows councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities. In particular, in the case of empty properties, this may incentivise property owners to bring properties back into use.
- 4.2 If these changes bring empty properties back into use, it would be supporting the demand for housing within the City.
- 4.3 If these changes increase revenue via Council Tax, it similarly provides opportunities to support the Council's objectives, though ultimately it will be for the Council to establish the best use of any additional income when setting future budgets.
- 4.4 Initial analysis shows that the application of a 100% premium on second homes could increase the level of collectable council tax by approximately £2m, (see Table 1 on the next page).

**Table 1:**

**Potential council tax revenue generated from a 100% premium on second homes** (Figures as at 07/02/2023 based on 22/23 charges).

Properties	Number of properties	Current 2022/23 Band Charge £	Current Value £	Value with 100% premium £ *
Band A	736	£1,254.90	£923,606.40	£1,847,212.80
Band B	197	£1,464.05	£288,417.85	£576,835.70
Band C	121	£1,673.20	£202,457.20	£404,914.40
Band D	91	£1,882.35	£171,293.85	£342,587.70
Band E	89	£2,300.65	£204,757.85	£409,515.70
Band F	65	£2,718.94	£176,731.10	£353,462.20
Band G	19	£3,137.25	£59,607.75	£119,215.50
Band H	1	£3,764.70	£3,764.70	£7,529.40
Total	<b>1319</b>		<b>£2,030,636.70</b>	<b>£4,061,273.40</b>

\* excludes any amount for non-collection, or for any changes in usage of the dwelling.

- 4.5 Initial analysis shows that the application of a 100% premium on properties that are empty for more than one year but less than two may increase the level of collectable council tax by approx. £447,000 (see Table 2 below).

**Table 2:**

**Potential council tax revenue generated from a 100% premium on properties empty for more than one year but less than 2 years** (Figures as at 07/02/2023 based on 22/23 charges)

Properties	Number of properties	Current 2022/23 Band Charge £	Current Value £	Value with 100% premium £ *
Band A	108	£1,254.90	£135,529.20	£271,058.40
Band B	96	£1,464.05	£140,548.80	£281,097.60
Band C	53	£1,673.20	£88,679.60	£177,359.20
Band D	15	£1,882.35	£28,235.25	£56,470.50
Band E	11	£2,300.65	£25,307.15	£50,614.30
Band F	6	£2,718.94	£16,313.64	£32,627.28
Band G	4	£3,137.25	£12,549.00	£25,098.00
Band H	0	£3,764.70	£0.00	£0.00
Total	<b>293</b>		<b>£447,162.64</b>	<b>£894,325.28</b>

\* excludes any amount for non-collection, or for any changes in usage of the dwelling.

- 4.6 Once the Bill has secured Royal Assent, it could, subject to Full Council approval, have a significant positive financial implication. Based on the data in Tables 1 and 2 above, this may equate to approximately £2.477m based upon the current makeup of the tax base. It would be prudent however to assume a downward shift, as property



owners change the use of properties, sell, or as a result of other changes in circumstances. It may therefore be prudent to assume this value reduces by 20% to £1,982m. Implementing these changes will increase revenue to all preceptors on the Collection Fund, with the Council's share being approximately 83%, totalling £1,645m.

**5. Integrated impact assessment**

Attached at Appendix 1

**6. Legal implications**

6.1 Local Authorities may only exercise statutory powers which have been given to them by Parliament. At the time of writing this report, the Levelling Up and Regeneration Bill has yet to pass through all of the parliamentary stages and so has not been finalised and is awaiting Royal Assent.

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

7.1 All of the financial implications arising from the recommendations are contained within the body of the report.

.....  
Signed by:

**Appendices:** Appendix 1

**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
Levelling Up and Regeneration: further information	<a href="http://www.gov.uk">Levelling Up and Regeneration: further information - GOV.UK (www.gov.uk)</a>

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

.....  
Signed by:

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# 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:**

Finance & Resources

**Service, function:**

Revenues & Benefits

**Title of policy, service, function, project or strategy (new or old) :**

Changes to the council's policy for empty properties and second homes.

**Type of policy, service, function, project or strategy:**

- Existing
- New / proposed
- Changed

**What is the aim of your policy, service, function, project or strategy?**

The Levelling Up and Regeneration Bill will, once enacted, provide Local Authorities with the powers to levy a council tax premium of up to 100% for second homes, and further enable the 100% premium on empty properties to apply after 1 year, as opposed to the current provisions that allows the premium to

commence after two years. The policy is intended to incentivise property owners to bring properties back into use, and to maximise revenue from council tax.

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 is no requirement for any consultation as this change is subject to the legislation introduced by the Levelling Up and Regeneration Bill.

## 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?

N/A

How will you measure/check the impact of your proposal?

N/A

## 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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

## 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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A



**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

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?

N/A
How are you going to measure/check the impact of your proposal? N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

**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?

N/A

How are you going to measure/check the impact of your proposal?

N/A

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?

N/A

How are you going to measure/check the impact of your proposal?  
N/A

**Q8 - Who was involved in the Integrated impact assessment?**

Matt Willis (Revenues and Benefits Manager) / Joanne Snowdon (Housing Benefit Lead)

**This IIA has been approved by:** Chris Ward, Director of Finance and Resources

**Contact number:** 023 9283 4423

**Date:** 02-March-23

# Agenda Item 12



Portsmouth  
CITY COUNCIL

## **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
<b>Subject:</b>	Anaerobic Digestion Plant Project
<b>Date of meeting:</b>	7 March 2023
<b>Report by:</b>	James Hill, Director of Housing, Neighbourhood & Building Services
<b>Report Author:</b>	Colette Hill, Assistant Director Neighbourhoods
<b>Wards affected:</b>	All

---

### **1. Requested by**

Leader of the Council

### **2. Purpose**

2.1. To update Cabinet on the progress of the project to develop an anaerobic digestion(AD) facility.

### **3. Information Requested**

#### **3.1. Background**

3.1.1. This is a commercially sensitive project and the sites that have been considered are therefore not named in this report. The project is still in the site selection phase with several workstreams underway to inform a potential planning application.

#### **3.2. Progress to date**

3.2.1. The initial feasibility work was undertaken by the Housing Neighbourhood and Building Services (HNB) waste management service arising from the roll out of food waste collection. The waste management team worked with an external consultant (Bio Watt) and through the Assistant Director of Neighbourhood Services they continue to lead the work. The preliminary feasibility case was developed in 2019 with an options appraisal of 3 plant sizes - this was developed with a site in mind (1).

## **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)**

**3.2.2.** A cross directorate project board was set up early 2020, the Senior Responsible Officer is the Director of HNB, and the board brings together the waste management leads, planning and the commercial property team (supporting the site selection).

**3.2.3.** PCC is undertaking this project with a view to provide food waste disposal for other local authorities in Hampshire. PCC's waste disposal partners Hampshire County Council and Southampton City Council have been updated.

**3.2.4.** Key activity undertaken to date:

- In Summer 2020, a Hampshire wide site search was conducted to appraise sites against the criteria needed to deliver an AD facility. A technical review of the site (1) was carried out.
- In Autumn 2020 investigations started at a second site (2), not in PCC ownership. This included technical options and gas to grid feasibility. The teams undertook work to understand alternative uses the site could have should AD not get planning permission and interim uses to pay the borrowing costs needed to purchase the site.
- In February 2021 investigations started at a third site (3) - these included topographical studies, technical drawings, and gas to grid feasibility studies.
- In March 2021, site (1) was discounted as deemed not suitable for an AD plant.
- Site (2) was then subsequently discounted due to the purchase price increasing to an amount which meant the business case for developing a plant at this site was no longer feasible.
- In Summer 2021, the team submitted a confidential pre-planning advice request for site (3) to Hampshire County Council (HCC) - planning authority for minerals and waste sites in the County. In addition, a capital bid was submitted for funds to continue investigations at the site (3) in order to inform completion of the business case for site (3).
- Autumn 2021 pre-application advice report received from HCC. This highlighted the constraints of the site but was overall fairly positive.
- Autumn 2021 - Autumn 2022 work has been undertaken to understand the cost implications of developing AD at the site (3). This included a refresh of the business case, considering the rise in, for example, build costs since the original work was undertaken.
- November 2022 a briefing to Group Leaders was delivered to outline the work to date to identify a suitable site for an AD plant.
- December 2022 progressed with time sensitive ecology surveys and setting studies to inform whether commitment to an outline planning application for site (3) can be made. The outcomes of the preliminary ecological survey and setting study are due at the end of January 2023 - these will also inform any future planning application for the site. Commitment to submission of an outline planning application will be

**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)**

dependent on whether the ecological and setting constraints can be suitably mitigated.

- 3.2.5** A draft communications plan has been developed in preparation for when the project is ready to be in the public domain.
- 3.2.6** The commercial property team continue to review site availability throughout Hampshire and will continue to do so. At the time of writing this update report site (3) remains the only viable site in consideration.
- 3.2.7** An assessment regarding the decision to proceed with planning will be made by the project board in conjunction with the cabinet member and the Director of Regeneration & Director of Finance and Resources will use their delegations to progress the project. Progress reports will be made to Climate Change and Environment member and Cabinet as appropriate and the project will report via the Major Project Board.

**3.3. Indicative Delivery Timeline**

**3.3.1.** The below timeline is indicative of how the programme of works could look if funded through unsupported borrowing and we are able to take forward site (3):

Table 2-2 - Indicative programme

INDICATIVE TIMELINE	2022	2023				2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Planning application				Submission	Decision (16 weeks from validation, best case)	Contingency		
Engagement with HCC								
Prep of planning deliverables including Planning Statement		Drafting starts	Check & Review					
Stakeholder engagement								
Public engagement (by others)								
Design (by others)	Design freeze 1		Design freeze 2					
EIA	Scoping	Surveys / ES drafting	Finalisation					
Habitats Regulations Appraisal		HRA drafting						
Water Framework Directive Compliance Assessment		WFD drafting						

The ecology surveys will take place across the spring/summer survey season between March and September and are required for the planning application. The team will work to compress the timeline where possible.

.....  
Signed by James Hill, Director of Housing, Neighbourhood and Building Services

**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)**

**Appendices:**

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

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

<b>Title of document</b>	<b>Location</b>



# Agenda Item 13

**PORTSMOUTH CITY COUNCIL - PUBLIC NOTICE  
OMISSION FROM FORWARD PLAN FOR THE PERIOD COVERING  
6 FEBRUARY TO 5 MAY 2023**

**NOTICE IS HEREBY GIVEN that at a meeting on Tuesday 7 March, the  
Cabinet will make a decision on the  
following item:**

A report by the Director of Regeneration.

**Enabling Redevelopment of Debenhams, Palmerston Road - Compulsory  
Purchase Order.**

Purpose

The purpose of this paper is to propose that the council considers the opportunity to bring this key site back into active use to enable and progress the regeneration of this important district hub in the city.

Any questions about the proposed decision should be addressed to:  
Anne Cains, Head of Acquisitions and Disposal  
[Anne.cains@portsmouthcc.gov.uk](mailto:Anne.cains@portsmouthcc.gov.uk)

This decision is a Key Decision for the purposes of the Forward Plan as defined in Article 13 of the Constitution but was not included in the Forward Plan covering the period 16 February to 16 April 2023 and is therefore an omission from the Forward Plan. The Chair of the City Council's Scrutiny Management Panel has been notified of and agreed to the decision being made, in accordance with the City Council's Constitution (General Exceptions, Section 15).

The reason why the item cannot wait until the publication of the next Forward Plan and the subsequent Cabinet meeting is that information has only recently come to light, and the decision is required by the Full Council Meeting scheduled on the 14 March 2023.

The decision will be taken at the Cabinet meeting on 7 March at 12 noon.

17 January 2023.

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<b>Title of meeting:</b>	Cabinet & Full Council
<b>Date of meeting:</b>	Cabinet 7 <sup>th</sup> March 2023 & Full Council 21 <sup>st</sup> March 2023
<b>Subject:</b>	Enabling Redevelopment of Former Debenhams Palmerston Road - CPO
<b>Report by:</b>	Tristan Samuels, Director of Regeneration
<b>Report Author:</b>	Anne Cains, Head of Acquisitions and Disposals
<b>Wards affected:</b>	St Judes
<b>Key decision:</b>	Yes
<b>Full Council decision:</b>	Yes

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## 1. Purpose of report

- 1.1 This report sets out the important role that local high streets play in accommodating the economic growth and local employment in key parts of the city.
- 1.2 The Palmerston Road High Street is one of several Council priority areas, defined in both the current and emerging local plans as an area of housing and economic growth, with the areas identified for regeneration and redevelopment.
- 1.3 This paper seeks to promote a proactive and interventionist approach to delivering the Council's policy objectives and proposes that the Council considers the opportunity to bring this key site back into active use to enable and progress the regeneration of this important district hub in the City.

## 2. Recommendations

The Cabinet and the City Council are recommended to:

- 2.1. Approve the strategy to assemble the land required for the development of the former Debenhams Site in Palmerston Road, in line with the approved planning application for the site.
- 2.2. Delegate authority to the Director of Regeneration and S151 Officer on the advice of the City Solicitor in consultation with the Leader to:
  - 2.2.1. Negotiate and complete acquisitions of legal interests subject to affordability, based on the statutory Compulsory Purchase Order (CPO) Compensation

Code, in land required for the delivery of the former Debenhams planning consent.

2.2.2. To procure and appoint specialist advisers as required for:

- Land referencing Agents
- Specialist compulsory purchase surveyors

2.2.3. To approve the progress of all work necessary to establish a case for compulsory purchase.

2.2.4. To approve, in principle, the use of compulsory purchase powers for the acquisition of land to deliver the former Debenhams (Palmerston Road), regeneration scheme (indicatively shown in red on the attached plan at Appendix 2) and note that the making of any compulsory purchase order will be subject to a further report to cabinet and Full Council confirming that the criteria in paragraph 3.18 have been met.

2.3. The Cabinet and the City Council are asked to note the red line area shown on the plan (Appendix 2) as currently drawn. Officers will take all reasonable measures to minimise the need to acquire third party interests in accordance with CPO Guidance and the existing design approach to the scheme.

The Cabinet are asked to note that:

2.4. Officers may need to seek a future resolution to grant the Director of Regeneration and the City Solicitor authority, in accordance with section 122 of the Local Government Act 1972, to declare that any land acquired or held and required for the delivery of the former Debenhams (Palmerston Road) Regeneration scheme, where they conclude that it is no longer needed for its present purpose, is appropriated for such statutory purpose as necessary to deliver the former Debenhams (Palmerston Road) Regeneration scheme, and to authorise the overriding of such easements, rights, or other adverse matters burdening the land, where that is needed to deliver the scheme, in reliance on section 203 of the Housing and Planning Act 2016.

### **3. Background**

#### National Context

3.1. Government Policy has since 2010 been towards greater local empowerment – with the introduction of the Localism Act, Police and Crime Commissioners, City Deals and democratically elected metro mayors. But a renewed and coordinated focus is now needed to take this forward and we see this in the new Department of Levelling Up and its emerging policies and white paper.

3.2. The paper states, that learning lessons from the past, a new policy regime is needed to reverse these embedded historical trends. It is about root and branch reform of government and governance of the UK and seeks to put power in local hands, armed with the right information and embedded in strong civic institutions.

3.3. This new policy regime is based on 5 mutually reinforcing pillars.

- 3.3.1. **Pillar 1**, the UK government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives. These will serve as an anchor for policy across government, as well as catalysing innovation and action by the private and civil society sectors. These missions are ambitions that the UK government has for all parts of the UK. Delivering on them, while being fully respectful of the devolution settlements, will require close and collaborative work with the devolved administrations. The missions are rolling decade-long endeavours and will be reviewed periodically by the UK government
- 3.3.2. **Pillar 2**, central government decision making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall. This will require greater transparency around the geographic allocation of funding and simplification of local growth funding. It will mean running levelling up through central government decision-making as a golden thread for which departments are held accountable. And it will mean extra resources being deployed to local areas, including moving 22,000 civil servants out of London by 2030.
- 3.3.3. **Pillar 3**, the UK government will empower decision makers in local areas by providing leaders and businesses with the tools they need. A new framework will extend, deepen and simplify local devolution in England. Ongoing support will be provided to existing City and Growth deal areas in Scotland, Wales and Northern Ireland, pan-regional partnerships like the Northern Powerhouse and Midlands Engine, and local private sector initiatives. The UK Government will support existing and embryonic private sector clusters of economic activity, which exist in all parts of the UK and are the wellspring of new innovation and job creation.
- 3.3.4. **Pillar 4**, the UK government will transform its approach to data and evaluation to improve local decision-making. In the past, it has been difficult to see what is being spent, where and how it is being spent, and its impact. The Office for National Statistics' Subnational Data Strategy aims to improve the UK's subnational data, mapping local economic geographies and helping improve transparency and accountability to the public. The UK government is making available interactive tools and maps to facilitate this process. It will also encourage innovative uses of real-time data at the local level, giving leaders across the UK the information they need to deliver, experiment and evaluate swiftly and effectively.
- 3.3.5. **Pillar 5**, the UK government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council. The council will support ministers by advising on the design, delivery and impact of levelling up policy. The annual report will update the public on progress against the missions so that levelling up is subject to rigorous external scrutiny, including by Parliament.

- 3.4. Over time, these 5 pillars acting in combination will improve the information and incentives facing decision-makers locally and nationally, to strengthen the institutions driving local transformation. It is those shifts in the system of governance and government across the UK that will anchor success in meeting the medium-term levelling up missions.
- 3.5. The Levelling Up Missions are supported by the pillars above and typically seek to boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging. Some of the specific focus areas that are relevant to this district centre include Health, Housing, Crime & Pride of Place.

#### Local Context

- 3.6. The Portsmouth Plan was adopted in January 2012 (the Local Plan), and an Area Action Plan for Southsea Town Centre adopted in 2007 which specifically covers the key frontage site. The aim of the Local Plan is to provide a positive planning framework for the successful regeneration of the city. A main element of the development strategy of the Local Plan & AAP is to locate additional development at key development sites and support the Councils three-centre retail strategy with the aim of contributing to the vision of the City's sustainable Community strategy
- 3.7. Within the emerging 2021 local plan, most recently published under a Regulation 18 consultation, Palmerston Road High Street, as part of Southsea Town Centre is recognised as the second most significant centre of importance for new town centre development in the city. The former department stores, including the site the subject of this report are highlighted as major redevelopment opportunities to bring change into the centre. Given this recognition the Council is committed to the regeneration of the City to create a thriving, attractive, and vibrant environment for its residents, businesses and visitors.
- 3.8. The future Southsea high street will be a vibrant destination for visitors and the local community, known for its high quality environment, independent dining and retail offer.

#### Land Assembly

- 3.9. Negotiations commenced to secure the property interests of the major land holder within the proposed area with the Council's subsidiary development company Ravelin Housing Ltd making an expression of interest to purchase the site on 26 April 2021.
- 3.10. Ravelin Housing Ltd, made a written offer to purchase the site, subject to contract on in November 2021 and this was formally accepted by the owner in December 2021.
- 3.11. Contracts for sale were subsequently negotiated and agreed, with the final contracts being circulated for signature on 28 April 2022.
- 3.12. Ravelin Housing Limited signed the contracts for sale on 29 April 2022.

- 3.13. On the 19 May 2022, it was confirmed in writing, that the Seller could no longer proceed with the transaction and withdrew from the sale. No further explanation was received.
- 3.14. It is anticipated that no further progress can be made on the negotiated approach for the parcels of land and legal interests and therefore it is appropriate to consider the use of compulsory purchase powers.
- 3.15. The government recognises in its "*Guidance on Compulsory Purchase*" dated July 2019, ([CPO guidance \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/81424/guidance-on-compulsory-purchase-2019.pdf)), that if acquiring authorities wait for negotiations to break down, this can have detrimental impacts on the timing of delivery of public projects. Therefore, depending on when the land is required, the guidance considers it sensible for an acquiring authority to:
- plan a compulsory purchase as a contingency measure; and
  - initiate formal procedures
- 3.16. Importantly, the CPO Guidance expressly recognises that such steps "*...help to make the seriousness of the authority's intentions clear from the outset, which in turn might encourage those whose land is affected to enter more readily into meaningful negotiations*".
- 3.17. The CPO Guidance requires acquiring authorities to attempt to acquire land by agreement before embarking on the CPO process, although it is recognised that for schemes involving the acquisition of the number of interests, it is sensible to run the CPO process in parallel with ongoing negotiations.
- 3.18. This report seeks members support for a resolution 'in principle' for the use of compulsory purchase powers to assemble the land required to deliver the former Debenhams (Palmerston Road) Regeneration scheme, should all reasonable attempts to acquire the necessary land and interests fail. As the guidance makes clear, use of compulsory purchase powers is intended as a 'last resort'. Officers acknowledge that any decision to proceed to make a CPO will be subject to a further report to Cabinet to confirm the following:
- that there was a compelling case in the public interest for the use of compulsory purchase powers;
  - that there were no planning, funding or other legal impediments to the former Debenhams (Palmerston Road) Regeneration scheme being delivered,
  - that reasonable attempts to acquire all interests by agreement have been made but not all have been successful;
  - considering any interference with the human rights of those with an interest in the land affected; and
  - reporting on the results of an assessment of the impacts on residents, visitors and employees to be measured and evaluated, with special focus on the likely effect of the proposals on those sharing protected characteristic (race, pregnancy, age, disability, gender reassignment, marriage/civil partnerships, religion/belief, sex, sexual orientation (as defined by the Equality Act 2010)), in order for the Council to fully understand those impacts, and to consider

measures to mitigate impact, make reasonable adjustment, and foster good relations between those sharing protected characteristics, and those who do not.

- 3.19. The main benefit of the use of compulsory purchase is the certainty of being able to obtain vacant possession to a planned programme. This is vital in order give the Council confidence that a scheme will be delivered. The use of compulsory purchase also provides a level of certainty on project programming which in turn would allow the Council to enter into commercially sound construction contracts. This is because, once the CPO is confirmed and the legal challenge period has passed, the Order can be implemented and a date for vacant possession fixed in accordance with the project programme.
- 3.20. A resolution approving the 'in principle' use of compulsory purchase powers at this stage in the process, will demonstrate the Council's commitment to the timely delivery of the former Debenhams (Palmerston Road) Regeneration scheme and its related benefits.
- 3.21. The Council has recently obtained specialist legal advice from a leading law firm on land assembly, use of CPO powers and the legal process for a CPO in relation to another scheme. Although it was prepared for another scheme, it contains generic advice on the CPO process. Said legally privileged and confidential advice is attached to this report at appendix 4 (this is an exempt confidential appendix). Should the Council seek to progress a CPO, it will have regard to the advice set out in the CPO Guidance and the advice of its appointed legal advisors either procured or through the existing framework.
- 3.22. The key dates for the Debenhams (\*Palmerston Road) Regeneration scheme to date are:
- Planning application (20/00620/FUL) approval - 10<sup>th</sup> November 2021
  - Heads of Terms agreed 28 October 2021
  - Ravelin Funding agreed 24 April 2022
  - Contracts for sale circulated for signing 28 April 2022
  - Ravelin Housing Limited signed the contract for sale 29 April 2022

The above matters will need revising subject to the scheme and how PCC opt to deliver it.

- Letter 1 to Vendor
- Letter 2 to Vendor (MP signed)
- Visit to Portsmouth by the Vendors representative

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

- 4.1. Negotiations to purchase through agreement have failed to make progress. The council has reached a position of last resort.
- 4.2. In line with the policies in the emerging local plan, this site on Palmerston Road is important in creating a vibrant and viable town centre location. The ramifications of



this site being left vacant and semi derelict are serious and following the Council's failed attempt to bring the site forward for redevelopment.

- 4.3. As such consideration must now be given to the use of Compulsory Purchase Powers to unlock this important regeneration site.

## 5. Integrated impact assessment

- 5.1. An integrated impact assessment has been completed and is attached at appendix 3.

## 6. Legal comments

- 6.1. There are a number of statutory provisions permitting the compulsory acquisition of land interests and rights over (or under) land. Section 226 (1) Town and Country Planning Act 1990 provides a statutory power to make CPOs for planning purposes and is likely to be the appropriate power to be utilised in relation to the former Debenhams (Palmerston Road) site, that is the subject of this report. It states that:

- i. a local authority can exercise its compulsory purchase powers if: ‘...the authority think that the acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land...’
- ii. and that ‘the development, re-development or improvement is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of their area’ or
- iii. where the acquisition is ‘necessary to achieve in the interests of the proper planning of an area in which the land is situated’.

- 6.2. Moreover, the “Guidance on Compulsory purchase process and the Criche Down Rules (July 2019)” (‘CPO Guidance’) need to be taken account of as this sets out important additional requirements. Although the CPO Guidance is non-statutory guidance, it is consistently applied by the Secretary of State when considering the confirmation of a CPO. The main requirements of the CPO Guidance are referred to at paragraph 3.18 of this report.

- 6.3. The Cabinet and the City Council are asked to adopt a two-stage procedure in authorising the use of Council's CPO powers:

- (1) authority to delegate undertaking of preparatory steps in relation to the making of a CPO and authority to use the Council’s compulsory purchase powers in principle, both being sought in this report; and
- (2) a further authority from the Cabinet and the City Council, prior to submitting an application to the Secretary of State for a confirmation of the CPO. A further report to the Cabinet and the City Council will be prepared for that purpose to confirm

that the criteria set out in paragraph 3.18 of this report have been satisfied and therefore there is a robust case for the making of a CPO.

- 6.4. As set out in the CPO Guidance, Secretary of State will only confirm a CPO where there is a compelling case in the public interest - there must be a clear public interest benefit from redevelopment.
- 6.5. Compensation will be payable in accordance with the Compulsory Purchase Compensation Code.
- 6.6. External specialist legal support will be procured in order to guide the Council through the CPO process and advise on robustness of the Council's CPO case in relation to the former Debenhams site.
- 6.7. The use of CPO powers is a measure of last resort and the Council has statutory powers to acquire land for planning purposes by agreement under section 227 of the Town and Country Planning Act 1990 subject to the same proviso regarding well-being objectives as set out in section 226(1) of the Act. Further, Section 120 of the Local Government Act 1972 authorises the Council to acquire by agreement any land for the benefit, improvement, or development of the Council's area or for purposes of any of the Council's functions under any enactment, notwithstanding that the land is not immediately required for such purposes.
- 6.8. Appropriation of land for planning purposes pursuant to section 122 Local Government Act 1972 may be necessary in relation to land that the Council already holds or acquires by agreement (as opposed to through using its CPO powers). Appropriation is the internal 'transfer' of land and property between different departments or purposes. Appropriation is used as a tool to assist in achieving development where land is affected by difficult title issues, as once appropriated the Council may be able to utilise the provisions of section 203 Housing and Planning Act 2016 ('Section 203) enabling easements and other rights e.g. rights to light and restrictive covenants that may restrict the development or use of land to be overridden in specified circumstances. However, this report is not seeking member authorisation to use the above powers and a further report would be prepared for the Cabinet should the Officers consider necessary to rely on appropriation and section 203 powers.
- 6.9. It may also be necessary to utilise powers pursuant to ss 271 and 272 Town and Country Planning Act 1990 in relation to the extinguishment of rights of statutory undertakers and electronic communications code network operators.
- 6.10. The precise suite of powers required will be settled upon once land requirements and other matters relating to the development are finally determined.

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

- 7.1. The costs of the specialist advisers required to progress of all work necessary to establish a case for compulsory purchase are estimated to be £50,000 (tbc) can be

funded from the injection into Ravelin of £100,000 for work of this nature approved by full Council on 28 February 2023 as part of the Capital Programme for 2022/23 to 2027/28.

- 7.2. Whilst this work is being carried out the previous financial appraisal that was approved for the original purchase and redevelopment of the property will be reviewed and updated. The revised appraisal will need to include any additional costs for the CPO approach and also take into account changes in the economic climate which have been significant in terms of inflation as well as the increase in interest rates that will impact on the borrowing costs.
- 7.3. Should members ultimately agree to proceed with a CPO for the property the Director of Finance and Resources / Section 151 Officer will in the first instance need to be satisfied that there is a viable and deliverable scheme that can afford to repay the borrowing required before any further steps are undertaken, this will be contained within the future report.

.....  
Signed by:

**Appendices:**

- Appendix 1 - Land Assembly Strategy
- Appendix 2 - Red line plan for CPO
- Appendix 3 - Integrated Impact Assessment
- Appendix 4 - Confidential advice note from Legal advisors (exempt for publication, s100A of the Local Government Act 1982 Schedule 12A, paragraph 3)

**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:

Land Assembly process and  
Proposal:

Handleys Corner (Former  
Debenhams Store) Palmerston  
Road

## **1 Introduction**

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- 1.1 This report sets out the proposals to enable the Land Acquisition to facilitate part of the regeneration and development of the Southsea Town Centre, Palmerston Road.
- 1.2 The proposal sets out the current position, timing and methods of land acquisition available to the City Council in order to facilitate the development, and will provide some suggestions as to the most appropriate method of acquisition in varying circumstances.
- 1.3 Whilst the City Council will work to acquire all necessary property interests by agreement, this land acquisition proposal includes the potential use of compulsory purchase powers.

## **2 Current position**

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- 2.1 The Council have been considering options to regenerate and improve Palmerston Road since the closure of both Debenhams and John Lewis, two national department stores occupying significant buildings on Palmerston Road. Previous consideration included a joint venture scheme for the sites to include commercial use and residential units.
- 2.2 The John Lewis site has been acquired by That Group and is in the process of redevelopment. Negotiations with the owners of The Debenhams building have stalled and reached a position that negotiations cannot be concluded, there is no timeframe for the situation to be resolved.
- 2.3 The area including the site, is owned by a number of parties, including a long leasehold to PCC, Vivid Homes, and other private entities, but the subject site is independent of any other sites.

## **3 Acquisition Options**

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- 3.1 There are two principal options for acquisition available to the City Council to ensure vacant possession of the site for the regeneration of, these are:
  - Acquisition by agreement
  - Compulsory Purchase
- 3.2 Each method has its benefits and it is envisaged that both will all be pursued in combination to ensure that vacant possession of the site is delivered in a cost-effective manner.

## 4 Application

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- 4.1 As has been discussed above, a combination of both methods is appropriate for the acquisition of the entire site required for the proposed redevelopment.

Prior to acquiring any land, it is vital to have a schedule showing a comprehensive list of all property interests within the development site. The initial task will be a desk top study of approximately three weeks from instruction (anticipated March 2023), followed by a more detailed referencing exercise taking approximately five weeks thereafter (Eight in total for the first stage to have a document ready to support a Compulsory Purchase order if required and to assist acquisitions). To date due diligence has already been carried out in advance of an acquisition by negotiation, and will serve to minimise the work outlined in this paragraph.

### **Acquisition by Agreement**

- 4.2 This is the preferred method of acquisition
- 4.3 The Council will continue to pursue the acquisition of the site through negotiations with the vendor in advance of a CPO.
- 4.4 The Council will need to identify any other property interests within the site that are on the market, but none are anticipated due to previous due diligence and also make it known that they are seeking to acquire. If property interests are on the market, and can be acquired at a reasonable cost, then they should be purchased. It may be possible to enter into conditional contracts or take options in order to secure the property interest rather than an outright purchase at an early stage.
- 4.5 The remainder of the interests within the site should be contacted in order to initiate attempts to acquire by agreement. This process can obviously be prioritised depending on the type of interest held. It should be recognised that there may be more than one property interest in some properties, and that the acquisition by agreement of a superior interest may allow the determination of an inferior interest using landlord and tenant powers.
- 4.6 At an early stage a 'stock letter' should be sent to all affected parties initiating contact and explaining the Council's intentions to negotiate acquisitions by agreement. This process of regular correspondence should be continued throughout the duration of the project. This process can be accommodated as part of the initial work carried out for land referencing work.

**Small Investment Owners, Owner occupiers and large space users (If applicable)**

- 4.7 The site is currently vacant, but if required a schedule showing available relocation properties within the local area including all of the various land uses which are within the development site will be prepared. This schedule needs to be updated regularly throughout the entire land acquisition process. It should be available on PCCs website and any other local property search sites.
- 4.8 This schedule will provide the basis of negotiations with occupiers to purchase their interests. It should provide a useful information source for all those who are affected by the scheme in their attempts to find relocation premises. This will significantly reduce the risk of businesses having to extinguish due to their inability to find relocation premises, and assist in achieving continuous trading for relocating businesses.
- 4.9 The Council should work with any affected occupiers to identify appropriate relocation opportunities and be prepared to indemnify occupiers for the reasonable costs of acquiring and holding relocation properties, such as agents or legal fees.
- 4.10 The main concern of small investment owners will be to obtain the right value for their interest. If agreement can be reached on this value, it is likely that a deal can be agreed.
- 4.11 Owner occupiers are likely to have two main concerns, achieving the appropriate value for their property interest, and finding appropriate relocation premises. If both of these issues can be resolved, it is likely that a deal can be agreed. The owner-occupier is likely to reserve their rights to claim disturbance compensation, which is difficult to assess at this early stage.
- 4.12 The main concern of a large or unusual space occupier is likely to be finding appropriate relocation premises. If these can be found, it is likely that agreement can be reached more easily on issues of the value of the property interest and disturbance compensation. Early discussion with these occupiers is particularly important in order to avoid businesses extinguishing or ceasing trading for a short time whilst relocation takes place.

**Leaseholders and occupiers (If applicable)**

- 4.13 The main concerns of these occupiers will be finding appropriate relocation premises. The council will work with the affected occupiers to identify appropriate relocation opportunities and be prepared to indemnify occupiers for the reasonable costs of acquiring and holding relocation properties. The schedule of available property discussed at paragraph 3.11 above will be very useful in these discussions.



- 4.14 Once appropriate relocation premises have been identified, it is more likely that agreement can be reached on any other costs incurred.

### **Acquisition by Compulsory Purchase**

- 4.15 Compulsory purchase is the second process of acquisition.
- 4.16 Compulsory purchase is seen as a last resort by acquiring authorities, to be used only when all other options have failed. It should never be seen as a first option.
- 4.17 Government guidance supports the use of compulsory purchase to secure regeneration schemes. It recognises that, due to the time taken to make and confirm a compulsory purchase order, it may be appropriate to run the compulsory purchase process in parallel with other efforts to acquire interests in property. This also demonstrates the seriousness of the council's intentions, and can help to move negotiations forward.
- 4.18 Therefore, whilst the council explores all reasonable options for acquiring the necessary land as set out above, the City Council will make preparations to make a compulsory purchase order to facilitate the development. Negotiations to acquire by agreement will continue throughout this process.
- 4.19 The timeframe to prepare and finalise a compulsory Purchase order is approximately 18 months. As the council have addressed a number of issues for the proposed scheme previously, this time frame may be reduced, and the application supported by previous attempts to work with external bodies.
- 4.24 The period leading up to securing the CPO will be used to continue to negotiate with owners, and also to focus on delivering the best outcome for the city. Negotiations will be in line with the statutory guidance for using compulsory purchase in that interests will be valued at their existing use, but with consideration given for the savings gained in not paying compensation under CPO regulations.

## 5 Conclusions

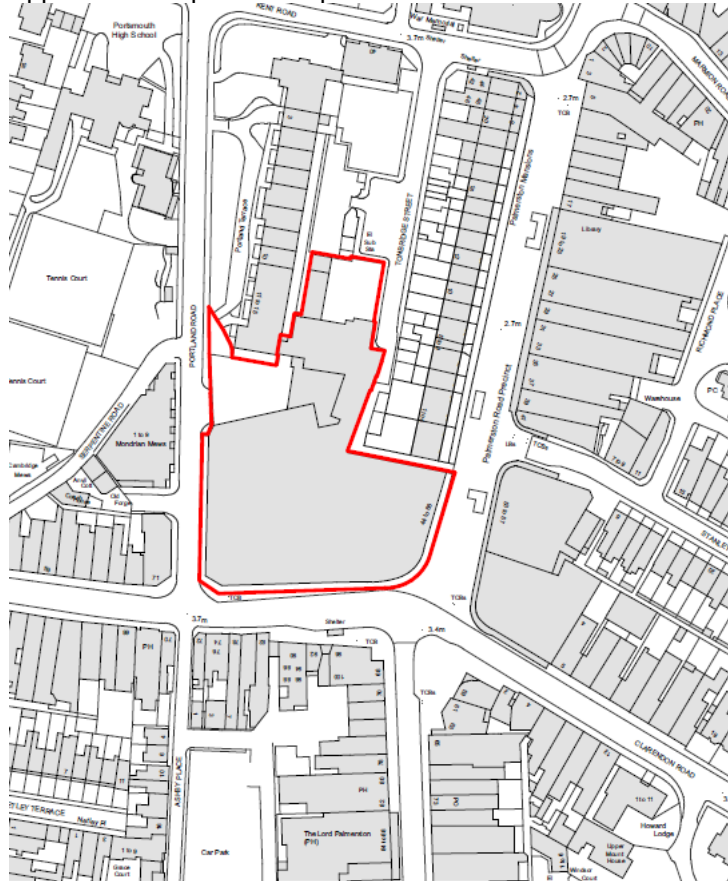
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- 5.1 The council will continue to engage with the vendor to acquire the property interests required in advance for the proposed scheme.
- 5.2 Where property interests are available on the market at present, the council will make reasonable attempts to acquire them by agreement.
- 5.3 The council will make reasonable attempts to acquire any remaining property interests by agreement. This will necessitate the commissioning of the land referencing work.
- 5.4 The council will prepare and maintain a schedule of all available property for relocation. They will work with affected occupiers to identify and secure relocation property where appropriate.
- 5.5 The council is prepared to use of its compulsory purchase powers to acquire property interests required for the development.
- 5.6 Anyone who is potentially affected by the scheme, or has questions concerning land assembly, should be directed to;

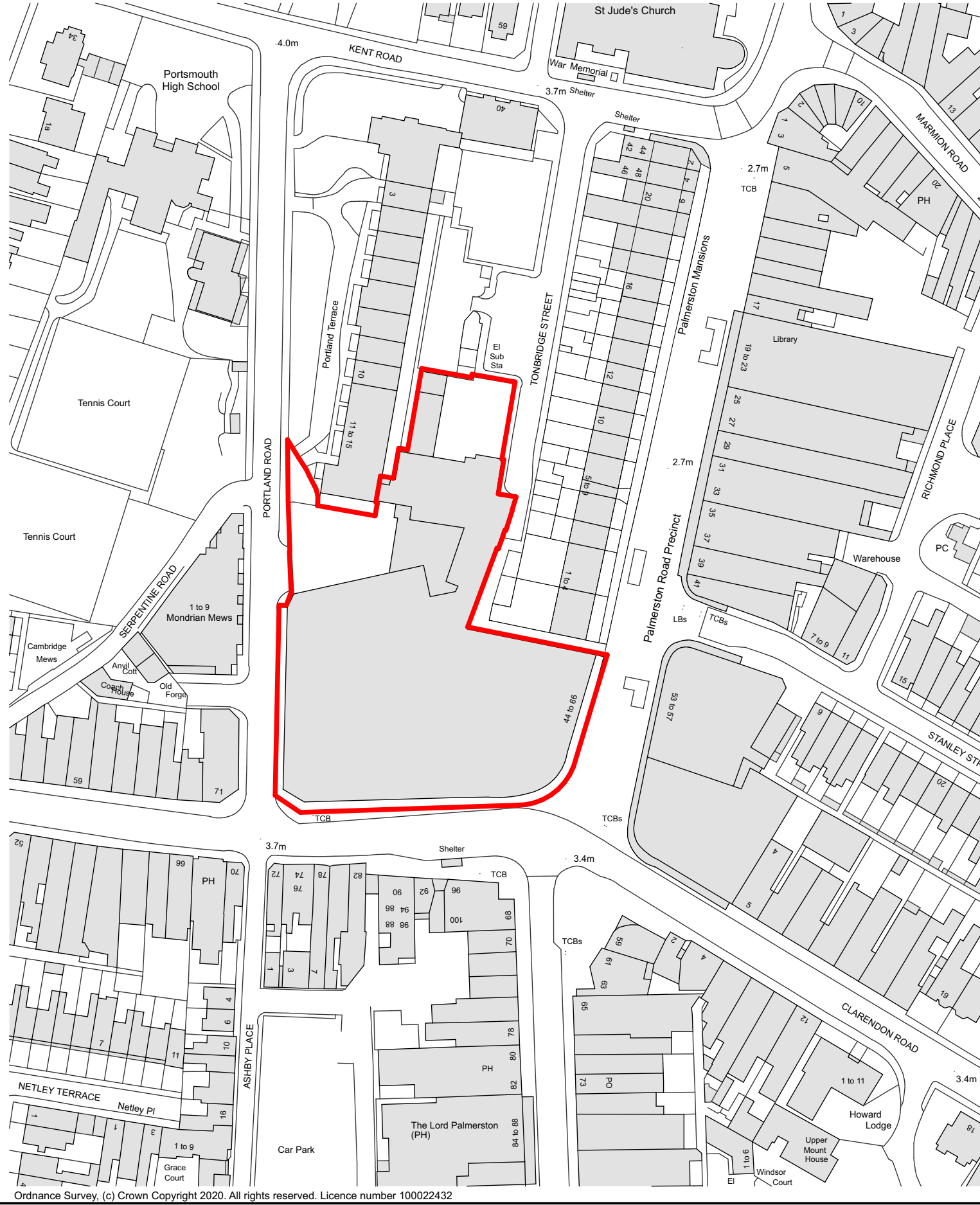
Tom Southall MRICS  
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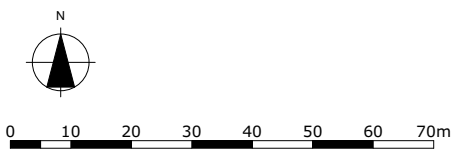
Appendix 1 Proposed site plan







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**Please Note:**  
 Dimensions to be checked on site and any discrepancies are to be highlighted to the Architect prior to construction.  
 Topographical / Ordnance Survey information shown has been prepared by a third party, HGP accept no responsibility for accuracy or completeness of the survey.  
 This drawing is to be read in conjunction with all other project drawings, construction notes and / or project specifications including those by other project consultants and specialists. All discrepancies should be reported immediately.  
 Design subject to detail development / approval. Measurements and accommodation schedules subject to amendments following coordinated input by others. Costings cannot be finalised until approval /confirmation by relevant authorities and Client.

**Legend:**  
 Planning application boundary

P1	PLANNING ISSUE	22.05.20	MB	MW
Rev.	Description	Date	DB	/ CB

Date	
Drawn By/Checked By	MB/MW
Scale	1:1250@A3
Revision	P1
Project	Handleys Corner, Southsea
Title	Site Location Plan
Dwg #	19.091_HGP_100
Status	PLANNING ISSUE

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# 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:**

Strategic Developments

**Title of policy, service, function, project or strategy (new or old) :**

Palmerston Road: The land assembly strategy proposed will support and enable the redevelopment and regeneration of the area known as Southsea Town Centre, Palmerston Road.

**Type of policy, service, function, project or strategy:**

- Existing
- New / proposed
- Changed

**What is the aim of your policy, service, function, project or strategy?**

To regenerate the site known as former Debenhams, Palmerston Road to create new homes and encourage the regeneration of Southsea Town Centre.

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?

No: Consultation for the proposed scheme will form part of the process to deliver the scheme.

## 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?

At this stage of the programme we do not have a detailed knowledge of the impact of the development in terms of safety and reduction of crime within the area.

It is critical to ensure that our design principals focus on the development being safe for residents and visitors. In addition to that, we believe in the importance of enabling strong, inclusive communities where social and physical activity are encouraged as a way to prevent mental health issues and support people to develop in a healthy environment.

How will you measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all ours KPIs. This will be continually reviewed prior to a planning submission.

## 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?



The plans for Southsea Town Centre address the city needs for housing, with a large focus on health and well-being for a new sustainable community. We do not just want to build homes. We want to create an environment that flourishes and much thought has gone into how people can live in a more environmentally conscious way.

We are aiming to be policy compliant as a minimum.

Within the Strategic Developments team, we are committed to delivering safe homes that provide natural light, ventilation, noise protection and affordable heating.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**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?

The redevelopment will promote health and wellbeing and good quality of life - delivering work, live and play in close proximity.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**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?

The proposal is to regenerate an area of the City to provide additional homes and create commercial space & opportunities for businesses which is anticipated to attract investment in the area, creating additional employment opportunities.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**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?

As we are currently in the concept phase there are no negative impacts on specific protected characteristics being reviewed.

This programme is not envisaged to negatively impact on the equality groups but we will ensure we get people views so these groups are not put at a disadvantage and get the opportunity to give feedback.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

## 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?

In line with the Portsmouth Climate Change Strategy, we are committed to reduce the construction carbon footprint, using renewable and sustainable energy and materials, as well as implementing innovative construction methods to guarantee we are complying with the "net zero" government strategy.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

## 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?

At this stage of the programme we do not have a detailed knowledge of the impact of the development in terms of energy use. However, we are committed to the Portsmouth City Council Climate Change Strategy and we are aiming to use a high proportion of energy coming from renewable/decentralised sources.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed

prior to our submitting to planning.

**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?

At this stage of the programme we do not have a detailed knowledge of the design of any mitigation requirements, but the scheme is aware of the flood zone and mitigation measures will be incorporated into the designs. The proposal will also seek to achieve the highest BREAM rating .

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**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?

The proposal is to introduce new low maintenance green spaces for residents .

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed

prior to our submitting to planning.

**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?

In line with the councils climate change strategy the proposal is to reduce vehicular movements into the city, by creating more city centre homes and local work places.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**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?

The proposal is not anticipated to have any direct impact on road safety. The location of more city centre homes will include facilities for bike storage and be designed to encourage more sustainable ways to travel.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our

submitting to planning.

## B - Environment and climate change

Yes

No

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?

We will work with colleagues in our waste and energy team to establish a waste management strategy for the site which also looks at the agenda of the city as a whole.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

## 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?

We are in an early stage of the design of the programme and as part of the stakeholder management plan, we will have an engagement strategy to facilitate that the key stakeholders support us to understand the site and the heritage of the location and its significance to the wider area.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

## 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 proposal is to regenerate an area of the City to provide additional homes and create commercial space & opportunities for businesses which is anticipated to attract investment in the area, creating additional employment opportunities. We will encourage the creation of apprentice, work experience and placement opportunities .

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

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?

The proposal is to regenerate the area with a view to attracting investment in businesses and opportunities within the development and wider city.

How are you going to measure/check the impact of your proposal?

We will produce a procurement delivery scorecard which outlines all our KPIs. This will be continually reviewed prior to our submitting to planning.

**Q8 - Who was involved in the Integrated impact assessment?**

Anne Cains -Head of Acquisitions & Disposal

**This IIA has been approved by:** Tristan Samuels - Assistant Director of Regeneration & Property

**Contact number:** 07555 012510

**Date:**





**Title of meeting:** Governance and Audit and Standards Committee

**Date of meeting:** 8 March 2023

**Subject:** Appointment of Independent Person

**Report by:** City Solicitor

**Wards affected:** N/A

**Key decision:** No

**Full Council decision:** Yes

## 1. Purpose of report

To consider the re-appointment of an Independent Person whose term of office expires this May 2023, pursuant to the provisions of Section 28 of the Localism Act 2011.

## 2. Recommended that

1. **The Governance and Audit and Standards Committee recommend to Council to re-appoint Mr John Young as Independent Person for a further three years from 1 May 2023 through to 30 April 2026 and;**
2. **The Governance and Audit and Standards Committee thank Mr Mark Walsh for his 3 years' service as an Independent Person and;**
3. **following the Local Elections May 2023, that a new Independent Person is sought to fill the vacant position.**

## 3. Background

- 3.1. Following consideration by Governance and Audit and Standards Committee and Council in March 2018, the Council agreed to the appointment of three Independent Persons for a period of 3 years.
- 3.2. Since these initial appointments Governance and Audit and Standards Committee and Council in March 2020, both increased the number of Independent Persons to five in total.
- 3.3. Following consultation with the two Independent Persons whose terms shall expire May 2023, Mr Young has accepted the offer to continue in the role, whereas Mr Walsh has declined to pursue other interests and opportunities.

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

- 4.1. Independent Persons are required under the Arrangements for Assessment, Investigation and Determination of Complaints made against Councillors.
- 4.2. The role of Independent Person is entirely voluntary, with no remuneration or benefits, the Monitoring Officer and the Council is therefore grateful of those who give their time in supporting the Council in this important process.
- 4.3. It is considered that the re-appointment of the subsequent vacant position will continue to maintain the flexibility to consider member complaints in a timely manner.
- 4.4. That the process to find a suitable person commences in the new municipal year so that the Chair and Vice Chair are appointed for interviews and that the subsequent report be brought to Governance & Audit & Standards Committee to recommend the appointment to a future full Council meeting.

#### **5. Role of the Independent Person**

- 5.1. The Council is required to appoint at least one Independent Person. These are persons who must have no connection with the Council.
- 5.2. They do not have decision making powers and their role is purely to advise.
- 5.3. Their functions are:-
  - 5.3.1. To be consulted by the Council before it makes a finding as to whether a member has failed to comply with the Code of Conduct or decides what action is to be taken in respect of that Member;
  - 5.3.2. To be consulted by the Council in respect of a Code of Conduct complaint at any other stage if required; and
  - 5.3.3. To be consulted by a Member or co-opted Member of the Authority against whom a complaint has been made if required.

#### **6. Procedure for appointment**

The procedure for the appointment of the Independent Persons:

- 6.1. The role is advertised on the Council's website for applications (and by invitation should any potential candidates be recommended);
- 6.2. An interview panel comprising the Chair and Vice-Chair of Governance and Audit and Standards Committee together with the Monitoring Officer met to consider shortlisted applicants;

6.3. The successful candidates to be recommended by Governance and Audit and Standards Committee to Council for formal appointment for a three year term.

**7. Remuneration**

Expenses may be claimed by the Independent Person and it is proposed that this provision continues.

**8. Integrated impact assessment**

This report does not require and Integrated impact assessment as it does not propose any new or changed services, policies or strategies.

**9. Legal implications**

The legal implications are embodied within this report.

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

There are no financial implications arising from the recommendations set out in this report.

.....  
Signed by:

**Appendices: Nil**

**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

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# Agenda Item 17



<b>Title of meeting:</b>	Employment Committee
<b>Date of meeting:</b>	9 March 2023
<b>Subject:</b>	Pay Policy Statement 2023/24
<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 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 Approve the Pay Policy Statement attached as **Appendix 1**, to go forward for approval by the Full Council prior to 31 March 2023.

## 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 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 2022 and on the difference between the highest salary and the median salary which is 6.83. This equates to a median salary of £24,401.

In comparison, based on the data published in the 2022/23 Pay Policy Statement, the ratio between the highest paid salary and the median salary of the whole of the local authority's workforce based on data as of 31<sup>st</sup> March 2020 was a multiple of 7.21 with a median salary of £22,526 (the pay award for 2021/22 had not yet been applied as national pay negotiations were ongoing at the point of publication).

The Council also considers that the relationship between the base salaries of its highest and lowest paid employees, which is currently a ratio of 1:8.23, represents an appropriate, fair, and equitable internal pay relationship. The ratio based on the previous year's published data was a ratio of 1:8.45.

- 3.6 A comparison of pay multiples was undertaken across comparator Local Authorities. Portsmouth City Council does not have a high pay multiple but is below the projected multiples of 8.1 - 12.1 for the public sector as identified in the [Hutton Review of Fair Pay in the Public Sector \(March 2011\) Report](#). A lower ratio provides the Council with better value for money.



<b>Local Authority</b>	<b>Pay Multiple</b> based on the difference between the highest salary and the median
Portsmouth City Council	6.83
Cornwall Council	6.5
Reading Borough Council	5.9
Buckinghamshire Council	6.69
Medway Council	6.2
Milton Keynes Council	6.2
Thurrock Council	6.3
Plymouth City Council	6.29
Oxford City Council	4.5
West Sussex County Council	5.69

3.7 Whilst the Pay Policy Statement relates to the year 2023/24, 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 2023/24 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 March 2023 and can only be amended thereafter by resolution to Full Council.

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

- 7.1 There are no direct financial implications arising from the recommendation in this report.

.....  
Signed by:

**Appendices:**

**Appendix 1: Pay Policy Statement 2023/24**

**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 2023/24**

### **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 fulfill 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 2022:

Chief Executive	£151,024 - £166,719
Port Director	£113,703 - £123,048
Director (upper band) **	£113,703 - £123,048
Director (lower band)	£97,734 - £107,823
Senior Managers*	£84,250 - £92,917

\*\*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**

A Returning Officer fee is payable for nationally funded elections and referendums in accordance with the Fees & Charges Order made by Parliament at a relevant poll. Where a director or other officer performs specified duties at an election or referendum where a fee is payable, either at a locally or nationally funded poll, this will be paid in accordance with the schedule of fees agreed by the Hampshire and Isle of Wight Election Fees Working Group.

## **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 7<sup>th</sup> July 2022, the Employment Committee confirmed its 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, each year. The current annual full-time equivalent value of this pay level, based on a 37-hour standard working week at £9.90 per hour is £19,100.

In line with the annual increase of the Living Wage, from May 2023 the annual full-time equivalent, based on a 37-hour standard working week will rise to £10.90 per hour or £21,029 per annum.

## **SECTION 3: PAY RELATIONSHIPS**

Under the provisions of the Code of Recommended Practice for Local Authorities on Data Transparency, issued by the Department for Levelling Up, Housing and Communities 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 of 31<sup>st</sup> March 2022. This multiple is 6.83 with a median salary of £24,401.

(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 1:8.23, 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 must 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 2023 for the financial year 2023/24.

## **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 19



## Portsmouth CITY COUNCIL

### QUESTIONS FOR THE CABINET OR CHAIR UNDER STANDING ORDER NO 17.

ORDINARY CITY COUNCIL MEETING – 14 March 2023

#### QUESTION NO 1

FROM: COUNCILLOR ASGHAR SHAH

TO REPLY: CABINET MEMBER FOR CULTURE, LEISURE & ECONOMIC  
DEVELOPMENT  
COUNCILLOR STEVE PITT

Several residents have raised concerns about not feeling adequately informed about the plans for the new football pitches and a pavilion at King George V Playing Fields. Can the cabinet member inform me what measures were taken to inform residents and playing field users about the plans and what sort of consultation was carried out?

#### QUESTION NO 2

FROM: COUNCILLOR MATTHEW ATKINS

TO REPLY: CABINET MEMBER FOR CULTURE, LEISURE & ECONOMIC  
DEVELOPMENT  
COUNCILLOR STEVE PITT

Despite promises to the contrary made by previous members of your administration, the city fireworks display in 2023 will not be held at KGV playing fields due to the new football centre development, will you guarantee that the firework display will return to KGV once the development is complete?

### QUESTION NO 3

FROM: COUNCILLOR ASGHAR SHAH

TO REPLY: CABINET MEMBER FOR COMMUNITIES & CENTRAL  
SERVICES  
COUNCILLOR CHRIS ATTWELL

Can the cabinet member please inform me why, despite the success of the Platinum Jubilee Big Lunch on King George V Playing Fields, no such event is planned for King Charles' coronation in the north of the city? If it isn't possible to hold more than one council coronation event, could the Victoria Park event be moved to King George V Playing Fields instead, as access, public transport and parking are ample there.