



Agenda & minutes

Full Council meeting of
Tuesday, 19 March 2024

Portsmouth City Council

AN ORDINARY MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall on Tuesday, 19 March 2024 at 2.10 pm, or upon the conclusion of the extraordinary Council meeting if later, 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:-

Agenda

- 1 Declaration of Members' Interests**
- 2 To approve as a correct record the Minutes of 13 February 2024**
(Pages 17 - 38)
- 3 Apologies for Absence**
- 4 To receive such communications as the Lord Mayor may desire to lay before the Council**
- 5 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) by 12 noon of the working day before the meeting (so Monday 18 March 2024 for this meeting), and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.
- 6 Questions from the Public under Standing Order 25.** (Pages 39 - 40)
- 7 Appointments**
- 8 Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26.**
- 9 Tipner West & Horsea Island East Regeneration** (Pages 41 - 54)
To receive and consider the attached report and recommendation from Cabinet held on 5 March 2024.
- 10 Capital Strategy 2024/25 - 2033/34** (Pages 55 - 88)
To receive and consider the attached report and recommendations from Cabinet held on 5 March 2024.

11 Treasury Management Policy 2024/25 (Pages 89 - 130)

To receive and consider the attached report and recommendations from Cabinet held on 5 March 2024.

12 Pay Policy Statement 2024/25 (Pages 131 - 140)

To receive and consider the attached report from Employment Committee held on 11 March 2024 (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.

13 Notices of Motion

(a) Fairtrade City

Proposed by: Councillor Hugh Mason
Seconded by: Councillor Suzy Horton

It is 20 years since Portsmouth was awarded the status of a 'Fairtrade City' (5 March 2004). The Council recognises the contribution which Fairtrade has and is making towards ending exploitation in global supply chains and thereby the endemic poverty experienced in many poorer countries.

The Council wishes to maintain its status as a Fairtrade City and thanks the group of volunteers who work hard to submit regular evidence to ensure that the city maintains its Fairtrade status.

The Council therefore reaffirms its commitment to using Fairtrade products at council events and as widely as possible in the Civic Offices and other public buildings which it operates. It reaffirms its intention to encourage the use of Fairtrade products throughout the city and to promote appreciation of the importance of Fairtrade.

(b) Council of Sanctuary

Proposed by: Councillor Suzy Horton
Seconded by: Councillor Chris Attwell

Since 2019 Portsmouth has been recognised as a City of Sanctuary and is proud to offer sanctuary to people fleeing persecution and violence. This Council recognises that people fleeing violence and persecution are not only entitled to claim asylum under the law, but that they also deserve to be always treated with dignity, and to receive our welcome and support.

As a city with a rich history of welcoming and supporting those fleeing violence and persecution, we want to build on our proud tradition as a City of Sanctuary by committing this council to becoming a recognised 'Council of Sanctuary' through its actions

and policies, and with its partners in all sectors.

We recognise that people fleeing violence and persecution flourish and contribute to their new country when given comprehensive, and well-co-ordinated support within their new host communities. The national network of City of Sanctuary Councils offers this kind of forward-looking approach to the welfare of people moving into the country while also enabling community cohesion between new and existing communities.

Local authorities across the political spectrum have been awarded 'Council of Sanctuary' status by following simple steps.

The city already has been awarded Libraries of Sanctuary status and Portsmouth schools have been or are in the process of being awarded Schools of Sanctuary status so becoming a Council of Sanctuary would strengthen and further those community connections.

This Council acknowledges the importance of being an active member within a network of local authorities that are working towards a vision of welcome for all, the sharing of innovative practices and the opportunity to speak nationally with one voice on matters that affect local communities.

This Council requests that Cabinet should consider the implications of Portsmouth City Council becoming a Council of Sanctuary including taking the following steps:

- (i) Continuing to work with Portsmouth City of Sanctuary and other partners to support those seeking sanctuary in our city;
- (ii) Join the local authority network. In joining the network, we are committing to continuing our work towards the Council of Sanctuary Award and are agreeing to sign up as a Supporting Organisation;
- (iii) Produce an Action Plan, which focuses on learning and embedding the principles of City of Sanctuary and sharing good news stories; and
- (iv) Then, when ready, apply for formal recognition.

(c) **Urgent Need for Improved NHS Dentistry Provision in Portsmouth**

Proposed by: Councillor George Fielding
Seconded by: Councillor Asghar Shah

This Council notes with great concern the severe and ongoing shortage of NHS dentistry provision in the city of Portsmouth. The lack of accessible and timely dental care is a matter of significant

public concern, with serious implications for the oral health and well-being of our community.

Acknowledging that oral health is an integral part of overall health, this Council recognises the importance of ensuring that residents have access to affordable and quality dental services through the NHS. However, it is well known that a large number of residents in Portsmouth are experiencing difficulties in securing NHS dental appointments, leading to a situation where preventative and necessary dental care is being delayed or neglected.

This Council further acknowledges the potential impact of delayed dental care on the overall health of our residents, as untreated dental issues can lead to more severe health complications. We are deeply concerned about the potential consequences for vulnerable populations, including children, the elderly, and those with limited financial means.

This Council also notes that Portsmouth has some of the worst rates for the number of dentists for the population size in the UK. Indeed, the cataclysmic drop in the number of dentists has been previously reported back by the NHS at the end of March 2021 as just 90 dentists operating in the city marking a 26 per cent fall compared to the previous year.¹

In this context, we draw attention to the remarks of our city MP, Stephen Morgan, who has highlighted the severity of the issue. Mr Morgan has stated:

“The shortage of NHS dentistry provision in Portsmouth is reaching crisis levels, with constituents struggling to secure basic dental appointments. This is a matter of public health concern that demands urgent attention and intervention.”

This Council welcomes the recent announcement by NHS Hampshire and Isle of Wight partnering with the charity Dentaid that a new mobile dental service will be available outside specific centres in Portsmouth, Havant and Southampton followed by the Isle of Wight in March 2024 with other areas of Hampshire to be covered later this year.² Whilst this is indeed welcomed, it is only a short-term plan with funding only for 18 months whereas what is needed is long-term solutions to help alleviate pressures on existing services and provide the capacity in the local area for quality NHS dentistry for residents across Portsmouth.

Notwithstanding the above, and recognising the continued gravity of this situation, this Council resolves to:

- i. Express its strong dissatisfaction with the current state of NHS dentistry provision in Portsmouth and the impact it is having on residents;

- ii. Request the Cabinet Member for Community Well-being, Health and Care to call on the national and regional health authorities to address the shortage of NHS dental services in Portsmouth as a matter of urgency;
- iii. Request the Cabinet Member for Community Well-being, Health and Care and the Health Overview Scrutiny Panel to collaborate with local health and dental professionals, community representatives, and NHS authorities to explore interim solutions, such as the establishment of temporary dental clinics and outreach programmes, to provide immediate relief to residents in need;
- iv. Ask the Leader of the Council along with all Group Leaders to write jointly to call on the Secretary of State for Health and Care to outline the specific actions and timelines for addressing the shortage of NHS dentistry provision in Portsmouth; and
- v. Advocate for a long-term, sustainable plan to ensure that all residents in Portsmouth have equitable access to affordable and quality dental care through the NHS.

This Council urges all members to unite in supporting this motion, recognising the severity of the issue and the need for swift and effective action to address the critical lack of NHS dentistry provision in Portsmouth.

1. <https://www.portsmouth.co.uk/health/portsmouth-records-a-cataclysmic-drop-in-number-of-nhs-dentists-3534285>
2. <https://www.portsmouth.gov.uk/2024/02/22/portsmouth-councillors-welcome-news-of-mobile-dentist-unit-to-provide-much-needed-appointments-for-residents/>

(d) **Pride in the Streets of Pompey**

Proposed by: Councillor Charlotte Gerada
Seconded by: Councillor George Fielding

This council notes:

In most wards in the city, residents raise concerns about street cleanliness, fly-tipping, graffiti, bins left outside of properties, smashed glass on pavements and dog fouling that make our streets unpleasant, unsafe and inaccessible.

In particular, disabled residents, parents with pushchairs and older people find it difficult to walk down roads safely because of these issues.

The condition of our streets affects how residents feel about where they live - many don't feel pride in their city anymore because of how unclean it presently is.

The council has been undertaking a campaign to encourage residents on streets with flat-fronted houses to take in their bins after refuse collections, but so far, this has had limited success.

This council believes:

The cleaner our streets are, the more likely they are to be kept clean.

As a council and a city, we are responsible for making Portsmouth as accessible as possible, especially to disabled people. We have a duty of care to ensure streets are clear of obstacles to ensure those with access needs can get from A to B.

Pride in Portsmouth streets is really important - if our roads are clean, attractive and easy to navigate, more people will opt to use forms of active travel, rather than by vehicle.

This council resolves:

- i. To ask the Transport, Environment and Community Safety Scrutiny Panel to conduct a review into hotspots of anti-social behaviour and street cleanliness, with a view to provide recommendations to Cabinet on how improvements can be achieved;
- ii. To ask Cabinet to look into alternative measures to ensure residents remove their bins from the street and to report back the outcome of the different measures to Full Council;
- iii. To ask the Cabinet Member for Environmental Services to engage with Colas to see if more proactive measures can be taken to improve street cleanliness; and
- iv. To ask the Cabinet Member for Environmental Services to conduct a review of graffiti hotspots across the city, to target council services to make improvements in the worst affected areas.

(e) **International Women's Day - Tackling Gender Inequality in Portsmouth**

Proposed by: Councillor Yinka Adeniran

Seconded by: Councillor Charlotte Gerada

This council notes:

- International Women's Day on March 8th celebrated the many achievements of women and has a call to action to accelerate gender equality globally.
- That women have been disproportionately impacted by austerity and the cost-of-living crisis, partly as a result of the gender pay gap and the unequal caring duties placed on them. These impacts are amplified when they intersect with class, disability, ethnicity and sexuality. Despite there being more women than men living in Portsmouth, women are paid less than men and are less likely to be in employment.^[1] 70% of the Council's workforce is female and a large proportion of these are employed in the lower pay bands, with fewer at senior levels.^[2] An estimated 1.5 million women in the UK are economically inactive due to long-term sickness compared to 1.3 million men, a gap of 200,000 more women.^[3]
- 100 years after women first won the right to vote, there has been virtually no progress on women's representation in local government.^[4]
- That violence against women and girls remains a big concern and welcomes recent initiatives to make our city safer and our work more effective in reducing gender inequality (such as Safer Portsmouth, White Ribbon and the forthcoming VAWG Strategy).
- Portsmouth's 2022-30 Health and Wellbeing Strategy recognises the importance of delivering fair and equitable services to all of our communities using a joint strategic approach.

This council believes:

- While recognising the significant progress made on gender equality, more joined up action is needed for women to have full and equal rights.
- It is vital that local government and leadership in the Council better reflects the communities we represent and

is inclusive in order to have the best skills and make the best possible decisions.

- Central government has failed to provide sustainable funding for the services that women depend on, but this should not prevent this Council from making a commitment to reduce inequalities using cost effective measures.

This council resolves:

- i. To ask Cabinet to deliver the proposed Equality, Diversity and Inclusion Strategy within the next six months so that a greater awareness of gender equality can be embedded throughout the Council;
- ii. To ask Cabinet to review and, if needed, update staff training, to equip all staff members with the language and tools needed to actively promote diversity and inclusivity;
- iii. To ask Cabinet to support women and their families to access the benefits that they are entitled to, by ensuring that Council services, schools, healthcare sector and HIVE are communicating advice and information effectively in a joined-up way;
- iv. To ask the Cabinet Member for Health and Social Care to commit to exploring initiatives that aim to address health inequalities for women, allowing them to remain or return to economic activity, and improve their quality of life; and
- v. To ask Cabinet to continue to prioritise funding to deliver services that support families, children and care-givers, including the establishment of the Women's Health Hub in Portsmouth.

^[1]

<https://www.nomisweb.co.uk/reports/lmp/la/1946157284/report.aspx?town=Portsmouth#tabwab>

^[2] https://www.portsmouth.gov.uk/services/council-and-democracy/transparency/senior-management-salary-information_trashed/gender-pay-gap-report-2022-23/

^[3] <https://www.nomisweb.co.uk>

^[4] <https://www.fawcettsociety.org.uk/news/womens-representation-in-local-government-stuck-in-the-past>

(f) **An end to Pointless Paper Usage**

Proposed by: Councillor Raymond Dent

Seconded by: Councillor George Madgwick

Portsmouth City Council prides itself on its forward-thinking Green Policy. It's actively promoted how we aim to plant trees and provide more greening to our city. Meanwhile every year we councillors alone contribute to the destruction of more than 50 trees. This needs to stop.

In the last 12 months each councillor has received an average of roughly 10,000 sheets of paper across all our roles. From each tree around 8,000 sheets of paper are produced meaning that for every elected councillor in Portsmouth we are directly receiving over a tree per year per person in needless paperwork.

Not only that it is estimated this has roughly cost £6,000 in printing and paper costs. That doesn't include the electricity generation required. The human paid hours and the carbon footprint of producing, distributing and storing the paper and ink. Furthermore, it doesn't include potential costs for stamps and carbon footprint in delivering these documents to some of our homes.

There is a solution. For a small investment, that is calculated to be cost neutral within two years, we can invest in technology that already exists and is used by other councils in the country. Specialized digital pads can be used that immediately upload documents to us, we can amend, edit and write notes on them. We can sign documents & make amendments to motions all at the press of a few buttons. A single charge, on some devices, can last 7 days and they are incredibly energy efficient.

Swapping to new technology, just for councillors alone, would:

- Save over 50 Trees per annum;
- Cut our Carbon Footprint down;
- Save on the environmental impact of ink;
- Promote and support learning disabilities, with auto spell check, colour blind correctness and screen reader capabilities; and
- Save the taxpayer money

Full Council requests that the administration takes a serious look into the viability and practicality of switching us over to these devices and put an end to wasting paper needlessly.

(g) **Guildhall Trust Theatre Operations Outside Portsmouth**

Proposed by: Councillor Matthew Atkins

Seconded by: Councillor Simon Boshier

This council believes that Portsmouth taxpayers should not be subsidising theatre provision in Hastings.

Full Council asks the Leader and relevant Cabinet Member, Cllr Pitt, to publish a report as soon as practicable to assure the residents of Portsmouth that Portsmouth City Council arts funding will be spent only on the arts in Portsmouth and not put at risk by the Guildhall Trust's officer time, legal obligations and resources being diverted to this new project.

(h) **Addressing Failures in Portsmouth Major Project Delivery**

Proposed by Councillor Matthew Atkins
Seconded by Councillor Simon Boshier

This council believes that the Liberal Democrat Administration has failed to deliver the major regeneration and housing projects Portsmouth desperately needs.

This council notes that the Major Projects Board hasn't met since 2021.

As a council, we recommend that:

- (i) The Scrutiny Management Panel should be asked to produce a report on steps the City Council can take to ensure planned major regeneration schemes can be financed and investigate prioritising those major projects that will best serve our regeneration aims as a city; and
- (ii) The Cabinet should devote more time to considering how to encourage major schemes and long-term planning in the city.

(i) **The Crisis in Local Authority Funding**

Proposed by Councillor Graham Heaney
Seconded by Councillor George Fielding

The extent of the crisis in the funding of local government is now clear.

Evidence from surveys of local authorities by organisations including the Local Government Association (1), the County Councils network (2) and the Local government Information Unit (3) show the extent to which a wide range of local authorities are concerned that they will not be able to produce a balanced budget in future years.

This means that a range of generally well managed local authorities face the prospect of having to declare, through issuing a section 114 report, that further emergency measures are required to balance their budgets. In our area Hampshire County Council have

warned that they face this prospect and Southampton city Council have requested permission from government to use 'capitalisation' to ease their budget situation. While Portsmouth is not in this situation the recent council budget meeting needed savings of £2 million for 2024/25 and a further projected deficit of £3 million over the next three financial years which will have to be met.

The immediate causes of this situation include increasing demands for services in adult social care, children's services, and the cost of temporary accommodation for the homeless. General inflation, affecting supplies and employment, energy costs in recent years plus rising interest rates have added to the pressures.

Local government also had significant cuts to its funding during the five years from 2010 when the coalition government implemented its austerity programme. In Portsmouth the council lost 30% (£44m) of its central government funding between 2011/12 and 2014/15. The Conservative government also continued to reduce funding for local government.

The challenge for the government is to deal with the developing crisis and this is likely to require some immediate financial support, but local government funding must be put on a more sustainable footing.

The City Council therefore calls on the government to:

- (i) Move away from annual financial settlements and introduce multi-year financial settlements for local government;
- (ii) End the delay in progressing the fair funding review and ensure that any new funding system is transparent;
- (iii) Ensure that measures of deprivation are included in any new funding formula for local government;
- (iv) Review and then develop proposals to reform the system of Council Tax as a main source of local government funding. This should address the imbalance in council tax raised between different local authorities and the regressive impact on taxpayers of the current system; and
- (v) End the reliance on councils having to competitively bid for significant new resources and new initiatives.

While a few local authorities have mismanaged their financial situation this does not explain the extent of the current crisis in funding for local government and we reject attempts to sow division by trying to score partisan points against other councils now struggling to balance their budgets.

The motion if passed to be sent to the Secretary of State for

DLUHC and the two Portsmouth MP's.

- (1) [Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association](#)
- (2) [Councils warn they are 'running out of road' to prevent financial insolvency, as in-year overspends top £600m - County Councils Network](#)
- (3) [The State of Local Government Finance in England 2024 - LGiU](#)

(j) **Hampshire and Isle of Wight Integrated Care Board**

Proposed by: Councillor Matthew Winnington

Seconded by: Councillor Mark Jeffery

This council notes that:

Portsmouth City Council has for many years valued its good relationships with the different parts of the NHS including Solent NHS Trust, Queen Alexandra Hospital and GP practices in the city. This has led to the creation of Health & Care Portsmouth, bringing together the Council and all those organisations alongside others to work together to provide better services for the residents of Portsmouth. The biggest area of integration was between the City Council and the Portsmouth Clinical Commissioning Group (CCG), where we shared a post where the holder was both Head of Adult Social Care at the council and Operations Director of the CCG, alongside the Council Chief Executive being the nominated officer for the CCG. In July 2022 Portsmouth CCG was abolished, alongside all others nationwide, and the responsibilities being taken over by Integrated Care Boards, the budget-holding and decision-making bodies within the new Integrated Care Systems. In Portsmouth's case these responsibilities were taken on by the Hampshire and Isle of Wight Integrated Care Board (ICB).

From the beginning the ICB has been under severe financial pressure due to carried-over budgetary difficulties in preceding NHS organisations elsewhere in Hampshire and the Isle of Wight. Together with the central NHS mandated redundancy drive and action to tackle the underlying deficit (one of the worst in the country) this has had a severely detrimental impact on the working of the ICB. Locally this has had a significant impact on the efficacy of the ICB Portsmouth Place team, including losing the Place Director, the main conduit between the ICB and the rest of Health & Care Portsmouth, and the significant reduction of the autonomy of local ICB staff to make decisions on funding and partnership working compared to when the CCG existed.

Despite this Portsmouth continues to have significant levels of integration, far in excess of elsewhere in the ICB, and the City Council is a proactive partner in integration with the NHS. Additional to this, senior members of staff take the lead both locally, via Health & Care Portsmouth, and in some areas ICB wide, via joint funded posts and via the Integrated Care Partnership, in delivering on Portsmouth's Health & Wellbeing Strategy and the Hampshire and

Isle of Wight Integrated Care Strategy.

All this work is being put at risk by the fact that responsibility for NHS commissioning and funding is now part of this bigger structure that is not focussed on the needs of the people of Portsmouth and where the autonomy of the local system has been compromised.

This council therefore believes that:

- The priorities of Health & Care Portsmouth and the Portsmouth Health & Wellbeing Strategy should be facilitated by the ICB.
- The Leader, the Chief Executive and the Cabinet Member for Community Wellbeing, Health and Care of Portsmouth City Council should continue to push for place based priorities to come first in the ICB alongside their counterparts at Southampton City, Isle of Wight and Hampshire County Councils.
- The Health and Care system of Portsmouth should be properly funded by central government and that the integrated work between statutory and Voluntary, Community and Social Enterprise organisations in the city should be prioritised and be under as much local control as possible.

This council resolves that:

These points will then be put into a letter from the Chief Executive of the City Council to the Chair and Chief Executive of the ICB and all group leaders are welcome to sign the letter as well on behalf of their groups and the residents they represent. It will be copied also to the Secretary of State for Health & Social Care.

(k) **Safer Recruiting Council**

Proposed by: Councillor Hannah Brent
Seconded by: Councillor Lewis Gosling

To protect the public and community and implement best practice this council will become a 'safer recruiting council'. DBS checks may be undertaken if staff or any person who is paid by Portsmouth City Council are in continued contact with members of the public, examples would be, say community wardens or persons interacting with vulnerable groups (children and or adults).

Currently it is not mandatory for elected members to have DBS checks, but many councillors would have one in the interests of openness and transparency. This motion seeks to provide reassurance to our Portsmouth community by ensuring that all members are themselves made aware as to the process to obtain a check upon taking office. Due to the varied roles and responsibilities of being a councillor, there is regular contact between elected members and the public, including one-to-one

contact in private spaces.

Therefore, this Council:

- (i) Notes that the safeguarding of children and other vulnerable individuals within the community is of paramount importance to all who hold public office;
- (ii) Recommends that all public facing members of Portsmouth City Council who have regular contact with the community in public spaces are encouraged to obtain an appropriate level of DBS check;
- (iii) Notes that officers and elected members equally have a responsibility to ensure that vulnerable children and others potentially at risk in the community are protected by appropriate policies and procedures, and elected members themselves set an appropriate leadership example in exercising their duties and responsibilities; and
- (iv) Resolves to encourage DBS checks for all newly elected and existing councillors as part of its onboarding processes and continuing focus upon member engagement/training, with all councillors being encouraged to consent to undertaking such checks.

14 Questions from Members under Standing Order No 17.
(Pages 141 - 144)

Natalie Brahma-Pearl
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 Democratic Services YouTube account at [Portsmouth City Council - Democratic Services - YouTube](#)
If any member of the public wishing to attend the meeting has access requirements, please notify the Senior Local Democracy Officer at James.Harris@portsmouthcc.gov.uk.

Agenda Item 2

13 February 2024

1

MINUTES OF A MEETING OF THE COUNCIL held at the Guildhall
Portsmouth on Tuesday, 13 February 2024 at 2.00 pm

Council Members Present

The Right Worshipful The Lord Mayor
Councillor Tom Coles (in the Chair)

Councillors

Dave Ashmore	Abdul Kadir
Matthew Atkins	Leo Madden
Chris Attwell	Brian Madgwick
Kimberly Barrett	George Madgwick
Simon Boshier	Hugh Mason
Ryan Brent	Kirsty Mellor
Stuart Brown	Leonie Oliver
Peter Candlish	Steve Pitt
Cal Corkery	Darren Sanders
Raymond Dent	Asghar Shah
Chris Dike	Russell Simpson
Jason Fazackarley	John Smith
George Fielding	Judith Smyth
Charlotte Gerada	Emily Strudwick
Lewis Gosling	Benedict Swann
Graham Heaney	Mary Valley
Ian Holder	Gerald Vernon-Jackson CBE
Suzy Horton	Daniel Wemyss
Lee Hunt	Matthew Winnington
Mark Jeffery	

1. Declaration of Members' Interests

Councillor	Minute Number	Nature of Interest
Cllr George Madgwick*	7	Personal & Prejudicial
Cllr Emily Strudwick*	7	Personal & Prejudicial

*Cllr George Madgwick and Cllr Emily Sytrudwick left the meeting during the consideration and voting on this item.

2. To approve as a correct record the Minutes of 12 December 2023

It was

Proposed by Councillor Steve Pitt

2 13 February 2024

Seconded by Councillor Simon Boshier

That the minutes of the extraordinary Council meeting held on 12 December 2023 be confirmed as a correct record.

These were agreed by assent.

It was

Proposed by Councillor Steve Pitt
Seconded by Councillor Simon Boshier

That the minutes of the ordinary Council meeting held on 12 December 2023 be confirmed as a correct record.

These were agreed by assent.

3. Apologies for Absence and to receive such communications as the Lord Mayor may desire to lay before the Council

Apologies for absence had been received from Councillor Yinka Adeniran and Councillor Hannah Brent.

The Lord Mayor introduced Mr Kamoda Akitsu, Mayor, and Mr Ueba Kazuyuk, Chairman, of Maizuru, Portsmouth's sister city in Japan to the meeting.

Mr Akitsu and Mr Kazuyuk were part of a delegation visiting Portsmouth and at the invitation of the Lord Mayor addressed the Council.

At the invitation of the Lord Mayor the Leader of the Council, Councillor Steve Pitt, replied on behalf of the Council.

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

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

5. Appointments

RESOLVED that the following appointments be AGREED:

Councillor Darren Sanders as a member of the Planning Committee.

Councillor Darren Sanders as Vice-Chair of the Planning Committee.

RESOLVED that the following appointment be NOTED:

Councillor Graham Heaney as the Labour Group Spokesperson for the Resources Portfolio.

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

The Lord Mayor advised that he had not been made aware of any urgent business for this meeting.

7. Council Tax Premiums on Second Homes and Empty Properties

Councillor George Madgwick and Councillor Emily Strudwick left the room in accordance with their previous declarations of interest.

Council Agenda Item 7 (Cabinet minute 19)

This minute was opposed by Councillor Simon Boshier to allow debate.

It was therefore

Proposed by Councillor Steve Pitt
Seconded by Councillor Suzy Horton

That the recommendations contained Cabinet Minute 19, Council Tax Premiums on Second Homes and Empty Properties be approved.

Council voted on the recommendations.

Following a vote it was RESOLVED that:

- (i) **a 100% premium for second homes be implemented which will be effective from 01 April 2025, the earliest opportunity for the Council to introduce this change; and**
- (ii) **a 100% premium be implemented 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.**

Councillor George Madgwick and Councillor Emily Strudwick rejoined the meeting.

8. Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28

The Lord Mayor advised that the recommendations from the Cabinet meeting had previously been circulated and reminded councillors that the speaking time limit did not apply to group leaders on budget items.

The Lord Mayor then called Cabinet Minute 20, PCC Portsmouth City Council Budget & Council Tax 2024/2025 & Medium Term Budget Forecast 2025/26 to 2027/28.

This minute was opposed by Councillor Simon Boshier.

It was therefore

Proposed by Councillor Steve Pitt
Seconded by Councillor Suzy Horton

That the recommendations contained Cabinet Minute 20, PCC Portsmouth City Council Budget & Council Tax 2024/2025 & Medium Term Budget Forecast 2025/26 to 2027/28 be approved.

The Lord Mayor invited the Leader of the Council, Councillor Steve Pitt, to speak to the Cabinet budget recommendations.

Councillor Pitt spoke to the administration's budget proposals and commended them to council. He detailed the priorities that the budget would support in the coming year and explained that he had been happy to incorporate the wishes of the Portsmouth Independent Party Group and the Labour Group into the recommendations. In respect of the latter, the Leader explained that these would be made within adjustments to portfolio allocations and therefore did not in themselves require an amendment to be moved.

Councillor Simon Boshier (Conservative Group Leader) spoke in reply.

As an amendment it was

Proposed by Councillor Simon Boshier
Seconded by Councillor Lewis Gosling

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

Councillor Boshier spoke to his group's proposed budget amendment and commended the amendment to Council.

Councillor Charlotte Gerada (Labour Group Leader) then spoke in reply and thanked the Leader for incorporating the requests of the Labour Group into the budget proposal. The Labour Group did not therefore have an amendment to table.

Councillor George Madgwick (Portsmouth Independent Party Group Leader) then spoke in reply and confirmed that there were no amendments to be tabled from his group.

Councillor Cal Corkery (Portsmouth Community Independents Group Leader) then spoke in reply and confirmed that there were no amendments to be tabled from his group.

As an amendment it was

Proposed by Councillor Matthew Atkins
Seconded by Councillor Ryan Brent

That the recommendations set out in Appendix 2 attached to these minutes be adopted.

Councillor Atkins then spoke to his proposed budget amendment and commended the amendment to Council.

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

In closing, the Leader of the Council confirmed that he did not wish to subsume the Conservative Group amendment in the name of Councillor Boshier or the amendment in the name of Councillor Atkins into the recommendation.

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

Council voted in turn on the Conservative Group amendment and the amendment in the name of Councillor Atkins.

Upon the Conservative Group amendment standing in the name of Councillor Simon Boshier on the Portsmouth City Council Portsmouth City Council Budget & Council Tax 2024/2025 & Medium Term Budget Forecast 2025/26 to 2027/28 being put to the vote:

The following members voted in favour

Councillor Matthew Atkins	Councillor Simon Boshier
Councillor Ryan Brent	Councillor Raymond Dent
Councillor Lewis Gosling	Councillor Brian Madgwick
Councillor George Madgwick	Councillor Russell Simpson
Councillor John Smith	Councillor Emily Strudwick
Councillor Benedict Swann	Councillor Daniel Wemyss

The following members voted against

Councillor Dave Ashmore	Councillor Chris Attwell
Councillor Kimberly Barrett	Councillor Stuart Brown
Councillor Peter Candlish	Councillor Cal Corkery
Councillor Jason Fazackarley	Councillor George Fielding
Councillor Charlotte Gerada	Councillor Graham Heaney
Councillor Ian Holder	Councillor Suzy Horton
Councillor Lee Hunt	Councillor Mark Jeffery
Councillor Abdul Kadir	Councillor Leo Madden

Councillor Hugh Mason	Councillor Kirsty Mellor
Councillor Leonie Oliver	Councillor Steve Pitt
Councillor Darren Sanders	Councillor Asghar Shah
Councillor Judith Smyth	Councillor Mary Vallely
Councillor Gerald Vernon-Jackson	Councillor Matthew Winnington

The following member abstained from voting

Councillor Tom Coles (Lord Mayor).

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

Upon the amendment standing in the name of Councillor Matthew Atkins on the Portsmouth City Council Portsmouth City Council Budget & Council Tax 2024/2025 & Medium Term Budget Forecast 2025/26 to 2027/28 being put to the vote:

The following members voted in favour

Councillor Matthew Atkins	Councillor Ryan Brent
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The following members voted against

Councillor Dave Ashmore	Councillor Chris Attwell
Councillor Kimberly Barrett	Councillor Stuart Brown
Councillor Peter Candlish	Councillor Cal Corkery
Councillor Jason Fazackarley	Councillor George Fielding
Councillor Charlotte Gerada	Councillor Graham Heaney
Councillor Ian Holder	Councillor Suzy Horton
Councillor Lee Hunt	Councillor Mark Jeffery
Councillor Abdul Kadir	Councillor Leo Madden
Councillor Hugh Mason	Councillor Kirsty Mellor
Councillor Leonie Oliver	Councillor Steve Pitt
Councillor Darren Sanders	Councillor Asghar Shah
Councillor Judith Smyth	Councillor Mary Vallely
Councillor Gerald Vernon-Jackson	Councillor Matthew Winnington

The following members abstained from voting

Councillor Simon Boshier	Councillor Tom Coles (Lord Mayor)
Councillor Raymond Dent	Councillor Lewis Gosling
Councillor Brian Madgwick	Councillor George Madgwick
Councillor Emily Strudwick	Councillor John Smith
Councillor Benedict Swann	Councillor Daniel Wemyss

Upon the original recommendations in Cabinet minute 20 - PCC Portsmouth City Council Budget & Council Tax 2024/2025 & Medium Term Budget Forecast 2025/26 to 2027/28 being put to the vote:

The following members voted in favour

Councillor Dave Ashmore	Councillor Chris Attwell
Councillor Kimberly Barrett	Councillor Stuart Brown
Councillor Peter Candlish	Councillor Cal Corkery
Councillor Raymond Dent	Councillor Jason Fazackarley
Councillor George Fielding	Councillor Charlotte Gerada
Councillor Graham Heaney	Councillor Ian Holder
Councillor Suzy Horton	Councillor Lee Hunt
Councillor Mark Jeffery	Councillor Abdul Kadir
Councillor Leo Madden	Councillor Hugh Mason
Councillor Brian Madgwick	Councillor George Madgwick
Councillor Kirsty Mellor	Councillor Leonie Oliver
Councillor Steve Pitt	Councillor Darren Sanders
Councillor Asghar Shah	Councillor Russell Simpson
Councillor Emily Strudwick	Councillor Judith Smyth
Councillor Gerald Vernon Jackson	Councillor Mary Valley
Councillor Matthew Winnington	

The following members voted against

Councillor Matthew Atkins	Councillor Simon Boshier
Councillor Ryan Brent	Councillor Lewis Gosling
Councillor John Smith	Councillor Benedict Swann
Councillor Daniel Wemyss	

The following member abstained from voting

Councillor Tom Coles (Lord Mayor).

The Cabinet recommendations in Cabinet minute 20, were therefore APPROVED and declared **CARRIED**.

It was therefore **RESOLVED**:

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

- 1) **The revised Revenue Estimates for the financial year 2023/24 and the Revenue Estimates for the financial year 2024/25 as set out in the General Fund Summary (Appendix A)**
- 2) **The Portfolio Cash Limits for the Revised Budget for 2023/24 and the Budget 2024/25 incorporating the savings amounts for each Portfolio and amounting to £2.0m as set out in Sections 7 and 11, respectively**
- 3) **To maintain the overall financial resilience of the Council, any underspendings arising at the year-end (outside of those made by Portfolios) be transferred either to Capital Resources to fund future Capital Programmes, the MTRS Reserve or**

- General Reserves with the level of each transfer to be determined by the S.151 Officer**
- 4) Any variation to the Council's funding arising from the final Local Government Finance Settlement be accommodated by a transfer to or from General Reserves**
 - 5) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts**
 - 6) That the level of Council Tax be increased by 2.99% for general purposes in accordance with the referendum threshold^[1] for 2024/25 announced by Government (as calculated in recommendation 3.4 (d))**
 - 7) That the level of Council Tax be increased by a further 2.0% beyond the referendum threshold (as calculated in recommendation 3.4 (d)) to take advantage of the flexibility offered by Government to implement a "Social Care Precept", and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £1,922,600 is passported direct to Adult Social Care**
 - 8) Managers be authorised to incur routine expenditure against the Cash Limits for 2024/25 as set out in Section 11**
 - 9) That a minimum savings requirement of £1m for 2025/26 be set at this stage but that this is kept under review, pending any significant impact on the Council's future Forecast that may arise during 2024/25**
 - 10) That the S.151 Officer be given delegated authority to make transfers to and from reserves in order to ensure that they are maintained as necessary and in particular, adjusted when reserves are no longer required or need to be replenished**
 - 11) The minimum level of General Reserves as at 31 March 2025 be maintained at £10.0m to reflect the known and expected budget and financial risks to the Council**
 - 12) The Revised Capital Programme 2023/24 to 2028/29 attached at Appendix E which includes all additions, deletions and amendments for slippage and re-phasing**
 - 13) The S.151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council**
 - 14) That the S.151 Officer in consultation with the Leader of the Council be given delegated authority to release capital resources held back for any contingent items that might arise, and also for any match funding requirements that may be required of the City Council in order to secure additional**

external capital funding (e.g. bids for funding from Government or any other external source)

- 15) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D be reflected within the recommended Capital Programme 2023/24 to 2028/29
- 16) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, that delegated authority to borrow up to £15m per year be granted in order that the Council can enter into transactions in an efficient and timely fashion and avoid the risk of lost opportunities which may be of a time critical nature
- 17) The Prudential Indicators described set out in Appendix F be approved
- 18) Members have had regard for the Statement of the S.151 Officer in accordance with the Local Government Act 2003 as set out in Section 16.

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

- 1) The Revenue Estimates 2024/25 as set out in Appendix A have been prepared on the basis of a 2.0% tax increase for the "Social Care Precept" (amounting to £1,922,600) and that this is passported to Adult Social Care in order to provide for otherwise unfunded budget pressures including the current underlying budget deficit, the cost of the National Living Wage and demographic pressures arising from a "living longer" population
- 2) The decision on the amount at which to set the Adult Social Care precept will be critical for the Social Care and wider health system in the City; in the event that the additional flexibility of the "Social Care Precept" and associated 2.0% tax increase is not taken, then equivalent savings will need to be made in Adult Social Care in 2024/25
- 3) In general, any reduction to the proposed increase in the level of Council Tax for 2024/25 will require equivalent offsetting savings to be made in order for the Budget 2024/25 to be approved. Each 1% reduction requires additional savings of £961,300 to be made
- 4) The indicative savings proposals set out in Appendix C which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 2) above, are robust and deliverable
- 5) The likely impact of savings as set out in Appendix C
- 6) That the responsibility of the Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the Council to

- approve any individual savings within those Portfolios / Committees**
- 7) That it is the responsibility of the individual Portfolio Holders (not Full Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix C with alternative proposal(s) amounting to the same value within their Portfolio**
 - 8) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process**
 - 9) The Revenue Forecast for 2025/26 to 2027/28 as set out in Section 12 and Appendix B**
 - 10) That, at this stage, the Council's Future Forecast for the 3 Year Period 2025/26 to 2027/28 is estimated to be a £3m Deficit; this is the Council's "central base case scenario" but due to the uncertainty associated with inflation, unavoidable cost pressures that may arise (particularly in Care Services), business rate appeals arising from the 2023/24 revaluation and the forthcoming overhaul of Local Government Funding, this could vary by +/- £5m**
 - 11) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies will hold an uncommitted balance of £7.3m and will only be replenished in future from an approval to the transfer of any underspends, contributions from the Revenue Budget or transfers from other reserves which may no longer be required**
 - 12) The Council's share of the Council Tax element of the Collection Fund surplus for 2023/24 is estimated to be £2,357,452**
 - 13) The Council's share of the Business Rate element of the Collection Fund surplus for 2023/24 is estimated to be £5,021,116**
 - 14) The Retained Business Rate income^[2] for 2024/25 is based on the estimated Business Rate element of the Collection Fund surplus as at March 2024, the Non Domestic Rates poundage for 2024/25 and estimated rateable values for 2024/25 and has been determined at £70,907,151**
 - 15) That Cabinet Members, in consultation with the S.151 Officer, have authority to vary Capital Schemes and their associated funding within or across Portfolios in order to manage any potential overspending or funding shortfall or to respond to emerging priorities**
 - 16) That Cabinet Members, in consultation with the S.151 Officer, have authority to vire funding between Portfolios (both Revenue and Capital Budgets) in order to manage any**

potential overspending or funding shortfall or to respond to emerging priorities

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

3.3 That the S.151 Officer has determined that the Council Tax base for the financial year 2024/25 will be 58,299.40 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the “Act”)].

3.4 That the following amounts be now calculated by the Council for the financial year 2024/25 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£543,649,931	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£442,724,925	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£100,925,006	Being the amount by which the aggregate at 3.4 (a) above exceeds the aggregate at 3.4 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	£1,731.15	Being the amount at 3.4(c) above (Item R), all divided by Item 3.3 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands (Portsmouth City Council)

A £	B £	C £	D £	E £	F £	G £	H £
1,154.10	1,346.45	1,538.80	1,731.15	2,115.85	2,500.55	2,885.25	3,462.30

Being the amounts given by multiplying the amount at 3.4(d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 3.5 That it be noted that for the financial year 2024/25, the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

A £	B £	C £	D £	E £	F £	G £	H £
174.31	203.36	232.41	261.46	319.56	377.66	435.77	522.92

- 3.6 That it be noted that for the financial year 2024/25, for Hampshire and Isle of Wight Fire and Rescue Authority it is recommended that the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire and Isle of Wight Fire and Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
55.23	64.43	73.64	82.84	101.25	119.66	138.07	165.68

- 3.7 That having calculated the aggregate in each case of the amounts at 3.4(e), 3.5 and 3.6 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2024/25 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,383.64	1,614.24	1,844.85	2,075.45	2,536.66	2,997.87	3,459.09	4,150.90

3.8 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2024/25, which represents a 4.99% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act; and it be noted that:

- i) The 4.99% increase includes a 2.0% increase to support the delivery of Adult Social Care**
- ii) As the billing authority, the Council has not been notified by a major precepting authority (the Hampshire Police & Crime Commissioner or the Hampshire and Isle of Wight Fire and Rescue Authority) that its relevant basic amount of Council Tax for 2024/25 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.**

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

^[1] Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

^[2] Includes Retained Business Rates £42,006,006, "Top Up" £6,736,612, a surplus on the Collection Fund of £5,021,116 plus S.31 Grants of £17,143,417 for compensation due to national Government business rate relief initiatives

9. Questions from Members under Standing Order No 17.

The first question was from Councillor Russell Simpson.

"Given the fact last November the HMO policy was discussed, in the local plan, can the Cabinet Member explain why Portsmouth has not been considered for the "5% HMO within a 50m radius policy" like Thanet District Council?"

This and supplementary questions were answered by the Cabinet Member for Planning Policy & City Development, Councillor Hugh Mason.

The Lord Mayor advised that the second question in the name of Councillor George Madgwick had been withdrawn from the agenda.

The third question was from Councillor Brian Madgwick.

" In the November 2022 Full Council meeting the Traffic and Transport department were asked to work on a plan on how they intend to start improving the roads/infrastructure in the north of the city. This was supported by a majority of members including all PIP, Conservative, Labour and Independent Councillors. It was asked all relevant ward councillors be consulted, with a report to be published before March 2023. Almost a year after the report was due, can we be updated on when to expect the report and what consultation requests for feedback have been requested from members representing northern wards?"

This and supplementary questions were answered by the Cabinet Member for Transport, Councillor Gerald Vernon-Jackson CBE.

The fourth question was from Councillor George Madgwick

"To bring more clarity and understanding to the general public and members, can the Licensing Chair bring a report forward to members on the differences between Wolverhampton Licensed PHVs and Portsmouth Licensed PHVs?"

This and supplementary questions were answered by the Chair of the Licensing Committee, Councillor Jason Fazackarley.

The meeting concluded at 5.02 pm.

Lord Mayor

AGENDA ITEM 8 - Portsmouth City Council Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28

Amendment to Cabinet recommendations attached.

Proposed by Cllr Simon Boshier

Seconded by Cllr Lewis Gosling

Amendment proposed by the Conservative Group

Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28

That the recommendations of the Cabinet of 06 February 2024 (Minute 20/24) on "Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28" be amended as follows: -

Recommendation 3.1 12) be amended to:

12) The Revised Capital Programme 2023/24 to 2028/29 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables i) and ii) below and approved

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

Scheme Reductions		£
Housing & Tackling Homelessness Portfolio		
Reduction	Creation of a Prevention Hub to include improved reception facilities for Housing Needs & Advice Service	(152,000)
Resources Portfolio		
Reduction	Civic Offices Downsizing Scheme	(94,800)
Total		(246,800)

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

Scheme Additions		£
Transport Portfolio		
Add	Additional Automatic Number Plate Recognition Cameras - For school areas across the city, to enforce "no stopping"	50,000
Add	Road Safety Measures - Sywell Crescent (Copnor)	25,900
Add	Road Safety Measures - Wood Estate (Hilsea)	25,900
Add	Pavement/Path Repairs	100,000
Culture, Leisure & Economic Development Portfolio		
Add	Farlington Avenue Play Park	10,000
Add	Public Realm Improvements - Cosham High Street	35,000
Total		246,800

Recommendation 3.1 15) be amended to:

15) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D (as amended by tables i) and ii)) above be reflected within the recommended Capital Programme 2023/24 to 2028/29

Recommendation 3.1 17) be amended to:

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

SECTION 151 OFFICER'S COMMENTS

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

The proposals contained within this amendment do not alter the statements made by the Section 151 Officer in Section 16 of this report.

CITY SOLICITOR'S COMMENTS

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

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AGENDA ITEM 8 - Portsmouth City Council Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28

Amendment to Cabinet recommendations attached.

Proposed by Cllr Matt Atkins

Seconded by Cllr Ryan Brent

Amendment proposed

Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28

That the recommendations of the Cabinet of 06 February 2024 (Minute 20/24) on "Portsmouth City Council - Budget & Council Tax 2024/25 & Medium Term Budget Forecast 2025/26 to 2027/28" be amended as follows: -

Recommendation 3.1 12) be amended to:

12) The Revised Capital Programme 2023/24 to 2028/29 attached as Appendix E and which includes all additions, deletions and amendments for slippage and re-phasing be amended by tables i) and ii) below and approved

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

Scheme Reductions		£
Culture, Leisure, and Economic Development Portfolio		
Reduction	Re-provision of Leisure Centre, Pool & Community Centre	(13,193,754)
Total		(13,193,754)

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

Scheme Additions		£
Culture, Leisure, and Economic Development Portfolio		
Add	Investment start up fund for City Centre North	12,586,841
Total		12,586,841

Recommendation 3.1 15) be amended to:

15) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D (as amended by tables i) and ii)) above be reflected within the recommended Capital Programme 2023/24 to 2028/29

Recommendation 3.1 17) be amended to:

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

SECTION 151 OFFICER'S COMMENTS

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

The proposals contained within this amendment do not alter the statements made by the Section 151 Officer in Section 16 of this report.

CITY SOLICITOR'S COMMENTS

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

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Agenda Item 6



Portsmouth
CITY COUNCIL

**QUESTIONS FROM THE PUBLIC
UNDER STANDING ORDER NO 25.**

ORDINARY CITY COUNCIL MEETING – 19 March 2024

QUESTION NO 1

FROM: EDWARD BATTERBURY

Back in November 2021 Councillor Gerald Vernon-Jackson said he had 'no confidence' in Southern Water to tackle untreated sewage discharges into Langstone Harbour.

“We cannot trust the government. We have to make sure that we sort this ourselves.” He said at the time at a Full Council meeting, and said he would see “if we can buy [it] out”.

Since then, residents have seen a continuation of sewage discharges polluting our bathing waters, ruining the health of local people and affecting our local economy.

The residents of Eastney and Craneswater would like to know these words weren't just hollow words. Therefore what actions has the Administration taken to purchase Southern Water since this statement?

QUESTION NO 2

FROM: ROBIN HEAD

Can the cabinet member confirm if the council has a plan to support local schools with resources or infrastructure given the new housing development at Tipner East and what other plans are there to support new and young families moving into the catchment area of Stamshaw Juniors and Infants?

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Agenda Item 9

From CABINET held on 5 March 2024

Council Agenda Item 9 (Cabinet minute 27)

Tipner West & Horsea Island East Regeneration

Recommendation (for Council)

RECOMMENDED that the report be NOTED.

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Title of meeting: Cabinet / Full Council

Date of meeting: 5 March 2024 / 19 March 2024

Subject: Tipner West & Horsea Island East Regeneration

Report by: Tom Southall, Assistant Director Economy Planning & Transport

Cabinet Member: The Leader - Councillor Steve Pitt

Wards affected: ALL

Key decision: Yes

Full Council decision: Yes

1. Purpose of report

- 1.1 This report updates members on the progress with the regeneration plans for Tipner West and seeks specific approvals to enable the Tipner West development team to continue working up a masterplan for submission later this year.

2. Recommendations

It is recommended that the Cabinet;

- 2.1 Approve the revised Overarching Project Objective as set out in this report, appendix A.
- 2.2 Confirm the 7 principles as set out in this report, appendix B.
- 2.3 Note the update from the project team in relation to actions taken and planned.
- 2.4 Refer the report to Full Council to note.

3. Background

- 3.1 The regeneration of Tipner West has been a longstanding ambition of the City Council to provide a flagship gateway and make most efficient use of brownfield land within the city's tight administrative boundaries. The site has been recognised as a pivotal site to support the growth of the marine cluster within the Solent. This was recognised in the Southampton and Portsmouth City Deal signed in 2013.



- 3.2 Development options for the site have indicated that there could be an adverse impact on internationally designated sites such as the Portsmouth Harbour SPA. In order to enable delivery of any plan or project that might have such an impact, the proposals must go through a rigorous process of ensuring that there are no alternative solutions to meet the objective that the project is aimed to achieve (known as the Overarching Objective), that the project needs to be undertaken for imperative reasons of overriding public interest and that any impact to the international site can be compensated for.
- 3.3 In order to inform the final selection of a proposed scheme, the Tipner West development team are reviewing the manner in which the proposed allocation at Tipner could be delivered. This process will ensure that the regulatory requirements for a project that might have an impact on internationally designated sites have been fully interrogated to ensure that a robust application can be made for consenting a deliverable solution for Tipner West.
- 3.4 Further to the update provided to Cabinet and Council in December 2023, the Tipner West development team have progressed the following work packages concurrent between the two previously identified land use options for delivering the proposed allocation for Tipner West;

Package	Scope	Update
1	Ground Levels	<ul style="list-style-type: none"> Flood and coastal modelling methodologies issued to regulators (Environment Agency, Natural England, Marine Management Organisation and Coastal Partners) on 1 February. Updating the flood and coastal models to complete baseline model
	Remediation Strategy	<ul style="list-style-type: none"> Remediation strategy technical note issued to internal team. Identifies further ground investigation works to be undertaken as part of next steps.
	SUDS and Foul drainage strategy	<ul style="list-style-type: none"> Technical note being prepared.
	Listed Building Scope of Works	<ul style="list-style-type: none"> Condition surveys for four listed structures on site completed and costed to bring structures back into a 'good condition'. Note this is not a condition that enables them to be occupied for marine employment uses. Outline design proposals for 'shell and core fit-out' prepared for conversion of buildings into appropriate new uses within marine employment area. Design for the levels and retaining walls around listed structures with regulator for agreement. External discussions with heritage team to be progressed – Heritage Statement to be issued for further discussion.

	Edge Treatment for Option 9 & 14 and accessibility to coastal edge	<ul style="list-style-type: none"> Workshops held with project team to identify proposed solution. Sections and plans being produced to show rock armour solution to western and southern edges. Designed to reduce costs and minimise disturbance of adjacent habitats in order to minimise need for compensation. Marine employment area, located to north will require vertical 4m quay wall design.
2	Marine Employment Layout & standalone financial model	<ul style="list-style-type: none"> Design intent reviewed and alternative layout prepared to enable further technical work on levels and sea defences. Assessment of infrastructure for revised option ongoing.
3	Dredged Channel Design	<ul style="list-style-type: none"> Workshops held to determine marine employment requirements. Dredged channel design being refined to reduce overall area of dredging. Will be targeted pockets of deep water. This will not affect access to deep water, however should make savings. Technical note to be issued.
4	Off-site compensation	<ul style="list-style-type: none"> Shortlist of 10 priority sites identified. Sites identified through desktop ecological, engineering and landownership appraisals. Landowner engagement and surveys to be commenced
5	Energy Strategy	<ul style="list-style-type: none"> Presented on sea water heat pump strategy. Energy Centre containing Sea Water Heat Pumps refined - reviewing existing assumptions and further input from specialist suppliers obtained with a view to reducing costs. Costing exercise underway.
6	HRA - Overarching Objective	<ul style="list-style-type: none"> As appendix A
	HRA - Secondary/Sub Objectives	<ul style="list-style-type: none"> Ongoing following overarching objective confirmation.
	HRA - Alternatives	<ul style="list-style-type: none"> Alternative solutions for delivering the overarching objective. As set out in flow chart in appendix C
	HRA - IROPI	<ul style="list-style-type: none"> Draft report being prepared. Will flow from 'Alternatives' work above.
	HRA - Compensation Approach	<ul style="list-style-type: none"> As per off-site compensation comments above, package 4.

7	Public Engagement	<ul style="list-style-type: none"> Public engagement will take place throughout 2024 to inform the development of a site masterplan to support a future planning submission later this year. This includes a relaunch of the project website with an updated narrative and background information in Spring and later supported by a series of workshops in May /June to explore the development implications and considerations
8	Transport Strategy	<ul style="list-style-type: none"> Transport note being prepared. Stakeholders aware that updated strategy imminent.
	M275 Junction	<ul style="list-style-type: none"> To be reviewed subject to level changes.
9	Surveys	<ul style="list-style-type: none"> Coastal surveys now completed. Geophysical surveys / GI ongoing with PCC team. Potential requirement for further SI at JHP site which is now in PCC freehold to determine contamination levels. Instruction and access to undertake off-site compensation surveys to be agreed as above.

- 3.5 Engagement with Central Government to discuss the City Deal outputs is on-going and DLUHC have confirmed their desire to have a number of different government departments in the conversation to endeavour to broker progress. DLUHC are therefore co-ordinating with other government colleagues with a view to arranging a face-to-face meeting. As a result of this it is too early to report any fixed outcome(s) from this workstream.
- 3.6 Since the report (of the same name) in October 2023 which set out a draft Overarching Project Objective the development team have continued work to develop a robust Overarching Project Objective.
- 3.7 An Overarching Project Objective is required to enable alternative solutions and options to be robustly and lawfully assessed through the Habitats Regulations Assessment under the Conservation of Habitats and Species Regulations 2017 and to comply with the Town and Country Planning (Environmental Impact Assessment (EIA)) Regulations 2017, the Transport and Works Act 1992 and the Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006.
- 3.8 The development team has concluded its considerations of the most appropriate and robust Overarching Project Objective at this time, and this is set out in appendix A to this report. The revised Objective is less prescriptive and better capable of facilitating a full and fair assessment of potential alternative solutions and options. This has resulted in the removal of the final sentence in relation to nature focussed placemaking, which cannot be objectively tested. This does however, remain in the Principles for any scheme to have regard to.



- 3.9 The Council's seven principles (appendix B), set at the meeting in October 2023 have been re-considered for consistency against the newly formed Overarching Project Objective. These principles remain unchanged from the October 2023 meeting.

4. Reasons for recommendations

- 4.1 The Cabinet is asked to approve the revised Overarching Project Objective set out in appendix A as a precursor to the next phases of work.
- 4.2 The 'sifting process' and formal report, applying this Overarching Project Objective through the Habitats Regulations Assessment will now be undertaken. The outcome of the process will be reported back to a future meeting of Cabinet (May / June).
- 4.3 As part of the 'sifting process' Cabinet is asked to re-confirm the Council's seven principles (appendix B). These principles were agreed by Cabinet and Council in October 2023 and remain unchanged. These principles have been used amongst other matters to inform the Overarching Project Objective and will be referred to within the formal sifting report. It is good practice to re-consider these factors (seven Council principles) alongside this review of the Overarching Project Objective.

5. Integrated impact assessment

- 5.1 As part of the master planning and public consultation work, a full integrated impact assessment will be undertaken and will form part of the planning application.

6. Legal implications

- 6.1 The recommendations contained in this report constitute a key decision because of the decision likely to be significant in term of its effects on communities living or working in an area comprising more than one ward within Portsmouth City. A decision relating to the recommendations falls within the remit of the Cabinet as the Executive of the City Council, but the Cabinet may continue to refer the report to the Full Council for information only.
- 6.2 Any development option at the Tipner West and Horsea Island East site taken forward must be in line with the relevant conditions of the City Deal Grant and the proposed revised principles include that requirement.
- 6.3 As referred to in the main body of the report, the principles and the overarching objective have a crucial role for Tipner West and Horsea Island East scheme in terms of undertaking masterplan optioneering and completing relevant assessments.
- 6.4 One of the key assessments that will be required is an 'appropriate assessment' (also known as a 'Habitat Regulations Assessment') pursuant to Regulation 63 of the



Conservation of Species and Habitats Regulations 2017 ("the 2017 Regulations") to establish whether the proposed development is "likely to have a significant effect" on the international nature conservation designations around the Tipner West and Horsea Island East area, on the basis that the Portsmouth Harbour Special Protection Area is a 'European site' and a 'European marine site' under the 2017 Regulations.

- 6.5 A plan or project which is likely to have a significant effect on a European site can only proceed if the appropriate assessment ascertains that the plan or project will not adversely affect the integrity of the European site.
- 6.6 Once an appropriate assessment has been undertaken, and the conclusion of the assessment indicates that the proposed scheme will have adverse effects or there is uncertainty over its effects, it can only be granted consent if certain derogation requirements under article 6(4) of the Habitats Directive 92/43/EEC (which is transposed by the 2017 Regulations) apply. The first one requires that there must be no feasible alternative solutions to the scheme which are less damaging to affected European sites. Guidance¹ makes it clear that any alternative solution must meet the original objective of the proposal. Therefore, there is a need for a designated overarching objective which will clearly state the core aims of the proposed scheme to ensure the assessment of alternatives is completed in a satisfactory and robust manner.
- 6.7 Having an overarching objective is also important in relation to satisfying Environmental Impact Assessment (EIA) requirements. For instance, there is a requirement in the Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006 at Rule 11(1)(d) to submit an environmental statement with the relevant application to include a "*description of reasonable alternatives studied by the applicant*". In addition, Rule 11(1)(f) requires the provision of "*any additional information specified in Schedule 1 relevant to the specific characteristics of the proposed works...*". Schedule 1 paragraph 2 refers to the reasonable alternatives and proceeds to require an environmental statement to include "*an indication of the main reasons for selecting the chosen option, including a comparison of the environmental effects*".
- 6.8 Therefore, without an overarching objective, there may be uncertainty around the process for identifying and assessing the "*reasonable alternatives*" (and final proposal for the scheme).
- 6.9 The principles set out in appendix B do not have the same legal 'status' as the project objectives from the perspective of Habitat Regulations Assessment and EIA requirements and therefore the legal framework and tests outlined above do not apply to them in the same manner. However, they do have an important role in terms of guiding the scheme development to ensure that the overarching objective is satisfied. The principles should therefore be referred to as part of the assessment process, and similarly to the overarching objective, need to be clear, logical, sound and reasonable in the circumstances.

¹ <https://www.gov.uk/guidance/habitats-regulations-assessments-protecting-a-european-site>



6.10 The revised overarching objective is set out in appendix A and the principles set out in appendix B.

7. Director of Finance's comments

7.1 The updates provided in this report form part of the ongoing work being undertaken to ultimately seek to identify a viable option to be included in the masterplan to be submitted later this year. Once the work has been completed it will enable the project team to provide a further update on the viability position of the two land use options.

7.2 The costs of the current workstreams are being funded from the release of the £7.7m tranche of City Deal funding that was previously approved by the City Council on 11 October 2022.

7.3 When a preferred option emerges a more detailed financial evaluation will be able to be undertaken as previously when considering a number of different options, more high-level modelling has had to be undertaken.

7.4 The viability gaps resulting from the wide of options previously considered and the current financial modelling will enable the project team to demonstrate to Government not only the latest viability position of the two land use options currently being considered but will also help inform Government's understanding of the financial challenges that the development has faced and make a case for further funding to close any viability gap.

7.5 As has been regularly reported in all Cabinet and Council updates, the ongoing viability modelling needs to minimise costs and the impact on the City Council finances and services to the public and this principle remains foremost for the Council as the project progresses.

7.6 Once completed, the results of the latest modelling and associated financial impact and risks will be reported back to Cabinet and full Council as appropriate.

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Signed by:

Appendices:

- Appendix A - the Overarching Project Objective
- Appendix B - the Council's 7 principles
- Appendix C - the Alternatives Sifting Process



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
Full Council 11 th October 2022	Agenda for Full Council on Tuesday, 11th October, 2022, 2.00 pm Portsmouth City Council
Full Council 17 th October 2023	Agenda for Full Council on Tuesday, 17th October, 2023, 2.45 pm Portsmouth City Council
Full Council 12 th December 2023	Agenda for Full Council on Tuesday, 12th December, 2023, 2.10 pm Portsmouth City Council

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

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Signed by:



Appendix A - Overarching Project Objective

Required to enable alternative options to be robustly assessed through the Habitats Regulations Assessment under the Conservation of Habitats and Species Regulations 2017 and to comply with the Town and Country Planning (Environmental Impact Assessment (EIA)) Regulations 2017, the Transport and Works Act 1992 and the Transport and Works (Applications and Objections Procedure) (England and Wales) Rules 2006.

"To create a marine employment hub in the Solent region with access to deep water, and of sufficient scale to enhance and expand the marine business cluster, along with critical infrastructure, and sufficient housing to help enable delivery of the development as well as support the growth in the marine workforce."



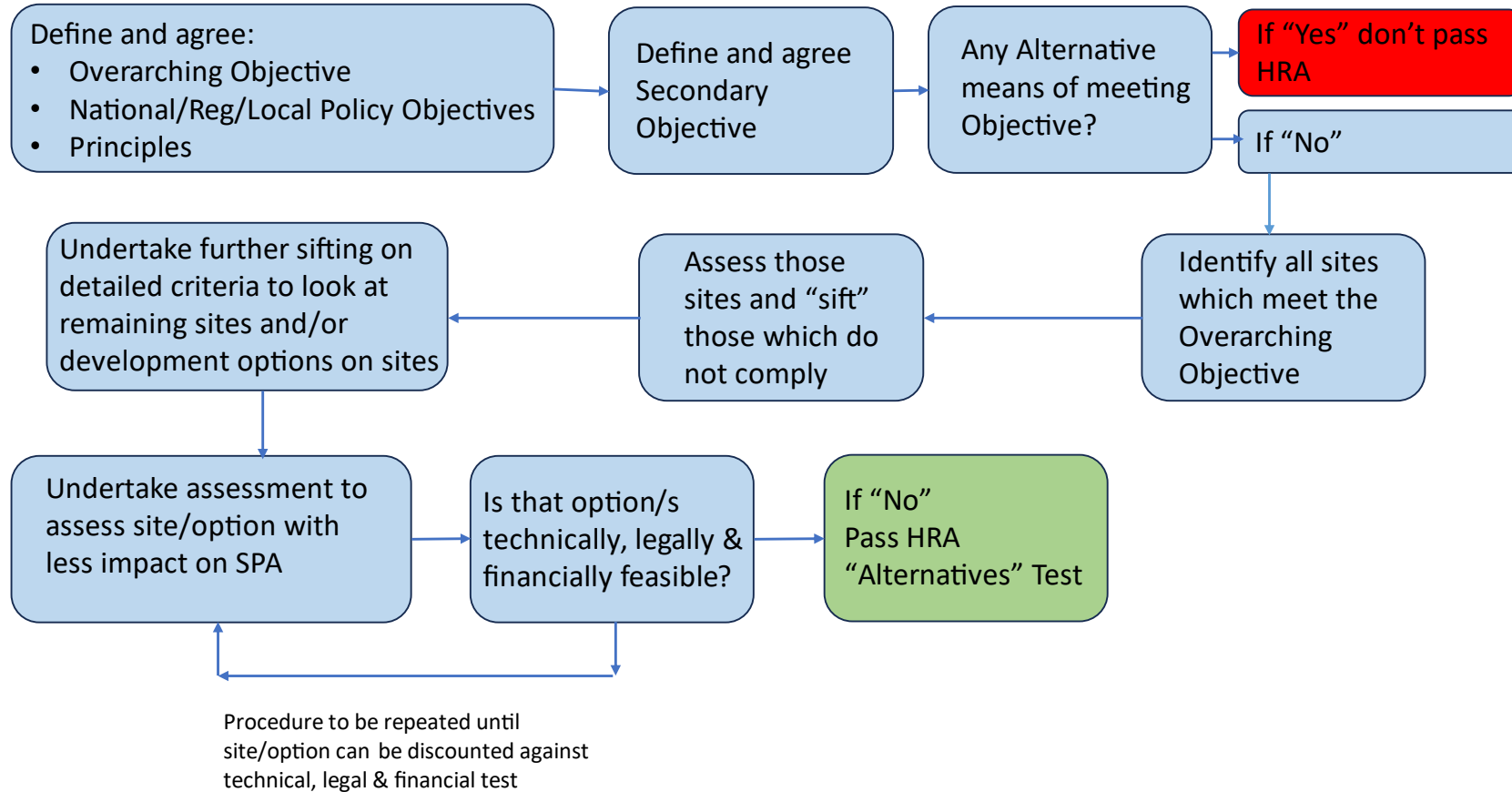
Appendix B - Council Principles²

1. Develop options that have regard to the Conservation Objectives of the SPA/Ramsar Sites in respect of their bird populations and other qualifying features, subject to the procedures set out within the Conservation of Habitats and Species Regulations 2017 (as amended) (The Habitats Regulations).
2. Deliver nature focused place making to contribute to Greening of the City, in line with the City Vision 2040, which achieves more than the statutory biodiversity requirement.
3. Provide a minimum of 814 homes and maximum of 1,250 homes & a minimum of 58,000 sqm of marine focussed employment space (Minimum affordable housing at 30%) alongside enabling infrastructure to satisfy the terms of City Deal
4. Maximise local job creation.
5. Minimise costs and impact on City Council finances & services to the public.
6. Seek to continue to work in partnership with Royal Society for the Protection of Bird (RSPB), Hampshire & Isle of Wight Wildlife Trust (HIWWT), Ministry of Defence and Historic England to develop proposals that are capable of satisfying the regulatory requirements of Natural England (NE), the Marine Management Organisation (MMO) and the Environment Agency (EA)
7. Minimise land reclamation to meet the principles listed above.

² As per October 2023 Council report

Appendix C - The alternative sifting process

Site Sifting Procedure



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Agenda Item 10

From CABINET held on 5 March 2024

Council Agenda Item 10 (Cabinet minute 38)

Capital Strategy 2024/25 - 2033/34

Recommendation (for Council)

RECOMMENDED

- 1. That Part I of the Capital Strategy (Capital Expenditure and Aspirations) be approved including:**
 - a) The aspirations set out in section 6**
- 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, (paragraphs 3.5 to 3.7)**
 - b) The investment indicators in Part II - Appendix 1 (Part II, paragraphs 4.15 to 4.21)**
 - 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 4.11):**
 - (i) The Council's gross General Fund (GF) debt exceeds 400% of GF net service expenditure or**
 - (ii) Overall investment income and long term treasury management investments exceeds 14% of GF net service expenditure.**

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Title of meeting:	Cabinet City Council
Date of meeting:	Tuesday 05 March 2024 (Cabinet) Tuesday 19 March 2024 (City Council)
Subject:	Capital Strategy 2024/25 - 2033/34
Report by:	Chris Ward, Director of Finance and Resources (Section 151 Officer)
Wards affected:	All
Key decision:	Yes
Full Council decision:	Yes

1. Executive Summary

- 1.1. 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

- 1.2. 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 Members approve a capital scheme, 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.
- 1.3. At the time of scheme approval, the Council may choose to fund capital expenditure financed by borrowing from its surplus cash in the short-term, thereby delaying the need to borrow and using existing cash flow funds in lieu of borrowing instead. Prior to a scheme funded by borrowing being approved, 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.
- 1.4. 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

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

Making Provision for the Repayment of Debt

- 1.6. 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

- 1.7. 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 only delays the need for external borrowing rather than avoiding the need to borrow completely.

Investments in Property

- 1.8. According to the CIPFA Treasury Management Code, **Investment in Commercial Properties Acquired through the Capital Programme** are regarded as investments.
 - However, the Government issued revised statutory guidance on local government investments early in 2018 coming into effect from 01 April 2018, requiring Councils to not borrow purely for financial gain either within, or outside its area. Prior to this guidance coming into effect, the Council had acquired commercial properties outside the Portsmouth economic area that were acquired solely to generate income to support the services that the Council provides. There are no further commercial property acquisitions outside the Portsmouth economic area included within the Capital Programme.
- 1.9. To ensure that the Council does not become over reliant on Investment income, several indicators are calculated in accordance with government guidance. These are included in the Appendix of Part II.

Skills and Knowledge of Staff

- 1.10. Treasury Management and Capital accounting requirements are complex and heavily regulated. Consequently, professionally qualified 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

- 1.11. The Council's strategy for borrowing and investing surplus cash is contained within the Treasury Management Policy included elsewhere on this 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 2024/25 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

Recommendation

That the Cabinet recommends that Full Council:

- 3.1. That Part I of the Capital Strategy (Capital Expenditure and Aspirations) be approved including:
- a) The aspirations set out in section 6.
- 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, paragraphs 3.5 to 3.7)
- b) The investment indicators in Part II - Appendix 1 (Part II, paragraphs 4.15 to 4.21)
- 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 4.11):
 - (i) The Council's gross General Fund (GF) debt exceeds 400% of GF net service expenditure or
 - (ii) Overall investment income and long term treasury management investments exceeds 14% of GF net service expenditure.

4. Background

- 4.1. The Capital Strategy establishes the approach to both capital expenditure and investment decisions.
- 4.2. This report outlines the Council's Capital Strategy and aspirations for the next 10 years, starting from 2024/25. 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.
- 4.3. The Capital Strategy fulfils the requirements of the revised Prudential Code for Capital Finance in Local Authorities 2021.

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.

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

Appendices:

Part I Capital Strategy

Part II Borrowing and Investment including Investment Indicators

Sub Appendices:

Appendix 1 Investment Indicators

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

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

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

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

.....
Signed by:

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Portsmouth
CITY COUNCIL

CAPITAL STRATEGY

2024/25 - 2033/34

PART I

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**

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).

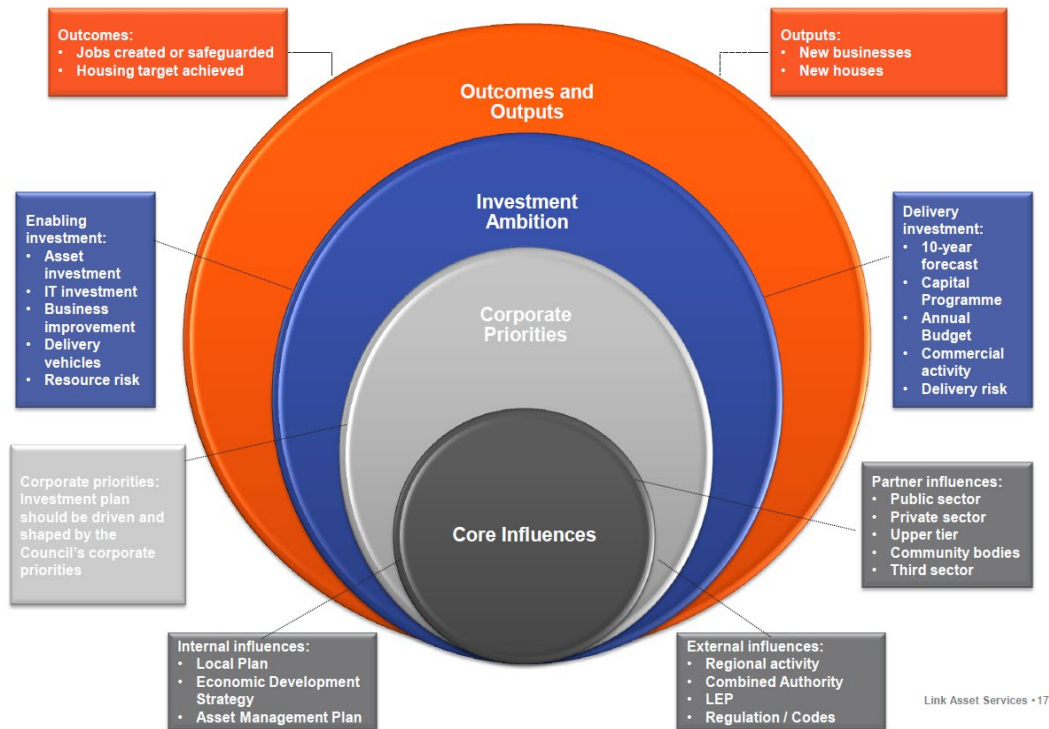
Capital expenditure also includes grants and advances made to the public or private sector for capital purposes, such as advances to Registered Social Landlords to provide adaptations to houses that meet the needs of vulnerable people.

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 publication of the CIPFA Prudential Code for Capital Finance in Local Authorities', there is 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. Based on the 2023 Budget Consultation with residents, the top 3 priorities at present are, in order of popularity:
 - i. Ensure people have access to the health and care services they need
 - ii. Making sure people feel safe and supported in their homes and communities
 - iii. Regenerate major sites to create homes, jobs and economic opportunities in the city.
- 1.12. Additionally, for future investment of the Council's capital budget, the 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. Invest in greening projects across the city
 - iii. Creating better facilities for sustainable transport such as cycling and walking
 - iv. Build more classrooms and specialist provision for children with additional needs
 - v. Invest in facilities as part of the new sea defences
 - vi. Investing in new sport and leisure facilities and maintaining existing ones
 - vii. Improving facilities at Portsmouth International Port to increase the money it generates to help protect local services
 - viii. Buying or developing new technology to help the council work more efficiently.

2. Strategic Fit

- 2.1. 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.
- 2.2. 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.

- 2.3. 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.
- 2.4. The MTFs and CS are driven by 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 Council's asset management plans in terms of the short and medium term needs and priorities of the Council.
- 2.5. Service Business Plans and asset management 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 to deliver priority outcomes. Service Business Plans also feed into asset management plans which seeks to align the Council's asset base with our corporate plans and objectives. Asset management plans identify 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.
- 2.6. A core feature of this Capital Strategy is to assist in the delivery of 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 and aspirations contained within the Corporate Plan.

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 contributes to the needs, priorities and aspirations of the Council as defined within asset management plans and Corporate Plan
- 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 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 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 offers 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, 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.

4.3 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 asset management plans.

5.2 The Corporate Plan, Service Asset Management Plans and Service Business Plans 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 Asset management plans 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 In accordance with the Council's Capital Strategy and Medium Term Financial Strategy, in developing capital investment plans for 2024-25, (which were approved by Full Council on 13 February 2024) the Cabinet prioritised those schemes that:

- 1) Provide for statutory requirements including School Places, Transport Safety, Homelessness and necessary Health and Safety obligations
- 2) Ensure that the Council's services to residents continue to operate from safe "fit for purpose" buildings
- 3) Support the renewal of the Council's aging Leisure Estate and end of life sports and play facilities across the City
- 4) Continue the Council's environmental agenda, including the downsizing of the Civic Offices and further greening initiatives
- 5) Continue with the Council's key regeneration opportunity for the City Centre North, aiming to stimulate housing and employment in the Council's most deprived area.

6.2 As described earlier in this report the key responses arising from the Budget Consultation for the future investment of the Council's Capital Programme selected by respondents are, in order of popularity:

- Building new homes in the city, including flats offering special care for elderly residents (49%)
- Invest in greening projects across the city (37%)
- Create better facilities for sustainable transport such as cycling and walking (37%)
- Build more classrooms and specialist provisions for children with additional needs (37%).

6.3 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. Known obligations and aspirations, in line with the Medium Term Financial Strategy, for future capital investment once further capital resources become available include:

Statutory Obligations:

- Additional extensions / additions to schools in respect of pupils with complex educational needs in order to provide for additional school places
- Provision of additional disabled facilities grants
- Requirements to improve road safety, disabled access and air quality
- Landlords Repairs & Maintenance.

Improving the City Economy:

- Further development of key employment, housing and regeneration sites
- Anti-Poverty projects
- Coastal protection schemes to protect homes and businesses
- Improvements to road transport infrastructure as a means of supporting new business growth and productivity generally as well as the protection of the tourism economy.

Enhancing the Environment:

- Greening the City
- Creating space and access.

Public Service Transformation:

- Developing the Digital Council
- Use of technology to provide greater personal independence for those with care needs.

- 6.4 Accordingly, the Cabinet has identified some further specific priority and aspirational capital schemes to be pursued as further capital funding becomes available:
- Investing in a rolling programme of investment into council assets subject to the outcome of the Asset Management Strategy
 - Enabling works and land assembly associated with the City Centre North scheme
 - The Civic Offices regeneration / replacement scheme
 - Greening and environmental improvement schemes
 - Investing in replacing play park equipment across the City based on the strategy prepared by the Parks team
 - Investing in refurbishing outside sports courts based on the strategy prepared by the Parks team
 - Investing into schemes delayed due to inflationary pressures and higher than anticipated interest rates
 - Completing the East-West cycle corridor
 - Delivering future stages of the Eastern Road cycle lane scheme
 - Enhancing the Southsea Sea Defences.
- 6.5 It is recommended that the City Council endorses the short to medium and long-term aspirations of the Capital Strategy, as set out above.

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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Portsmouth
CITY COUNCIL

CAPITAL STRATEGY
2024/25- 2033/34

PART II

PART II Borrowing and Investing

CONTENTS

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

Appendices:

- 1. Investment Indicators**

1. Definition

- 1.1 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.

2. Net Debt

- 2.1 Borrowings increase when capital schemes are financed from borrowing and decrease when debt is repaid.
- 2.2 The Council's reserves and working capital are invested until the money is required to finance expenditure. 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. It is expected that the Council will have to undertake further external borrowing in 2025/26 or alternatively sell its Investment Properties.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
Borrowings	734	721	751	812	796	780
<i>Less Investments</i>	<i>(244)</i>	<i>(145)</i>	<i>(71)</i>	<i>(86)</i>	<i>(103)</i>	<i>(122)</i>
Net Debt	490	576	680	726	693	658

3. Borrowing

- 3.1 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.
- 3.2 There are alternative types of borrowing available including:
- Local Authority
 - Market Forward Borrowing (for transactions greater than £30m)
 - Bond Issue (for transactions greater than £100m)
 - UK Municipal Bond Agency (UKMBA)
 - UK Infrastructure Bank (UKIB) specially for infrastructure investments such as Transport, waste etc

- Other such as leasing or local bonds

- 3.3 This Capital Strategy identifies capital aspirations that may be included in future capital programmes. Prudential Borrowing is only available for a Council's "Primary Purpose for Investment", this means that it must be directly and primarily related to the functions of the authority. Also any Prudential Borrowing must meet the "Invest to Save" criteria where those savings accrue directly to the Council on a sustained basis and meet the Prudential Code's tests of affordability, sustainability, and prudence over the lifetime of the borrowing undertaken. Prior to any borrowing, a full business case and financial appraisal is prepared that can satisfactorily demonstrate that borrowing is affordable by the services existing cash limits and must satisfy the S151 Officer.
- 3.4 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

- 3.5 To ensure future budgets remain affordable, the Council needs to be aware that capital expenditure financed from Prudential Borrowing incurs both **interest costs** and a **Minimum Revenue Provision (MRP)** for the repayment of debt. The MRP is a revenue charge within the budget which reduces the Capital Financing requirement over time.
- 3.6 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.
- 3.7 It is estimated that MRP will amount to £9.9m in 2024/25. The inclusion of further schemes in the capital programme financed by Prudential Borrowing will further increase the MRP.

Key Risks

- 3.8 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.
- 3.9 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.

3.10 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.

3.11 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.

3.12 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

3.13 The Council's gross debt on 31 March 2023 was as follows:

	£m	£m
Fixed Rate Borrowing	627	
Finance Leases	1	
Private Finance Initiative (PFI) Schemes	45	
Sub Total - Fixed Rate Debt		673
Lenders Option Borrowers Option (LOBO) Loan	11	
Retail Price Index (RPI) linked loan	63	
Sub Total - Variable Rate Debt		74
Total Gross Borrowing		747

3.14 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 2025. If the lender does increase the interest rate the Council, then has the option to repay the loan.
- The Council has £63m 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

- 3.15 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.
- 3.16 The following MRP policies (applied to calculating the MRP) are set out in the table below and are fully compliant with this policy. It is recommended the City Council approves the Annual Minimum Revenue Provision (MRP) for Debt Repayment Policies set out in the table below (Recommendation 3.2a).

Borrowing	MRP Methodology
<u>General Fund Borrowing:</u>	
Supported borrowing other than finance leases and service concessions including private finance initiative schemes #	50-year annuity
Finance leases and service concessions including private finance initiative schemes *	MRP equals the principal repayments made to lessors and PFI operators
Prudential borrowing excluding borrowing to fund long term debtors (including finance leases), investment properties and equity shares purchased in pursuit of policy objectives	Annuity over life of asset
Prudential Borrowing to fund long term debtors	The principal set aside to finance the borrowing used in the original transaction
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 Prudential 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 Prudential 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 is currently provided for. It is currently anticipated that from 2028/29 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.*

- 3.17 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. This overprovision is forecast to expire in 2026/27.
- 3.18 Currently there is an open MRP Consultation relating to updating regulations and statutory guidance and the outcome is expected for implementation in 2024/25.

4. Investments

Treasury Management

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

Service Delivery

- 4.2 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.

Commercial Return

- 4.3 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

- 4.4 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.

- 4.5 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.
- 4.6 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
- 4.7 For further detail on the Council's investment criteria, see the Treasury Management Policy.

Service and Commercial Investments Acquired Through the Capital Programme

- 4.8 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.
- 4.9 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 Capital Financing Requirement (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

- 4.10 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.
- 4.11 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

- 4.12 The Council has an investment property portfolio that it acquired over several years for £173m.
- 4.13 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.
- 4.14 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

- 4.15 The Council's GF borrowing is forecast to be two times its GF net service expenditure in 2024/25. It is recommended that GF borrowing be limited to four times GF net service expenditure. 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

- 4.16 The Council will depend on income from investments for commercial and service purposes to fund 9.3% of its estimated GF net service expenditure in 2024/25. To ensure that the Council does not become over dependent on income it is recommended that no more than 14% of GF net service expenditure will be funded from investment income.

Interest Cover

- 4.17 The Council's investment property portfolio has been financed from borrowing. There is therefore a risk that income from investment properties may be insufficient to pay the interest incurred on the associated debt. However, the net income from the investment property portfolio exceeds the cost of the associated interest 2.3 times.

Loan to Value Ratio

- 4.18 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

- 4.19 The investment property portfolio is expected to make a net return of 2.6% against the original cost of the properties in 2024/25.

Gross and Net Income from Investment Properties

- 4.20 The investment property portfolio is expected to generate a retained income of £3.8m in 2024/25.

External Operating Costs

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

5. Skills and Knowledge

- 5.1 The issues covered by this report are in their nature complex, so all the Council's senior finance staff are chartered accountants. The Treasury Manager is a qualified Chartered Certified Accountant. 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.

- 5.2 On 31 March 2023, £41.16m of the Council's investments of surplus cash were being managed externally consisting of £28.66m invested in instant access money market funds, £4.8m in a multi-asset fund and £7.7m invested in corporate bonds that were being externally managed.
- 5.3 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.
- 5.4 Councillors are offered training by an external consultant to provide them with an overview of treasury management after the local government elections.

6. Treasury Management Reporting

- 6.1 An integrated approach to Treasury Management gives rise to consideration in relation to:
- Borrowing
 - Repaying
 - Refinancing
 - Investing.
- 6.2 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.
- 6.3 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.
- 6.4 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.

Report	Reporting of Compliance & Performance in Previous Period	Policy Changes	Audience
Treasury Management Policy	N/A	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.						
	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2029/29 Estimate
Forecast	194%	164%	149%	148%	135%	123%
Recommended Limit	400%	400%	400%	400%	400%	400%

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.						
	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2029/29 Estimate
Investment Properties	4.1%	3.8%	4.5%	4.5%	4.4%	4.2%
Investments for Service Purposes	5.8%	5.3%	5.3%	5.2%	5.1%	4.9%
Long Term Treasury Management Investments	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%
Overall Investment Income	10.4%	9.3%	9.9%	9.7%	9.4%	9.1%

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						
	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2029/29 Estimate
Investment Properties	6.2%	5.6%	6.7%	6.7%	6.5%	6.3%
Investments for Service Purposes	8.8%	8.0%	8.0%	7.8%	7.6%	7.4%
Long Term Treasury Management Investments	0.6%	0.3%	0.1%	0.0%	0.0%	0.0%
Overall Investment Income	15.6%	14.0%	14.8%	14.5%	14.1%	13.7%

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						
	2023/24	2024/25	2025/26	2026/27	2027/28	2029/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Investment Properties	241%	228%	272%	278%	278%	278%

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.						
	2023/24	2024/25	2025/26	2026/27	2027/28	2029/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Investment Properties	0.9	0.8	0.8	0.8	0.8	0.8

Forecast Income Returns						
This is a measure of the achievement of the portfolio of properties.						
	2023/24	2024/25	2025/26	2026/27	2027/28	2029/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Investment Properties	2.69%	2.57%	3.44%	3.58%	3.58%	3.59%
Long Term Treasury Management Investments	2.46%	2.35%	1.91%	4.00%	0.00%	0.00%

Gross and Net Income from Investment Properties						
This indicator shows how much of the gross income is being retained by the Council.						
	2023/24	2024/25	2025/26	2026/27	2027/28	2029/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Gross Income	8,335	8,335	9,940	10,177	10,177	10,177
Net Income	3,993	3,812	5,106	5,306	5,317	5,329

External Operating Costs						
This indicator shows the trend in operating costs over time, as the portfolio expands.						
	2023/24	2024/25	2025/26	2026/27	2027/28	2029/29
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Investment Properties	879	863	1,174	1,210	1,199	1,188

Agenda Item 11

From CABINET held on 5 March 2024

Council Agenda Item 11 (Cabinet minute 39)

Treasury Management Policy 2024/25

Recommendation (for Council)

RECOMMENDED that Full Council:

- 1. Approve the upper limit for principal sums invested for longer than 365 days contained in section 4.6 of the attached Treasury Management Policy Statement;**
- 2. Approve the upper and lower limits on the maturity structure of borrowing contained in appendix 5.1 of the attached Treasury Management Policy Statement;**
- 3. Approve the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2024/25;**
- 4. Note that there are no significant changes to the Treasury Management Policy for 2024/25 compared to 2023/24;**
- 5. Agree that as set out in section 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 £1,110m approved by the City Council on 13 February 2024;**
 - iii. reschedule debt to even the maturity profile or to achieve revenue savings; and**
 - 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;

- 6. Agree that the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff; and**
- 7. Agree 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 material variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 1.2.3 of Treasury Management Policy Statement).**

Title of meeting:	Governance and Audit and Standards Committee Cabinet City Council
Date of meeting:	28 February 2024 (Governance and Audit and Standards Committee) 05 March 2024 (Cabinet) 19 March 2024 (City Council)
Subject:	Treasury Management Policy 2024/25
Report by:	Chris Ward, Director of Finance and Resources (Section 151 Officer)
Cabinet Member:	Councillor Steve Pitt, Leader
Wards affected:	All
Key decision:	Yes
Full Council decision:	Yes

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 temporary surplus cash for 2024/25.

The Prudential Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires the City Council to approve a Capital Strategy (reported elsewhere on the Cabinet Agenda for 05 March 2024) providing an overview of the Council's plans for capital expenditure, its borrowing, and its investments.

The Treasury Management Policy also sets several treasury management indicators that will establish the boundaries within which treasury management activities will be undertaken. These are contained in section 4.6 and Appendix 5.1 of the Treasury Management Policy attached.

1.2 Annual Investment Strategy

The Treasury Management Policy includes the strategy for the investment of temporary surplus funds, known as the Annual Investment Strategy, which establishes the types of investment, investment counter parties and investment



durations that the Council will operate within and is set out in Appendix 5.2 and 5.3 of the Treasury Management Policy attached.

2. Purpose of report

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

3. Recommendations

3.1 That the upper limit for principal sums invested for longer than 365 days contained in section 4.6 of the attached Treasury Management Policy Statement be approved.

3.2 That the upper and lower limits on the maturity structure of borrowing contained in appendix 5.1 of the attached Treasury Management Policy Statement be approved.

3.3 That the attached Treasury Management Policy Statement including the Treasury Management Strategy and Annual Investment Strategy for 2024/25 be approved.

3.4 Note that there are no significant changes to the Treasury Management Policy for 2024/25 compared to 2023/24.

3.5 As set out in section 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 £1,110m to be approved by the City Council on 13 February 2024

(iii) reschedule debt to even the maturity profile or to achieve revenue savings; and

(iv) to buy and sell foreign currency, and to purchase hedging instruments including forward purchases, forward options, and foreign exchange rate swaps to mitigate the foreign exchange risks associated with some contracts that are either priced in foreign currencies or where the price is indexed against foreign currency exchange rates.

3.6 That the Director of Finance and Resources (Section 151 Officer) has the power to delegate treasury management operations to relevant staff.



- 3.7 That the Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee be informed of any material variances from the Treasury Management Policy when they become apparent, and that the Leader of the City Council be consulted on remedial action (paragraph 1.2.3 of Treasury Management Policy Statement).

4. Background

- 4.1 The Council's treasury management operations cover the following:

- Cash flow forecasting (both daily balances and longer-term forecasting)
- Investing surplus funds in approved investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)
- Interest rate exposure management
- Hedging foreign exchange rate risks.

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

- Credit risk - i.e. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - i.e. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are more than those for which the Council has budgeted
- Exchange rate risk - the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately
- Inflation risk, i.e. the chance that cash flows from an investment 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.

- 4.3 The total borrowings of the Council on 1 April 2024 are estimated to be £734m. The Council's investments on 1 April 2024 are estimated to be £145m. 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 £23.7m 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.

- 4.4 The City Council has adopted CIPFA's Treasury Management in the Public Services Code of Practice. The Code of Practice requires the City Council to approve a Treasury Management Strategy before the start of the financial year.
- 4.5 In addition, the Government has issued statutory guidance that requires the Council to approve an Annual Investment Strategy before the start of the financial year.
- 4.6 The Treasury Management Strategy, and the Annual Investment Strategy are all contained within the attached Treasury Management Policy Statement.

5. Reasons for recommendations

- 5.1 The recommendations provide assurance that the Council's attached Treasury Management Policy Statement reflects CIPFA's Treasury Management Code of Practice and has 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 Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This is a continuation of the 2023/24 Treasury Management Strategy.
- 5.3 The Council does not have to borrow externally as soon as capital expenditure is financed from borrowing, as it is currently holding cash forming its general balances and earmarked reserves. This internal borrowing gives the Council the

ability to fund capital expenditure from its cash balances in the short term. This is known as internal borrowing. Whilst interest rates are still high, 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.

6. Integrated impact assessment

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

7. Legal implications

7.1 The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance's comments

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

.....
Signed by:

Appendices: Treasury Management Policy Statement 2024/25

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
Information pertaining to the Treasury Management Strategy	Financial Services

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

.....
Signed by:

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TREASURY MANAGEMENT POLICY STATEMENT FOR 2024/25 INCLUDING:

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

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

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1. INTRODUCTION

1.1 Background

- 1.1.1 The Council is required to operate a balanced budget, which broadly means that income raised during the year will meet expenditure. Part of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Temporary surplus funds are invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity, before considering investment return.
- 1.1.2 The second main function of the treasury management activity 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 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.
- 1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity for 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 any loss of principal will result in a loss to the General Fund and therefore put spending plans at risk.
- 1.1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:
- "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 1.1.5 Whilst any commercial initiatives or loans to third parties will affect the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 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. The three reports are:

- i) **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).
- ii) **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.
- iii) **An Annual Treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.2 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 material 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 2024/25

1.3.1. The strategy for 2024/25 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.
- The policy on use of external service providers.

1.3.2. These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

1.4.1 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.

1.4.2 A formal record of the training received by officers central to the Treasury function will be maintained by the Deputy Director of Finance (Deputy 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 (Deputy Section 151 Officer).

1.5 Treasury Management Staff

1.5.1 The treasury management function is undertaken by the Director of Finance and Resources (Section 151 Officer). This includes:

- (i) Investing surplus funds in accordance with the approved Annual Investment Strategy
- (ii) Borrowing to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt
- (iii) Rescheduling debt to even the maturity profile or to achieve revenue savings and
- (iv) To buy and sell foreign currency and hedge against currency movements to fulfil contracts priced in or indexed against foreign currencies.

The Director of Finance and Resources will have the power to delegate authority to undertake these functions to relevant officers including the Deputy Director of Finance and Section 151 Officer, 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 Accountants.

1.6 Treasury Management Consultants

1.6.1 The Council employs professional consultants to:

- Provide interest rate forecasts to inform the Council's borrowing and investment decisions
 - Information on creditworthiness to inform investment decisions, and
 - Benchmark the Council's investment performance against other local authorities.
- 1.6.2 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.
- 1.6.3 The Council also uses information from other sources such as the Building Societies Association and Homes England.
- 1.6.4 The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including from, but not solely, our treasury advisers.
- 1.6.5 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 1.6.6 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties, which are outside the scope of the Treasury Management Strategy. The commercial type investments require specialist advisers, and the Council uses Avison Young in relation to this activity.

2. THE CAPITAL PRUDENTIAL INDICATORS 2023/24 - 2028/29

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 13 February 2024 can be summarised in table A as follows:

Capital Programme - Feb 2024 Approval							
Table A	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	123	214	265	140	51	30	3
Housing Revenue Account (HRA)	65	128	44	95	91	40	40
Total	188	342	309	235	142	70	43
Element financed from Borrowing	37	124	93	134	74	5	3

2.2 The Council's Borrowing Need (The Capital Financing Requirement)

- 2.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital funding resource, will increase the CFR.
- 2.2.2 The CFR does not increase indefinitely and is reduced by the minimum revenue provision (MRP) which is a statutory annual revenue charge that reduces the indebtedness broadly in line with each asset's life, thus the economic consumption of capital assets as they are used is charged to the Council's Revenue Budget.
- 2.2.3 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI provider, or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £39m of such schemes within the CFR.

The projected CFR is shown below:

Capital Financing Requirement (CFR)							
Table B	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Investment Properties	173	173	183	183	183	183	183
Other General Fund	455	481	538	596	599	581	561
Sub-Total	628	654	721	779	782	764	744
Housing Revenue Account (HRA)	254	343	356	419	476	480	484
Total CFR	882	997	1,077	1,198	1,258	1,244	1,228

2.2.4 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity (i.e. Investment Properties) 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

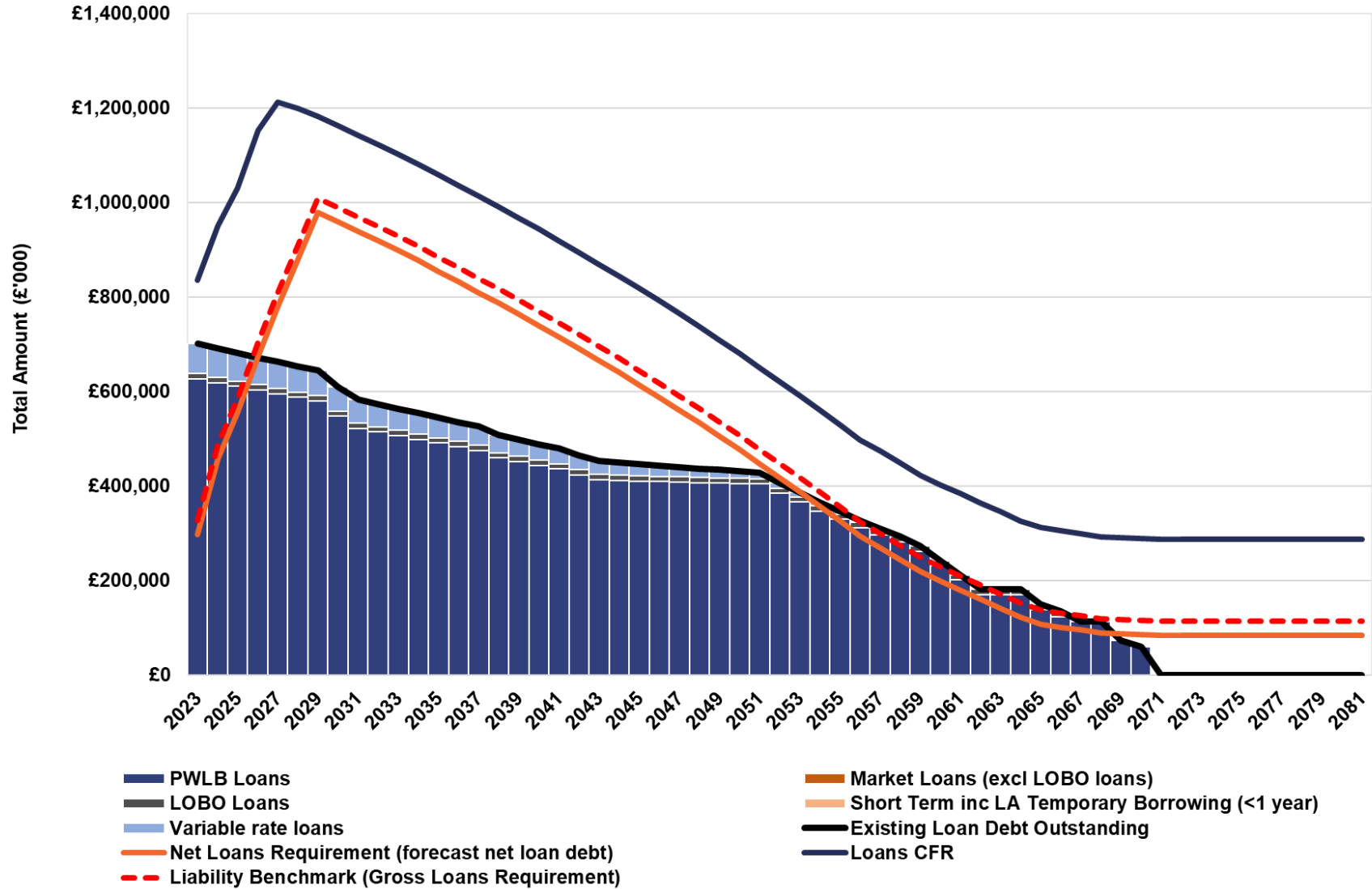
2.3.1 In 2023-24 the Liability Benchmark (LB) was introduced. The LB provides a measure of how well the existing loans portfolio matches planned borrowing needs. The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

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 dashed 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



2.3.2 The Council's current borrowing exceeds its liability benchmark. This has resulted in excess cash requiring investment. However, between 2025/26 and 2055/56 the Council's actual loans are less than the liability benchmark indicating a future borrowing requirement.

2.4 Core Funds and Expected Investment Balances

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

Year End Resources							
Table C	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Fund balances / reserves	254	191	180	179	179	179	179
Capital Grants Unapplied	41	48	48	48	48	48	48
Capital Receipts	26	18	18	18	18	18	18
Provisions	7	15	15	15	15	15	15
Other	158	167	180	193	207	226	245
Total Core Funds	486	439	441	453	467	486	505
Working Capital *	52	68	60	65	65	65	65
Over / (Under) borrowing - see below	(135)	(263)	(356)	(447)	(446)	(448)	(448)
Expected Investments	403	244	145	71	86	103	122

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

3 BORROWING

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

3.1 Current Borrowing Position

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

Table D	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt on 1st April	711	701	691	682	716	783	774
Expected Change in Debt	(10)	(10)	(9)	34	67	(9)	(9)
Other long-term liabilities (OLTL) on 1st April	51	46	43	39	35	29	22
Expected Change in OLTL	(5)	(3)	(4)	(4)	(6)	(7)	(7)
Actual gross debt on 31st March	747	734	721	751	812	796	780
The Capital Financing Requirement	882	997	1,077	1,198	1,258	1,244	1,228
Over / (Under) Borrowing	(135)	(263)	(356)	(447)	(446)	(448)	(448)

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

External Debt for Investment Properties							
Table E	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Actual Debt on 31st March	173	173	183	183	183	183	183
Percentage of total external Debt	23%	24%	25%	24%	23%	23%	23%

3.1.2 Within the range of prudential indicators, there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

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

Operational Boundary						
Table F	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Commercial activities / non-financial investments	173	183	183	183	183	183
Other Debt	781	855	980	1,046	1,039	1,030
Other long-term liabilities	43	39	35	29	22	15
Total	997	1,077	1,198	1,258	1,244	1,228

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

Authorised Limit						
Table G	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Commercial activities / non-financial investments	173	183	183	183	183	183
Other Debt	813	888	1,014	1,080	1,074	1,066
Other long-term liabilities	43	39	35	29	22	15
Total	1,029	1,110	1,232	1,292	1,279	1,264

3.3 Prospects for Interest Rates

3.3.1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 5th February 2024. These are forecasts for certainty rates, gilt yields plus 0.80%.

Link Group Interest Rate View	05.02.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.3.2 The forecasts above reflect the view that the MPC will further demonstrate its anti-inflation credentials by keeping the Bank Rate at 5.25% until at least halfway through 2024. Rate cuts are expected to begin once CPI inflation, wages and employment data support such a change, however, international events may also influence decisions due to factors such as potential supply shortages putting pressure on inflation data.

3.3.3 In the medium term, it is anticipated that the Bank of England will be keen to loosen monetary policy, 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 table above shows the Bank Rate reaching 3.00% by September 2025, the long-term (beyond 10-year) forecast is for the Bank Rate to remain steady at this rate of 3.00%.

3.3.4 The consumer price index, CPI, 12-month rate, started 2023 at 10.1%. Since then, rates have declined, and the last two months published data (December 2023 and January 2024) have each reported a rate of 4.0%. Despite the decline, the rate is still higher than the Bank's target of 2.0% and is anticipated to remain higher than 2.0% for much of the next 3 years.

3.4 Bond Yields / Public Works Loans Board (PWLB) Rates.

3.4.1 Gilt yields and hence PWLB rates began to move downwards towards the end of 2023 but have moved back up slightly at the start of 2024, thereby building in the expectation that central banks will not move too quickly to cut rates. At present PWLB 5 to 50 years certainty rates are, generally, in the range of 4.71% to 5.16%.

3.5 Investment and Borrowing Rates

3.5.1 **Investment Returns.** With the higher base rate prevailing in 2023/24, new investments made in the year 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 the start of 2024/25, although rates for short-term investments (up to 6 months) are mostly higher than investments for beyond this period.

3.5.2 **Borrowing for Capital expenditure.** Link's long-term (beyond 10 years), forecast for Bank Rate is 3.0%. 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 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 2024.

3.6 Borrowing Strategy and Risk Appetite

3.6.1 The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow 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.

3.6.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 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 until rates fall.*
- *if it was felt that there was a significant risk of a much sharper and sustained 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.*

3.6.3 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

3.7.1 Section 12 of the Local Government Act 2003 gives a local authority the power to invest for "any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs". While the speculative procedure of borrowing purely to invest at a profit is clearly unlawful, there is no legal obstacle to the temporary investment of funds borrowed for the purpose of funding capital expenditure incurred in the reasonably near future.

3.7.2 Borrowing in advance of need may enable the City Council to obtain cheaper loans than those available at the time when expenditure is incurred, although the consequent investment of funds borrowed in advance of need does expose the City Council to credit risk. The interest payable on funds borrowed in advance of need 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

- 3.8.1 Rescheduling of current borrowing in the debt portfolio is unlikely to occur as there is a large difference between premature redemption rates and the PWLB's new borrowing rates.
- 3.8.2 If rescheduling was done, it will be reported to the Cabinet / Council, at the earliest meeting following its action.

3.9 Approved Sources of Long and Short Term Borrowing

	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)		●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	n/a	n/a
Finance leases	●	●

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

- 3.10.1 The Council operates two loans pools for the purposes of apportioning borrowing costs to the HRA.
- 3.10.2 The first loans pool consists of all the Council's loans taken out prior to 2020/21 for both General Fund and HRA purposes. The Council will continue to operate this loans pool and apportion costs according to locally established principles. The principles upon which the apportionment of borrowing costs should be based are as follows:
- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither.
 - The loans portfolio is managed in the best interests of the whole authority.
- 3.10.3 The second loans pool consists of the three £20m loans that were taken from the PWLB at the HRA Certainty Rate which was 1.0% below the PWLB General

Fund Certainty Rate at the time. The borrowing costs on these loans will be charged to the HRA in their entirety.

- 3.10.4 Any future borrowing costs will be managed and apportioned to the HRA through the appropriate loans pool, depending upon the borrowing rates available at the time.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

4.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA 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).

4.1.2 Investing is all about "appropriateness" and is impacted by both internal and external factors, such as cashflows, risk appetite and interest rate outlook. 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 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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

4.1.4 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.
- 4.1.5 **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m, (see paragraph 4.3).
- 4.1.6 **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2 (Table H).
- 4.1.7 This authority will set a limit for its investments that are invested for **longer than 365 days**, (see paragraph 4.6).
- 4.1.8 Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
- 4.1.9 This authority places **sector and geographical limits** on its investment portfolio to avoid the concentration of risk, (Appendix 5.3).
- 4.1.1 Because of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. A further extension to the over-ride to 31 March 2025 has been agreed by the Government.

4.2 Creditworthiness Policy

- 4.2.1 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
 - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- 4.2.2 The Director of Finance and Resources (Section 151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval, as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality that the Council may use, rather than defining what types of investment instruments are to be used.
- 4.2.3 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed considering market conditions.
- 4.2.4 The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a double A sovereign Long-Term 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 £350mor meet both criteria.
 - Money Market Funds (MMFs)
 - UK Government (including gilts, Treasury Bills and the DMADF)
 - Local authorities
 - Housing associations. In addition to ratings from the credit agencies, housing associations will only receive investments if they have a viability rating of V1 and a governance rating of G1 from Homes England.
 - Supranational institutions that meet the ratings for banks outlined above

- Corporate Bonds. The Council will invest in corporate bonds which:
 - i. Meet the ratings for Banks 1 outlined above or
 - ii. Have a credit rating of BBB+ or
 - iii. Have a credit rating of BBB- but form part of a portfolio managed by professional fund managers
- Universities that meet the ratings for Banks 1 outlined above
- Pooled investment vehicles including equity funds, property funds, corporate bond funds and multi asset funds
- Subsidiary companies of the City Council

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

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

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

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

Table H	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
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	-	£1m	2yrs
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
	Fund rating	Money Limit	Time Limit
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.

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

4.2.9 **Creditworthiness.** Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

4.2.10 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

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

4.4.2 The Council will avoid investments in fossil fuel extraction unless they are making substantial investment into renewable energy technologies as part of a strategy to move to becoming a clean energy supplier.

4.4.3 The Council will give weight to the environmental, social and governance ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

- 4.4.4 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.
- 4.4.5 Treasury Management investment transactions are limited to institutions with ESG ratings of "Leaders" or "Average". Institutions with an ESG rating of "Laggards" are declined.
- 4.4.6 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	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Consumer Financial Protection	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behavior	Business Ethics Tax Transparency	

4.4.7 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?

4.4.8 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:



4.4.9 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.

4.4.10 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 equity 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

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

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

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

* Financial instruments include term deposits, certificates of deposits, corporate bonds, money market funds, structured notes, and shares in pooled investment funds

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

4.5.4 When investing temporary surplus funds, 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.

4.5.5 The Council will invest its temporary surplus funds 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.

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

4.5.7 The Council may invest in externally managed pooled investment vehicles such as corporate bond funds, equity funds, property funds and multi asset funds, if the Council has cash for a term that is sufficient to cover cyclical movements in prices.

4.5.8 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed:

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall, consideration will be given to locking in higher rates currently obtainable, for longer periods.

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

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

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

	2025	2026	2027
	£m	£m	£m
Current investments as of 31 March more than 1 year maturing in each year	130	50	50

4.7 End of year investment report

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

5 APPENDICES

5.1 Maturity structure of borrowing

5.2 Credit and counterparty risk management

5.3 Sector and Geographic Investment Limits

APPENDIX 5.1

Maturity Structure of Borrowing

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

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

Table J		
Maturity structure of fixed interest rate borrowing		
	Lower	Upper
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%
Maturity structure of variable interest rate borrowing		
	Lower	Upper
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%

APPENDIX 5.2

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:

	Non-Specified Investment Category	Limit £
a.	<p>Supranational bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds with a AAA long-term rating - 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) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail)</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>£26m for up to 6 years</p> <p>£26m for up to 6 years</p>
b.	<p>Gilt edged securities 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>Unlimited investments for up to 6 years</p>
c.	<p>The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	<p>£10m for up to 1 day</p>
d.	<p>Building societies not meeting the basic security requirements under the specified investments. 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>£6m for up to 2 years</p>
e.	<p>All banks and building societies 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>Up to £26m (depending on credit quality) for up to 6 years</p>

	Non-Specified Investment Category	Limit £
f.	Loan capital 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.	£7m for 365 days
g.	Corporate bonds bought on the Council's behalf by professional fund managers who will target an average credit rating of at least BBB+ for the corporate bond fund. The average credit rating of the corporate bond fund may fall to BBB if there was a downgrade to a single issue or a broad downgrade. We would not want the fund manager to be a forced seller in this situation. If this situation arises, a strategy will be agreed with the fund manager to return the average rating of the portfolio to BBB+.	£8m for an unlimited duration
h.	Pooled investment vehicles including equity funds, property funds and multi asset funds with the potential to generate returns more than inflation and thus maintain the value of the principal invested in real terms.	£50m for an unlimited duration
i.	Subsidiary companies of the Council. Funds could be invested to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.	£30m for an unlimited duration
j.	Banks partly owned by the City Council. The Council is an equity shareholder in HCB Holding (HCB) which owns 100% of the shares in Hampshire Community Bnk. Purchasing bonds or offering loans to 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 or loan. Bonds or loans would be secured on the onward loans made 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.	£1m for 2 years

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.

APPENDIX 5.3

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 12



Title of meeting: Employment Committee
Date of meeting: 11 March 2024
Subject: Pay Policy Statement 2024/25
Report by: Natasha Edmunds, Director for Corporate Services
Wards affected: None
Key decision: No
Full Council decision: Yes

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 2024.

3. Background

- 3.1 Increased transparency about how taxpayers' money is used, including the pay and reward of public sector staff is now a legislative requirement under section 38(1) of the Localism Act 2011. The Department for Communities and Local Government published a revised Local Government Transparency Code on 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 direct reports.
- 3.5 The Portsmouth City Council Pay Policy Statement includes data up to 31 March 2023 and is attached as **Appendix 1**.
- 3.6 The pay multiple is based on the difference between the highest paid salary and the median salary of the whole of the local authority's workforce is 6.30 which equates to a median salary of £26,446.

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.

- 3.7 A comparison of pay multiples was undertaken across comparator Local Authorities (see below). The data shows that when compared with other similar sized unitary authorities with a similar range of services and workforce profiles, the pay multiple for Portsmouth City Council is not out of kilter and is below the projected multiples for the public sector (8.1 - 12.1) as identified in the [Hutton Review of Fair Pay in the Public Sector \(March 2011\) Report](#). A low pay ratio provides the Council with better value for money.

Local Authority	Pay Multiple based on the difference between the highest salary and the median
Portsmouth City Council	6.3
Medway Council	6.2
Milton Keynes Council	5.9
Oxford City Council	4.4
Plymouth City Council	5.92
Reading Borough Council	5.29 (2022/23 - no updated figure available)

3.8 Whilst the Pay Policy Statement relates to the year 2024/25, 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

4.1 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

5.1 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 2024/25 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 2024 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 2024/25

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 2024/25

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 2015.

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 Director of Finance and Resources who is also the Section 151 Officer
- The Directors, who report to and are directly accountable to the Chief Executive. These Directors fulfil the roles of statutory Chief Officers, 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 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.

The salary for the Chief Executive is a 'spot salary' meaning that the post holder is paid in accordance with a fixed salary within an agreed range upon appointment and there will be no further incremental progression as a result of seniority, experience, or performance. The 'spot salary' also includes remuneration for holding the statutory office of Head of Paid Service.

The salary for Director level, consists 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 2023:

Chief Executive	£186,300
Port Director	£117,683 - £127,355
Director (upper band) **	£117,683 - £127,355
Director (lower band)	£101,055 - £111,597
Senior Managers*	£87,519 - £96,522

**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 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.

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 to match the salary of their previous post with another organisation. Any decision to appoint a senior employee on a higher pay point within the relevant pay range would be made by the Members Appointment Committee.

Pay progression

Pay progression is by annual increment, payable from 1st April. Pay progression is based on the period of time the employee has served in that grade. Increments are due on 1 April each year, or 6 months after appointment if less than 6 months in the new grade by 1 April, i.e., an increment is paid after 6 months if the employee is appointed between 1 October and 31 March.

In addition, a maximum of two accelerated increments may be considered for work of an exceptional standard. There is no scope for accelerated progression beyond the top of the grade's pay range.

Pay awards

The salary for the Chief Executive will be increased in line with any pay increase agreed nationally in line with the Joint National Council (JNC) for Chief Executives of Local

Authorities. 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 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.

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 7th 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 £10.90 per hour is £21,029.

In line with the annual increase of the Living Wage, from April 2024 the annual full-time equivalent, based on a 37-hour standard working week will rise to £12.00 per hour or £23,151 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 Communities and Local Government under Section 2 of the Local Government Planning and Land Act 1980, the Council is expected to publish its “pay multiple”, i.e., the ratio between the highest paid salary and the median salary of the whole of the local authority's workforce based on data as of 31st March 2023. This multiple is 6.30 with a median salary of £26,446.

(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 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 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 2024 for the financial year 2024/25.

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 14



Portsmouth
CITY COUNCIL

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

ORDINARY CITY COUNCIL MEETING – 19 March 2024

QUESTION NO 1

FROM: COUNCILLOR GEORGE FIELDING

**TO REPLY: CABINET MEMBER FOR TRANSPORT
COUNCILLOR GERALD VERNON-JACKSON CBE**

Can the Cabinet Member please provide a full and comprehensive update on the current crisis affecting EV charging points and users of the same across the city?

QUESTION NO 2

FROM: COUNCILLOR YINKA ADENIRAN

**TO REPLY: CHAIR OF LICENSING COMMITTEE
COUNCILLOR JASON FAZACKARLEY**

At the July 2023 Full Council meeting, Full Council unanimously voted for a motion to improve accessibility in Portsmouth taxis for disabled people. One of the resolutions was to ask the Licensing Committee to commission a review into the level and availability of wheelchair accessible taxis in Portsmouth within the municipal year - with the aim of improving licensing policy to increase accessibility in taxis for disabled people. Can the Chair of the Licensing Committee confirm whether this has taken place?

QUESTION NO 3

FROM: COUNCILLOR MATTHEW ATKINS

TO REPLY: CABINET MEMBER FOR TRANSPORT
COUNCILLOR GERALD VERNON-JACKSON CBE

Is the Cabinet member aware of ongoing road safety concerns at Medina Road Primary School, Portsdown Primary School and Court Lane Junior and Infant Schools?

QUESTION NO 4

FROM: COUNCILLOR GRAHAM HEANEY

TO REPLY: LEADER OF THE COUNCIL
COUNCILLOR STEVE PITT

Will the Leader of the council review, and consider reducing, the number of cabinet positions if he is forming an administration after the May elections?

QUESTION NO 5

FROM: COUNCILLOR BENEDICT SWANN

TO REPLY: CABINET MEMBER FOR PLANNING POLICY & CITY
DEVELOPMENT
COUNCILLOR HUGH MASON

Would the Cabinet Member confirm what checks and balances are in place by Portsmouth City Council to protect residents and ensure the highest standards of work and outcomes from property developers working in the city?

QUESTION NO 6

FROM: COUNCILLOR GEORGE FIELDING

**TO REPLY: CABINET MEMBER FOR CLIMATE CHANGE AND
GREENING THE CITY
COUNCILLOR KIMBERLY BARRETT**

Can the Cabinet Member confirm how frequently the council monitors sewage discharges in the Solent and surrounding waters, and what specific parameters are assessed during these monitoring activities?

QUESTION NO 7

FROM: COUNCILLOR GEORGE FIELDING

**TO REPLY: LEADER/CABINET MEMBER FOR CULTURE,
LEISURE AND ECONOMIC DEVELOPMENT
COUNCILLOR STEVE PITT**

Can the Cabinet Member advise where the remainder of the funding for the Bransbury Park New Leisure Centre, Pool, Sports Facility and GP surgery is coming from, as the current budget sets aside £22 million for this and new facilities of this sort cost substantially more with an average cost being at least £50 million, not including the ongoing running and overhead costs?

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