

AGENDA FOR THE EXECUTIVE

Date: Monday, 4 November 2013

Time: 6:00 pm

Venue: Collingwood Room - Civic Offices

Executive Members:

Councillor S D T Woodward, Policy and Resources (Executive Leader)

Councillor T M Cartwright, Public Protection (Deputy Executive Leader)

Councillor B Bayford, Health and Housing

Councillor K D Evans, Strategic Planning and Environment

Councillor Mrs C L A Hockley, Leisure and Community

Councillor L Keeble, Streetscene



1. Apologies for Absence

2. Minutes (Pages 1 - 6)

To confirm as a correct record the minutes of the meeting of Executive held on 7 October 2013.

3. Executive Leader's Announcements

4. Declarations of Interest

To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

5. Petitions

6. Deputations

To receive any deputations, of which notice has been lodged.

7. Minutes / References from Other Committees

To receive any reference from the committees or panels held.

Matters for Decision in Public

Note: Where an urgent item of business is raised in accordance with Part 3 of the Constitution, it will be considered with the relevant service decisions as appropriate.

8. Health and Housing and Policy and Resources

Key Decision

(1) Local Housing Company (Pages 7 - 66)

A report by the Director of Community and Director of Finance and Resources

9. Leisure and Community

Key Decision

(1) Open Spaces Improvement Programme (Pages 67 - 80)

A report by the Director of Community.

(2) Community Action Fareham - Service Level Agreement (Pages 81 - 92)

A report by the Director of Community.

10. Streetscene

Key Decision

- (1) **Street Lighting Maintenance** (Pages 93 - 102)

A report by the Director of Streetscene.

11. Strategic Planning and Environment

Non-Key Decision

- (1) **Maintaining the Vibrancy of Fareham Town Centre: Update** (Pages 103 - 110)

A report of the Director of Planning and Environment.

12. Policy and Resources

Key Decision

- (1) **Commercial Property Investment Acquisition Strategy** (Pages 111 - 124)

A report of the Director of Finance and Resources.

Non-Key Decisions

- (2) **Land Adjoining 268 Brook Lane, Sarisbury Green** (Pages 125 - 138)

A report of the Director of Finance and Resources.

- (3) **Quarterly Financial Monitoring Report 2013/14** (Pages 139 - 150)

A report of the Director of Finance and Resources.

- (4) **Daedalus Investment Project: Project Appraisal and Governance Arrangements** (Pages 151 - 164)

A report of the Director of Finance and Resources.

- (5) **Treasury Management Monitoring Report 2013/14** (Pages 165 - 178)

A report of the Director of Finance and Resources.

P GRIMWOOD
Chief Executive Officer

www.fareham.gov.uk

25 October 2013

**For further information please contact:
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FAREHAM

BOROUGH COUNCIL

Minutes of the Executive

(to be confirmed at the next meeting)

Date: Monday, 7 October 2013

Venue: Collingwood Room - Civic Offices

Present:

S D T Woodward, Policy and Resources (Executive Leader)
T M Cartwright, Public Protection (Deputy Executive Leader)
B Bayford, Health and Housing
K D Evans, Strategic Planning and Environment
L Keeble, Streetscene

Also in attendance:

J V Bryant, Chairman of Strategic Planning and Environment Policy Development and Review Panel
Mrs P M Bryant, Chairman of Licensing and Regulatory Affairs Committee
P J Davies, Chairman of Housing Tenancy Board; for item 8(1)
Miss T G Harper, Chairman of Streetscene Policy Development and Review Panel
A Mandry, for item 12(3)
Mrs K Mandry, Chairman of Public Protection Policy Development and Review Panel
D C S Swanbrow, Chairman of Scrutiny Board



1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs C L A Hockley.

2. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 2 September 2013 be confirmed and signed as a correct record.

3. EXECUTIVE LEADER'S ANNOUNCEMENTS

There were no Executive Leader's Announcements at this meeting.

4. DECLARATIONS OF INTEREST

The Executive Leader declared a Non-Pecuniary Interest for item 12(3) – Daedalus Investment Opportunity Update as he is the Hampshire County Council Executive Member for Economy, Transport and Environment and subject to approval of the item, Hampshire County Council would be appointed as the contractor for the Daedalus site.

He remained present throughout the meeting and took part in the discussion and decision.

Councillor K D Evans declared a Non-Pecuniary Interest for item 12(3) – Daedalus Investment Opportunity Update as he is the Hampshire County Councillor for Fareham Warsash and subject to approval of the item, Hampshire County Council would be appointed as the contractor for the Daedalus site.

He remained present throughout the meeting and took part in the discussion and decision.

5. PETITIONS

There were no petitions presented at this meeting.

6. DEPUTATIONS

The Executive received a deputation from Caroline Dinenage, MP in relation to item 12(3) – Daedalus Investment Opportunity Update and was thanked accordingly.

The Executive Leader agreed to bring that item for consideration forward on the agenda.

7. MINUTES / REFERENCES FROM OTHER COMMITTEES

The Executive received comments from the Scrutiny Board regarding the Annual Review of the Council's Finance Strategy and took account of these comments in determining the matter at Item 12(1) below:

Scrutiny Board – 26 September 2013

Minute 6 – Medium Term Financial Strategy 2013/14

It was AGREED that:-

- (a) the Executive be advised that the Board had requested that the table in paragraph 40 on page 7 of the Draft Strategy be amended to clarify references to member approval by indicating whether the decisions would be made by Council, the Executive or non-executive committees;
- (b) the Executive be advised that the Board had requested that paragraph 70 on page 11 of the Draft Strategy be deleted;
- (c) it be recommended to the Executive that it looks at ways of identifying possible funding from the European Union and other organisations, in partnership with other local authorities in the area;
- (d) the Executive be advised that the Board has requested that paragraph 99 on page 15 of the Draft Strategy be amended to clarify that the reference to costs associated with “Welborne planning and supporting delivery” refer to potential expenditure in addition to those incurred in the preparation of the Welborne Local Plan and supporting strategic masterplan;
- (e) the Executive be advised that the Board noted the significance and uncertainties surrounding the areas identified, and suggested that further work should be undertaken to broadly quantify the financial risk to support the Finance Strategy; and
- (f) the Executive be advised that the Board suggested that the following wording in paragraph 99 on page 15 of the Draft Strategy, “but have yet to be costed”, be replaced with “but because of the high level of uncertainty, these costs have yet to be included in the financial projections” to more accurately reflect the position.

8. LEISURE AND COMMUNITY

- (1) Fareham Park Project - Action Plan

At the invitation of the Executive Leader, Councillor P J Davies addressed the Executive on this item.

RESOLVED that the Executive agrees:

- (a) to note the progress of the Fareham Park Project;
- (b) to approve the draft Action Plan;
- (c) to support the two priorities selected by the Steering Group; and
- (d) to receive an annual update on the progress of the project, as guided by the Action Plan.

9. STREETSCENE

- (1) Play Area Safety Surface Replacement Programme

RESOLVED that the Executive agrees:

- (a) a budget of £350,000 funded from the open spaces maintenance reserve, be approved for a 10 year replacement programme for the Council's play area safety surfaces; and
- (b) that officers conduct a tender exercise or identify a suitable framework agreement to enable procurement of the necessary works.

10. PUBLIC PROTECTION

- (1) Traffic Regulation Order Re-consolidation - Fareham Borough

RESOLVED that the Executive agrees:

- (a) that a new Borough of Fareham (Prohibition and Restriction of Waiting and Parking Places) (Consolidation) Order in Fareham Borough is introduced, so that all existing Traffic Regulation Orders covering prohibition and waiting restrictions and on-street parking places made since the last consolidation order dated 2 April 2007 are amalgamated into one new order; and
- (b) that the Executive Portfolio holder for Public Protection be given delegated authority to approve future consolidation orders.

11. STRATEGIC PLANNING AND ENVIRONMENT

- (1) Environmental Sustainability Strategy - Action Plan Annual Update

RESOLVED that the Executive agrees the actions and targets in the revised Environmental Sustainability Action Plan (shown in full in Appendix A to the report) and note the achievements and completed actions since the ESAP's inception in 2010.

12. POLICY AND RESOURCES

- (1) Annual Review of the Council's Finance Strategy

The Executive Leader introduced the item by explaining that analysis of financial projections has identified the need to make significant savings over the next five years.

The Executive Leader confirmed that estimates of income and expenditure over the five year period highlight a budget shortfall of £800,000 which has been caused by factors such as the ongoing reduction in Government funding, inflation and low interest rates on investments.

In anticipation of this substantial shortfall, the Executive Leader advised that he has asked the Chief Executive Officer to prepare and bring forward a range of options for the budget gap to be closed by using the four elements of the Council's Efficiency plan (Priorities, Proceeds, People/Process and Procurement) as a basis, with a view to finding £800,000 of savings by 2015.

The comments of the Scrutiny Board were taken into account for this item (see minute 7 above).

RESOLVED that the Executive agrees:

- (a) the Council's finance strategy and the budget guidelines for 2014/15, as set out in the finance strategy document attached to this report;
- (b) to note that the Chief Executive Officer must carry out a review of the Council's budgets with the aim of reducing costs by £800,000 before April 2015; and
- (c) to submit the updated Pay Policy, annexed to the Medium Term Finance Strategy, to the Council for approval.

- (2) Award of Tender: Resurfacing Contract - Approach to Fareham Shopping Centre

RESOLVED that the Executive agrees:

- (a) to approve an additional £35,000 budget provision from reserves; and
- (b) that the tender submitted by the contractor ranked 1 (as set out in the confidential appendix A), being the most advantageous tender received, be accepted and the contract awarded to the company.

- (3) Daedalus Investment Opportunity - Update

The Executive Leader, Councillor S D T Woodward, declared a Non-Pecuniary Interest for this item as he is the Hampshire County Council Executive Member for Economy, Transport and Environment and subject to approval of the item, Hampshire County Council would be appointed as the contractor for the Daedalus site.

He remained present throughout the meeting and took part in the discussion and decision.

Councillor K D Evans declared a Non-Pecuniary Interest for this item as he is the Hampshire County Councillor for Fareham Warsash and subject to approval of the item, Hampshire County Council would be appointed as the contractor for the Daedalus site.

He remained present throughout the meeting and took part in the discussion and decision.

The comments of the depute were taken into account during consideration of this item (see item 6 above).

RESOLVED that the Executive agrees:

- (a) the revised funding arrangements for the project as set out in the report;
- (b) in the event that the Growing Places loan conditions cannot be satisfied within the project timescales, the Executive supports an alternative approach backed by prudential borrowing; and
- (c) the Executive includes the project in the Council's capital programme at its next review.

13. EXCLUSION OF PUBLIC AND PRESS

RESOLVED that in accordance with the Local Government Act 1972 the Public and Press be excluded from the remainder of the meeting, as the Executive considers that it is not in the public interest to consider the matters in public on the grounds that they will involve the disclosure of exempt

information, as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act.

14. LEISURE AND COMMUNITY

(1) Fareham Leisure Centre Contract

RESOLVED that the Executive agrees:

- (a) to provide £1.5m from the Council's capital reserves in 2014 to address the refurbishment of the Fareham Leisure Centre wet side facilities and pool water filtration plant; and
- (b) a five year extension to the current management contract with Sport & Leisure Management Ltd until May 2020 (as per the conditions set out in paragraph 35 of the report).

15. STRATEGIC PLANNING AND ENVIRONMENT

(1) Welborne Plan Evidence Studies

RESOLVED that the Executive notes the variation of contracts for work being undertaken.

(The meeting started at 6.00 pm
and ended at 6.42 pm).

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Health and Housing; Policy and Resources
Subject:	Local Housing Company
Report of:	Director of Community and Director of Finance and Resources
Strategy/Policy:	Housing Strategy
Corporate Objective:	A balanced housing market. A dynamic, prudent and progressive council

Purpose:

To consider proposals to form a new Joint Venture company to facilitate housing and economic development in the borough.

Executive summary:

Fareham Borough Council is proposing to form a new company in partnership with Eastleigh Borough Council, First Wessex and Radian Housing Association for the purposes of facilitating housing and economic development in a sustainable manner.

The parties wish to enter into the Joint Venture to enable the parties to:-

- meet housing need in its core areas of operation in partnership with other organisations
- bring forward housing developments that may otherwise stall due to economic conditions.
- increase housing supply in order to meet local housing needs.
- increase the supply of market rented housing to overcome local shortages.
- provide housing accessible to those in receipt of welfare benefits.
- boost the local economy through development, creating work in construction and a range of other industries.
- develop projects aimed at reducing carbon emissions and/ or increasing renewable energy usage.

The purpose of the Joint Venture (JV) is to primarily provide management, control and administration of the structure including high level risk management.

The company will be undertaking a continuing business which will have project based Special Purchase Vehicles (SPV's) underneath the main structure.

The intention will be that each SPV will attract separate funding and that there will be a number of development projects arising. Each SPV will have different economic participants but all SPVs will be managed by the Joint Venture.

Investment in the specific housing projects will be ring-fenced in the relevant SPVs. Investment and participation in individual SPV's by Fareham Borough Council will be subject to a separate report relating to the individual SPV and approval of this Council's Executive.

Approval is being sought for the Council to form the new company (with the partners listed above) and to nominate two persons to serve as directors on the Board of the company.

Recommendation:

The Executive agrees to Fareham Borough Council forming a new Joint Venture company (limited by guarantee) in partnership with Eastleigh Borough Council, First Wessex and Radian Housing Association for the purposes of facilitating housing and economic development in the borough.

The Executive authorises the Solicitor to the Council and the Director of Finance and Resources to prepare and sign on behalf of Fareham Borough Council the necessary documents leading to the formation of the new company.

The Executive authorises the Director of Finance and Resources to incur any necessary expenditure leading to the formation of the company.

The Executive agrees the appointment of one elected member and one officer to serve on the Board of the company.

Reason:

To assist the Council in delivering its corporate priority to deliver 500 new affordable homes by 2017.

Cost of proposals:

Fareham's contribution to the cost of forming the new company (including the provision of specialist legal and financial advice) is estimated to be less than £5,000. These costs can be met within existing General Fund resources.

The cost of administering the Joint Venture Company are expected to be met in full by the activities of the company although in the short term the Council may be required to make a nominal contribution towards the overheads of the company. It is anticipated that this loan will be recovered in full once the company becomes economically active.

The cost of forming each individual SPV and any lending provided to the SPV by Fareham Borough Council will be subject to a separate report to this Executive as and when appropriate development opportunities have been identified.

- Appendices:** **A: CONFIDENTIAL:** Memorandum of Understanding
B: CONFIDENTIAL: Company Articles
C: CONFIDENTIAL: Example of Limited Liability Partnership Agreement

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Local Housing Company

Briefing by: Director of Community and Director of Finance and Resources

Portfolio: Health and Housing and Policy and Resources

INTRODUCTION

1. At the meeting on 8 July 2013, the Executive considered a report outlining a new approach to support housing delivery in the borough through the creation of a local housing company as a Joint Venture. The Executive approved the proposal in principle and authorised officers to work up the proposal in more detail with appropriate specialist advice.

BACKGROUND

2. The Council has adopted a target to enable 500 new affordable homes in the Borough over the period 2011-17 as a corporate priority. Although the target has been exceeded for the first two years, the forecast output for the remaining three years is not as promising.
3. Currently, affordable homes are delivered in the main by Registered Providers (previously known as Housing Associations). Typically, free serviced land is made available for affordable housing through the planning process or by Registered Providers purchasing development sites on the open market. The cost of building the new affordable homes is met by the Registered Provider borrowing against their existing assets and or future rental income. Registered Providers require the approval of the Regulator (the Homes and Communities Agency) for all development and borrowing.
4. Registered Providers are able to apply to the Homes and Communities Agency for a capital grant towards the cost of construction from the government's Affordable Housing Programme 2011-15. These grants are typically between 10-15% of the cost of construction with the balance being met from borrowing. Bidding under the Affordable Housing Programme closed in April 2011 and all funds have been allocated. The Government have recently announced their intention to make further funding available for the period 2015-2018 and details of the eligibility criteria and timetable for bidding are still awaited.

5. Although Fareham Borough Council is legally able to build new council housing its ability to build is severely restricted by a borrowing cap that has been applied by the Government following the reform of the Housing Revenue Account system. In Fareham's case our borrowing capacity within the Housing Revenue Account is restricted to approximately £2m (which is sufficient to build less than 20 new Council houses).
6. Therefore, officers have been investigating the feasibility of forming a Joint Venture Company (JV Co) to improve the delivery of new affordable homes in the borough.

JOINT VENTURE MODEL FOR HOUSING DELIVERY

7. It is proposed that Fareham Borough Council should form a JV Co in partnership with Eastleigh Borough Council, First Wessex Housing Association and Radian Housing Association. The JV Co will be a company limited by guarantee and will operate entirely independently of the Council and the other partners. Details of the JV Co are set out in the confidential appendices attached to this report).
8. Companies limited by guarantee are widely used for charities, community projects and other similar bodies.
9. The main reason for forming a company limited by guarantee is to protect the people running the company from personal liability for the company's debts, just as a business may be set up as a company limited by shares for the same reason. If the company is not registered as a limited company, then the people running it (typically the management committee, etc.) can be made personally liable for its unpaid debts. In a company limited by guarantee, the liability is limited to the amount of the guarantee set out in the company's articles, which in this case will be just £1.
10. A company limited by guarantee is much like an ordinary private company limited by shares. It is registered at Companies House, must register its accounts and an annual return each year, has directors, etc. A major difference is that it does not have a share capital or any shareholders, but members who control it.
11. The JV Co will comprise a board of directors, with two appointees being nominated by each of the partners. Fareham Borough Council and Eastleigh Borough Council will each hold a 24% stake in the company, whilst First Wessex and Radian will each hold a 26% stake in the new company. However each partner will retain equal voting rights.
12. The JV Co will be responsible for :-
 - Preparing and agreeing the Business Plan
 - Monitoring progress and delivery
 - Risk Management
 - Annual Accounts
 - Audit & Governance
 - Branding and Marketing
 - Management Agreements
 - Promoting shared learning

13. Beneath the JV Co will be a number of subsidiaries known as Special Purpose Vehicles (SPV's). Specific sites would be progressed in a "subsidiary", set up as a limited liability partnership (LLP). By doing so, this would isolate other Joint Venture partnerships from any risks associated with specific sites; (only those party to the LLP will have a liability).
14. The JV Co would hold a commercial interest in the activities of each of the LLP's but no economic interest. Therefore, in the event of an individual LLP failing, the JV Co would be protected.
15. The benefit of such an approach is that the council could have a stake in developments across the borough without putting the Housing Revenue Account at risk from the development. As a part shareholder, the Council would only bear a proportion of the risk, yet could maintain an influence over the management and letting of the stock. It would also leverage in external funding to developments and could open up access to a wider range of privately owned sites, which wouldn't otherwise be possible if the Council led wholly on the scheme.
16. The LLP which held the housing assets would not be owned or controlled by the Council, but would be structured in such a way as to only be able to act on behalf of the Council in purchasing land, vacant properties or giving guarantees on land values to encourage developers to build new properties.
17. The Council would provide individual LLP's with the capital finance to enable development and this will be repaid to the Council (at a market rate) through loans secured on the value of the assets. As, over time, property values start to rise so the loan would increase in value in accordance with the value of the property. The loans can be classified as capital spend and can therefore be considered for borrowing under the Prudential Code.
18. The properties would be leased by the LLP to a Registered Provider and or Fareham Borough Council who will then let them to tenants for up to 5 years at either market, affordable or social rents. Incentives to purchase could be offered with the tenancy to help achieve the sales of the properties in the longer term. Letting properties at market and affordable rents rather than social lettings will ensure that the site will generate a mix of tenures.
19. It is felt there is merit in working collaboratively on this in order to share knowledge expertise and costs of setting up such a venture.

RISK ASSESSMENT

20. Officers are investigating a number of sites in the borough that could be brought forward for development using this model in the near future. Officers will bring forward reports to future meetings of the Executive for consideration, setting out the detailed proposals for each site and each LLP in due course.

21. It should be noted that Fareham Borough Council's lending and involvement with any sites and any LLP will be restricted entirely to sites within Fareham Borough Council's boundary. Similarly Eastleigh Borough Council will be restricting its activity to sites within its boundary. The advantage for both Councils of being involved in the same JV Co. is the opportunity for shared learning and the sharing of set up and running costs.
22. The risks associated with forming the JV Co. are minimal. The legal and financial (i.e. the economic risk) rests with each of the LLP's as and when they are formed.

FINANCIAL IMPLICATIONS

23. The costs of forming the JV Co are estimated to be in the region of £5,000 this includes preparation of the company articles, memorandum of understanding, company registration and specialist advice.

CONSULTATIONS

24. The Council has consulted the Regulator (the Homes and Communities Agency) about the proposals. The Regulator has offered advice and raised no concerns or objections to the proposals.
25. The partners have taken specialist legal advice (including Counsel's opinion) to help develop the proposal and draft the required documentation.
26. Officers have also consulted District Audit to ensure that the proposed company structure and future lending to LLP's meets with their approval.

CONCLUSION

27. The Council has adopted a target to enable 500 new affordable homes by 2017 as a corporate high priority. In addition, the Council is committed to securing longer term housing growth via the new community at Welborne.
28. However, the current market and financial conditions have resulted in a significant downturn in new housing delivery across both nationally and locally.
29. At the same time, there is a growing need for affordable homes in the borough and a reducing level of finance available to support affordable housing investment in the traditional ways.
30. Financial restrictions on the Council's Housing Revenue Account combined with reduced funding available from traditional routes are impacting significantly on the delivery of affordable housing in the borough. Consequently, there is a need to explore new approaches to help deliver the much needed new homes to buy and or rent.

31. Officers consider the proposals outlined in this report will help the Council to towards meeting its corporate priority to enable 500 new affordable homes by 2017 and will have an important role to fulfil in helping bring forward development at Welborne.

Reference Papers: Executive Report:

8 July 2013: Alternative Approach to Supporting Housing Delivery

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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio: Leisure and Community
Subject: Open Spaces Improvement Programme
Report of: Director of Community
Strategy/Policy: Leisure Strategy

Corporate Objective: Leisure for Health and for Fun

Purpose:

To update the Executive on the implementation of the existing open spaces improvement programme and to recommend a new programme from 2014-15 to 2022-23.

Executive summary:

In November 2012, the Executive approved an open spaces improvement programme for the Councils outdoor sports facilities and for play areas and other recreational space.

This report reviews progress against this plan and presents an updated programme for the period up to March 2023. The projects will be funded from developers contributions where available or from contributions from the Community Infrastructure Levy, subject to collection of funds and individual scheme approval reports to the Executive.

The draft programme was considered and supported by the Leisure and Community Policy Development and Review Panel on 4 September 2013.

Recommendation:

That the Executive approve the open spaces improvement programme 2013 - 2023.

Reason:

To facilitate the improvement of the outdoor sport, play spaces and other recreational areas utilising available developer contributions and to guide the implementation of the Community Infrastructure Levy.

Cost of proposals:

Schemes will be funded from existing developers contributions where available and or external funding, subject to individual scheme approval reports to the Executive for funding from the Community Infrastructure Levy.

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Open Spaces Improvement Programme

Briefing by: Director of Community

Portfolio: Leisure and Community

INTRODUCTION

1. In November 2012, the Executive approved a five year improvement programme for the Council's outdoor sports facilities, play space and other recreational facilities utilising developer contributions.
2. This report reviews progress against this plan and presents an updated programme for the period from April 2014. The projects will be funded from developer contributions where available or from contributions from the Community Infrastructure Levy (CIL), subject to collection of funds and successful bids to the Executive. External funding opportunities will also be explored where available.

OPEN SPACE IMPROVEMENT PROGRAMME

Progress on 2012 -2013 Projects

3. All projects in the 2012-13 programmes have been completed on time and within budget with the exception of the protective netting at the Green, Sarisbury. Difficulties have been encountered with sourcing a system that is sufficiently robust, easy to erect and is compliant with the planning requirements in a conservation area. Further research and investigations are therefore required and the project has been deferred to 2013/14 with the aim of being in place prior to the 2014 cricket season if a practical solution can be found.
4. Whilst the new changing rooms at the Wicor Recreation Ground have been completed, some further improvement works to the car park at this location will be undertaken in November 2013.
5. The project to replace the dilapidated flat roof, install new electrics and redecorate the building at Red Barn allotments has been completed

Progress on 2013 - 2014 Projects.

6. The installation of the drainage scheme at Burrige Recreation Ground has been completed and is now in the initial maintenance period.

7. The project to install drainage to the football pitch at Allotment Road Recreation Ground has been removed from the programme and this site is no longer considered suitable for dual use due to the conflict between football and cricket and therefore is now a cricket only site. With cricket being a summer sport the drainage concerns affecting the football pitch do not need to be addressed.
8. The refurbishment of the tennis courts at St Johns Recreation Ground, Locks Heath has been completed with a new macadam surface provided and colour coated.
9. The play area improvements at Abshot Road have been delayed and at the current time no progress has been made. It is anticipated that works at this site can still be implemented before the end of the financial year.
10. The play area at Swanwick Lane is currently underway. The funds available have been split between Swanwick Lane play area and neighbouring Sarisbury Green play area due to the fact that both play areas required less refurbishment than had been previously thought. Consultation was undertaken with the children at Sarisbury Junior School during July and items of equipment were chosen. It is hoped that works will be undertaken in the Autumn/Winter.
11. The project to relocate the play area and environmental improvements at Park Lane recreation ground has been deferred to 2014- 2015. This is to allow it to be implemented in conjunction with other improvements planned as part of the Park Lane vision, i.e. the Skate Park and outdoor gym.
12. An application for planning consent has been submitted for the extension and refurbishment of the existing changing accommodation at Bath Lane recreation ground, together with provision of a replacement grounds maintenance store. The Council will be in a position to commence works on site in spring 2014 subject to tailoring the construction programme with the cricket season.
13. The construction of the new cricket square at Bath Lane recreation ground has been completed.
14. The project to provide a multi-use games area at Cams Alders has been removed from the programme as the Council has not been able to obtain consent to provide the facility on Neville Lovett School land.
15. The project to provide a Petanque terrain at Park Lane recreation ground has been deferred to 2014- 2015. This is to allow it to be implemented in conjunction with other improvements planned as part of the Park Lane vision, i.e. the skate park and outdoor gym. The budget for this has been increased to £20,000 to allow for both the supply of materials and the construction of the terrain. Previously it had been intended that the Limesdown Petanque Club would carry out the installation, but this is no longer the case as they now intend to relocate elsewhere in the Borough.
16. The project to provide a new roof covering to the changing rooms at Seafield Park has been designed and will be tendered in spring 2014. The project has therefore been delayed until 2014-15.

17. The project to refurbish the tennis courts at the Titchfield recreation ground has been completed on time and within budget.

Progress on 2014 -2015 Projects and beyond

18. The key issues arising from and changes to the programme from 2014-2015 onwards are as follows.
19. A feasibility study is being commissioned to provide key data to allow the options for the development of community facilities at the site of the former Coldeast hospital to be refined and subsequently presented to the Executive.
20. The project to provide a Multi-Use Games Area (MUGA) at the site of the former Portchester Community Centre has been removed following a public consultation exercise. The consultation revealed some support for the proposal but local interested parties did raise concerns about the risk of a MUGA becoming a focal point for anti-social behaviour and therefore resulting in a repeat of the problems experienced at the former tennis courts.
21. The project to provide an extension to the Fareham Bowls Club has been removed from the programme as this project has been delivered by the bowls club with the assistance of a matched funding award of £25,000 from the Council.
22. The project to provide a new artificial surface to the bowls green at Portchester Bowls Club has been removed from the programme as this project has been delivered by the bowls club with the assistance of a matched funding award of £25,000 from the Council.
23. The potential purchase of land adjacent to Locks Heath recreation ground and at Cranleigh Road, Portchester has been removed from the programme as the landowner, Hampshire County Council, view these parcels of land as being key agricultural land and are therefore not willing to dispose of them.

NEW PROJECTS

24. The following new projects are proposed for inclusion in the open spaces and play improvement programmes.

Hook Recreation Ground

25. The open space at Hook Recreation Ground was previously leased to the Ranvilles Rangers Youth Football club who managed both the pitches and the changing rooms.
26. The club surrendered their lease in 2012 because the land is poorly drained and was only suitable for playing football for two months each year. Since that time the land has been used as open space and the changing facility has been mothballed.
27. The Playing Pitch Study 2012 has identified a need for additional junior football pitches in the western wards of the Borough and this need is confirmed by a number of local football clubs who are keen for the Hook Recreation Ground to be brought back into use.

28. In order to bring the site back into use it is first necessary to conduct a feasibility study to determine the costs of installing an appropriate drainage system, for remodelling the interior of the existing changing rooms and ensuring that the building fabric is watertight and structurally sound and to investigate options for improving parking provision at this location.
29. A budget of £25,000 has been allocated to allow this feasibility study to be commissioned in 2014-2015.

Gym equipment at Stubbington Recreation Ground

30. The Council has received a request from the Crofton Lions to install an item of outdoor gym equipment at Stubbington Recreation ground using funds that they are in the process of collecting.
31. The funds collected are only likely to be able to fund one piece of equipment so it would be beneficial if funds were added to that collected so that a number of items could be installed.
32. The Council's outdoor gym with five items of equipment has been installed at Locks Heath House Park and has proved very popular with adults and young people.
33. A budget of £10,000 has been allocated to allow for a joint project with Crofton lions in 2014-15.

Play area refurbishment during 2015-16 and beyond

34. The Council has approximately 45 play areas and skate facilities. Based on their life expectancy being approximately 15 years, three play areas a year would need refurbishing to adequately maintain the current play area provision. The need to replace safety surfacing is even more frequent at around 7-10 years.
35. It is very difficult to predict which particular play areas will need refurbishing each year as it can alter depending on many factors especially its location and the variance of use and general wear and tear.
36. Therefore the allocated budget of £326,191 will be added to the years of 2015-16 and beyond but the specifics of which play areas will be refurbished have not been identified at this time.

FINANCIAL IMPLICATIONS

37. The available funding from developer contributions for the open spaces improvement programme is outlined in the tables below.
38. The following table indicates the available funding for play spaces and other recreational facilities.

Area	Available Budget	Uncommitted
Western Wards	£330,988	£150,488
Fareham	£310,960	£77,460
Crofton	£43,410	£30,910
Portchester	£28,666	£14,666
Titchfield	£57,167	£52,667
Totals	£771,191	£326,191

39. The available funding for each of the CATs area for the outdoor sport improvement programme is set out in the following table:

Area	Available Budget	Uncommitted
Western Wards	£1,421,629	£176,629
Fareham	£740,000	£216,679
Crofton	£141,884	£16,884
Portchester	£0	£0
Titchfield	£37,507	£37,507
Borough Wide	£188,632	See para 40.
Total	£2,529,652	£447,699

40. The Borough Wide allocation is currently allocated to the remaining works at Wicor Recreation Ground to resurface the car park. A sum of £60,000 had been allocated for the provision of a Multi-Use Games Area at Portchester Park, but a decision has been taken not to proceed with this following public consultation. This funding will return to borough wide budget as unallocated funding.

RISK ASSESSMENT

41. There are no significant risk considerations in relation to this report.

CONCLUSION

42. Good progress has been made in delivering the open spaces improvement programme. A review of existing projects undertaken and a number of new schemes have been identified and a new programme has been recommended.

Appendix A - Open Spaces Improvement Programme

Open Spaces Improvement Programme

2013-14 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Drainage improvements at Burrige Recreation Ground	Western Wards	£40,000	£40,000	£0	On site September 2013.
Refurbish Locks Heath Tennis Courts	Western Wards	£20,000	£20,000	£0	Complete
Play Area improvements at Abshot Road	Western Wards	£80,000	£80,000	£0	No Progress to date. Target to complete by 31 March 2014.
Sarisbury Green cricket protection	Western Wards	£30,000	£30,000	£0	Risk assessment commissioned to determine the level of risk and to obtain recommended remedial measures.
Play Area improvements at Swanwick Lane	Western Wards	£53,000	£53,000	£0	Estimated completion Dec 2013
Bath Lane cricket pavilion	Fareham	£400,000	£400,000	£0	Defer to 2014/15
Replacement cricket square at Bath Lane recreation ground.	Fareham	£40,000	£40,000	£0	On site September 2013.
Improved storage provision at Bath Lane Recreation Ground	Fareham	£50,000	£50,000	£0	Defer to 2014/15
Works at Roman Grove Allotments	Portchester	£14,000	£14,000	£0	Completion due by Mar 2014
Refurbish Titchfield Tennis Courts	Titchfield	£35,000	£35,000	£0	Complete
Totals		£762,000	£762,000	£0	

2014-15 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Western Wards sports pitch and facilities	Western Wards	£1,000,000	£1,000,000	£0	Feasibility brief prepared.
Play Area refurbishments at Birchen Road	Western Wards	£50,000	£50,000	£0	
Play Area refurbishment at king George V	Western Wards	£75,000	£75,000	£0	
Lodge Road Allotment Toilet	Western Wards	£2,500	£2,500	£0	
Skate Park at Park Lane.	Fareham	£100,000	£100,000	£0	Feasibility brief prepared.
Outdoor Gym at Park Lane.	Fareham	£50,000	£50,000	£0	Feasibility brief prepared.
Relocation of play area at Park Lane	Fareham	£80,000	£80,000	£0	Feasibility brief prepared.
Environmental Improvements at Park Lane	Fareham	£50,000	£50,000	£0	
Provision of Petanque Terrain at Park Lane.	Fareham	£20,000	£20,000	£0	
Hammond Road Play Area	Fareham	£45,000	£45,000	£0	
Improvements to play area at Eastern Parade	Fareham	£56,000	£56,000	£0	
Seafield Park Building Improvements	Crofton	£50,000	£50,000	£0	
Outdoor Gym at Stubbington Recreation Ground	Crofton	£10,000	£10,000	£0	Joint project with Lions Club subject to their proposed funds being available.

Refurbish Stubbington Tennis Courts	Crofton	£35,000	£35,000	£0	
Feasibility study at Hook Recreation Ground	Western Wards	£25,000	£25,000	£0	
Totals		£1,648,500	£1,648,500	£0	

2015-16 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Drainage Improvements for the football pitch at Mill Lane Recreation Ground.	Titchfield	£100,000	£0	£100,000	
Toilet at Salterns Allotments	Fareham	£2,500	£2,500	£0	
Toilet at Stroud Green Allotments	Crofton	£2,500	£2,500	£0	
Toilet at Lodge Road and Hunts Pond Road Allotments	Titchfield	£5,000	£5,000	£0	
Totals		£110,000	£10,500	£100,000	

2016-17 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Seafield Park cricket wicket	Crofton	£25,000	£25,000	£0	
Seafield Park cricket net facilities	Crofton	£15,000	£15,000	£0	
Drainage Improvements to enable sports pitch provision at Hook Recreation Ground.	Western Wards	£400,000	£0	£400,000	
Totals		£440,000	£40,000	£400,000	

2017-18 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
New changing rooms / Club House at Cams Alders for Fareham Heathens RFC	Fareham	£500,000	£0	£500,000	
Drainage Improvements for the sports pitches at Wicor Recreation Ground.	Portchester	£500,000	£0	£500,000	
Totals		£1,000,000	£0	£1,000,000	

2018-19 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Replace technotile surface at Sarisbury Green	Western Wards	£50,000	£50,000	£0	
Drainage Improvements for the sports pitches at Fareham Park Recreation Ground.	Fareham	£500,000	£0	£500,000	
Drainage Improvements for the sports pitches at Stubbington Recreation Ground.	Crofton	£400,000	£0	£400,000	
Totals		£950,000	£50,000	£900,000	

2019-20 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Provision of floodlit multi use sports area in location to be agreed.	Western Wards	£500,000	£0	£500,000	
Totals		£500,000	£0	£500,000	

2020-21 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Provision of floodlit multi use sports area at Park Lane Recreation Ground.	Fareham	£500,000	£0	£500,000	
Totals		£500,000	£0	£500,000	

2021-22 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Provision of floodlit multi use sports area in location to be agreed.	Portchester	£500,000	£0	£500,000	
Totals		£500,000	£0	£500,000	

2022-23 Improvement Programme					
Project	Cats Area	Budget Required	Budget Available	Funding Required	Comment
Provision of floodlit multi use sports area in Crofton CAT area.	Crofton	£500,000	£0	£500,000	
Totals		£500,000	£0	£500,000	

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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Leisure and Community
Subject:	Community Action Fareham -Service Level Agreement Review
Report of:	Director of Community
Strategy/Policy:	
Corporate Objective:	To build strong and inclusive communities; A safe and healthy place to live and work

Purpose:

This report proposes extending the funding agreement with Community Action Fareham for a further six months.

Executive summary:

Community Action Fareham (CAF) is the local Council for Voluntary Services (CVS). CAF offers support to a range of community organisations providing services and activities to meet the needs of local residents.

The current service level agreement with Community Action Fareham (CAF) expired on 30 September 2013. This report considers a proposal to extend the current service level agreement by six months until 31 March 2014. The proposed extension should enable members time to consider the results of Hampshire County Council's proposed review of the 'support to the voluntary sector', before deciding how Fareham Borough Council should direct its support to the voluntary sector in Fareham in the future.

The proposal to extend the current service level agreement with Community Action Fareham for a further six months was considered and endorsed by the Leisure and Community Policy Development and Review Panel at their meeting on 4th September 2013.

Recommendation:

That the Executive agrees to extend the current service level agreement with Community Action Fareham until 31 March 2014.

Reason:

To continue to provide advice and support to local voluntary organisations.

Cost of proposals:

The cost of extending the service level agreement with Community Action Fareham for a further six months is £20,918. This cost can be met within existing resources. Budget provision was made for this within the approved general fund budget for 2013/14.

Appendix A: Diagram of Core Work

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Community Action Fareham Service Level Agreement Review

Briefing by: Director of Community

Portfolio: Leisure and Community

INTRODUCTION

1. Community Action Fareham (CAF) is the local Council for Voluntary Services (CVS). As Fareham's local CVS, CAF works for the benefit of Fareham based residents, community groups and organisations. They offer support to a range of community organisations across a raft of issues, including the provision of services and activities to meet the needs of local residents engaging in or seeking support to set up community activities.
2. Support is also provided to help develop the network of community and voluntary groups operating across Fareham, this can include guiding them with things such as governance arrangements, policy development, attracting volunteers, grants and fund-raising.

BACKGROUND

3. CAF has held a service level agreement with the Council since 1995, for the delivery of core services. Each CVS is reliant on their local authority (FBC) and County Council (HCC) to co-fund their core functions with the provision of an annual grant. The core funding enables CVS's to provide their services free of charge and to support the infra-structure of community and voluntary activities. In particular, those who operate free of charge or on not-for-profit basis across the borough. It is recognised that in recent years, several other statutory services (such as Health agencies, NHS bodies and Adult Services) have also used the services of CAF for consultation and engagement with local users and the wider community.
4. In addition to providing core activities, Community Action Fareham also operates other valuable services such as Community Transport; Dial a Ride, Home Help Service, Shopmobility and the Volunteer Centre (VC), as well as hosting and accommodating a number of smaller organisations at their offices.

5. At the meeting of the Council's Executive on 11 February 2013, members agreed to extend the SLA with CAF for an additional period of six months, pending the outcome of the review currently being led by Hampshire County Council. In addition, in order to assist the Council to accommodate their programme of efficiency savings, members agreed to reduce the current level of core funding by approximately 4%. As co-funding partner of the service, HCC also implemented a similar reduction in funding.
6. Currently Fareham Borough Council's contribution to CAF's SLA equates to a grant of £41,836 per year (pro-rata to a figure of £20,918 for six months as provided). This reduction provided a saving of £1,743.20 towards the Council's efficiency savings programme.

PROMOTING GREATER TRANSPARENCY

7. Through involvement of the Community Development Manager (CDM) in the HCC Review, it has become clear that CVS's offer many different services across the County; therefore it is not unusual for services to be dissimilar and differ substantially from one CVS area to another. Traditionally services reflect the needs of the community sector that they seek to support. But this can also be influenced by the availability of other services that may also promote community activity within the same locality or the demography and ethnicity of a local area which underpins local needs.
8. It is recognised that because of the range of activities that CAF are involved with, it has sometimes been rather difficult to establish where the Council's funding is being utilised and what difference the funding is being used to make at local level. With reduced funding available to the Council, it is especially prudent to ensure that members are clear about the benefit that council-funding makes to the local voluntary sector and ensure that it is used to maximum advantage.
9. Formal monitoring is conducted on a quarterly basis by the Executive Member for Community and the CDM. Nonetheless on some occasions there has been disparity between those activities that are considered to be core functions and other functions that the organisation may be involved with.
10. In order to strengthen monitoring arrangements, the Community Development Manager has been working closely with the CEO and Chairman of Trustees of CAF to identify a new method for promoting greater clarity. It is hoped that by providing a better understanding of the core activities of CAF, this in turn will help demonstrate how these priorities relate to the core funding provided by the Council. It is planned that by assisting with enhanced monitoring of the Council's financial contribution, this model should also help enhance members' understanding of the range and importance of the functions offered by CAF. A copy of the new model is attached at appendix A.

UPDATE ON HCC REVIEW OF SUPPORT TO VOLUNTARY SECTOR

11. From the report presented in January 2013, members will recall the county-wide review currently being undertaken across all CVS's in Hampshire. The review is concerned with "funding to support future capacity in the voluntary and community sectors in Hampshire"; as such it is evaluating the funding provided by the County Council to local community and voluntary organisations across the county. This includes local CVS's and Community Action Hampshire as well as several other centrally funded community organisations.
12. The original terms of reference for the review appear to have changed slightly and more issues have been included into the overall assessment of support to the community. As a result, the lead for the review has moved to a different department within the County Council and consequently, the proposed options for the future delivery of services have been delayed. It is reported that the outcomes for the review are now not expected to now be finalised until March 2014 at the earliest, although further slippage cannot be ruled out.

FUTURE FUNDING

13. As CAF is jointly funded by both Fareham and Hampshire County Council it would still be prudent to consider the outcomes of this awaited review. It is recognised that any future changes to the level or designation of funding from HCC will have implications for the local service and the way the Council may wish to support their CVS in future.

PROPOSED WAY FORWARD

14. In order to accommodate the delay in the review results, it is proposed that the six monthly SLA (which expired on 30 September 2013) be extended by a further six months until 31 March 2014. It is hoped at this stage that County will have decided at what level they may fund CVS's in the future and have a clearer idea about the priorities for future community support.

FINANCIAL IMPLICATIONS

15. Should members wish to support this proposal, the existing SLA will need to be extended for a further six months at the cost of £20,918 for this financial year. Depending on the outcome of the review and the Council's options for future funding, it is likely that further funding will need to be set aside if the SLA is to be renewed for another three year term, as has previously been the case.

RISK ASSESSMENT

16. There are no significant risk considerations in relation to this report.

CONCLUSION

17. This report considers a proposal for extending the current Service Level Agreement (SLA) with Community Action Fareham by six months until 31 March 2014. The proposed extension will enable the delay with Hampshire County Council's 'review of support to the voluntary sector' to be accommodated and will enable members to fully consider the results of Hampshire County Council's review, before deciding how the local community sector in Fareham can best be supported in the future.

Background Papers: None

Reference Papers:

Report to the Leisure and Community Policy, Development and Review Panel, 16 January 2013, Community Action Fareham – Review of Service Level Agreement.

Enquiries:

For further information on this report please contact Janie Millerchip, Community Development Manager (Ext 4597)

The Role and Activities of Community Action Fareham

Achieving Our Charitable Purposes

Working with others to improve the quality of life of people in Fareham, especially anyone disadvantaged in any way

135 Member Organisations

7 Trustees + 2 Elected Member Representatives

5 full time 17 part time paid staff

80 volunteers

£500,000 turnover
Full Audit
Performance Reporting
Annual Review
Formal Trustees report
Benchmarking with other CVS

Income:
Core funding
FBC £ 41,836 HCC £ 44,223

Other Project funding
Fees and Charges

The Role and Activities of Community Action Fareham

Our Charitable Purposes

Carrying out our Charitable Activities

Primary activities

Enabling Groups

There are about 600 voluntary and community organisations in Fareham. Some quite large, some very small and informal. Just under 150 are registered charities.

We judge that we support in some way about 250 groups per year

Community Services

Support for Individuals

Through 6 specific services we routinely support over 1,300 people who are elderly or disabled.

We provide information to individuals adding up to 1,000 per year.

The Role and Activities of Community Action Fareham

Who do we help ?

Primary activities

Community Services

Support enabling Groups

Support for Individuals

Advice and Guidance

Information and
Liaison

Working with Partner
Organisations

Fundraising & Bids

Training

Support Services
eg DBSs Payroll etc

Community Transport

Core funded

Some (<£3k) funding from
core, £50k from grants
and charges

All charged with full cost
recovery

Shopmobility

Dial-a-Ride

Home Help Service

Gardening Scheme

Walking 4 Health

Voluntary Car Scheme

£14.7k grant from FBC, £35k
from users (not core)

Contract with HCC & FBC
Operated with G DAR &
CT to achieve economies

Entirely funded by service
users since 2011

Operated by volunteers,
small admin charge

Operated by volunteers,
small admin charge

Operated by volunteers, fully
covered by user donation

Promotion of Volunteering

Supports both Groups and Individuals

The Role and Activities of Community Action Fareham

Examples of Other Work that give Secondary Benefits

Transport Contracts

5 contracts for local schools, Christmas P&R – improves utilisation of minibuses and so efficiency, it is specialist work with a not-for profit approach.

Liaison with the Clinical Commissioning Group

- Liaison for engagement with community groups
- Development of projects to support local health priorities eg: QA Shuttle Bus Project
- Hope to get support funding

HCC Older Person's wellbeing group

- Applying Countywide opportunities locally
- Information distribution
- Feeding up local needs, and successful ideas

Community Signposting

The high profile of our office and Shopmobility centre means that we have many enquiries every day from the public about assistance for themselves or members of their family.
HCC funding for the Carers and Disability Information Centre was withdrawn in 2011; however people still enquire and we have the answers, so we help.

Liaison with other CVS for efficiency

- Collaboration with other CVSs for efficiency
- Lead areas developed, eg Training, CRBs, OPWB
- Comparison of performance for improvement

The Role and Activities of Fareham Volunteer Centre

Promotion of Volunteering

Supports both Groups and Individuals

Support for Groups

Creating opportunities

Working with local groups to develop vacancies.

Staying Active

Helping groups to keep their volunteers engaged through personal development and training.

Targeted recruitment

Using local knowledge and dbase filtering to promote demand for specific skills.
Working collaboratively with the VC Network on campaigns

Equality of opportunity & a positive experience for all

Removing barriers to volunteering; campaigning for policy change e.g. mileage rates.
Helping groups to support volunteers

Celebrating

Organising local civic recognition events.
Using local media to celebrate the contribution of volunteers among their peers & local communities. Highlighting the work of local voluntary and community groups.

Support for Individuals

Getting People Interested

Promoting the value and benefits of volunteering to both individuals & community

Making it Easy

Offering local people a range of ways and levels of support to find the most appropriate placement

Preparing People

Helping volunteers with support needs by listening & evaluating skills.
Offering training.
Promoting partnership working with support agencies and neighbouring CVSs

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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Streetscene
Subject:	Street Lighting Maintenance
Report of:	Director of Streetscene
Strategy/Policy:	
Corporate Objective:	A safe and healthy place to live and work

Purpose:

The purpose of this report is to advise the Executive on the current arrangements for the maintenance of street lights currently owned by Fareham Borough Council.

Executive summary:

In December 2009, Hampshire County Council entered into a Private Finance Initiative (PFI) with Scottish and Southern Electricity for the maintenance of its street lighting stock for a period of 25 years. All boroughs in Hampshire were invited to join the scheme, including Fareham.

It was agreed by the Council's Executive Committee that Fareham's 444 lights should be included in the PFI. However, 62 light columns were not included and therefore their maintenance would be undertaken by FBC Officers as and when required.

Currently requests to undertake repairs on these remaining Council's lights are processed through the Council's Building Services maintenance contractors and on occasions can be quite expensive and time consuming due to the need to hire equipment not normally used such as platform lifts to replace a light fitting.

In order to improve the current situation and reduce confusion for residents, Officers have also been liaising directly with Scottish and Southern Energy (SSE) Contracting with a view to including the outstanding 62 lights into the PFI contract.

There are a number of benefits of including the remaining street lights, these are as follows:-

- (a) There would only be one point of contact for all street lighting issues in the borough, regardless of whether they belong to HCC or FBC;
- (b) All issues arising in relation to street lights would be automatically dealt with for the remainder of the contract which is approximately 21 years;
- (c) Reported faults would be dealt with in a more timely efficient way as residents would be able to report the faults on line via the HCC/PFI website; see Appendix A

- (d) Other than the on-going revenue needed to fund the electricity and maintenance costs, all other expenditure would be the responsibility of the PFI, e.g. damage caused by road traffic accident, vandalism etc;
- (e) The lights to be transferred would be upgraded where necessary to more efficient technology with energy saving timers and more efficient lighting units;

Once the lights have been included all future street light installations in the borough, regardless of which department wishes to implement them, should be undertaken in accordance with current SSE specifications and with a view to them ultimately being included in the PFI.

Recommendation:

The Executive approves:

- (a) the transfer of 62 light columns to the Hampshire PFI maintenance agreement; and
- (b) the capital expenditure of £85,000 to complete the transfer.

Reason:

In order to provide a more efficient and cost effective service to residents of the Borough.

Cost of proposals:

The cost associated with including the street lights into the existing PFI contract will be £85,000, which will be met from the Capital Fund Account.

Appendices A: HCC/PFI Fault reporting website

B: Detailed costings of outstanding street lights to be transferred.

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Street Lighting Maintenance

Briefing by: Director of Street Scene

Portfolio: Streetscene

INTRODUCTION

1. The purpose of this report is to update the Executive on the current maintenance arrangements for street lights currently owned by Fareham Borough Council.

FAREHAM STREET LIGHTS

2. Historically, 444 of the Council's lights were maintained under agreement by Hampshire County Council (HCC) as part of its countywide contract. These were made up as follows:
 - (a) Housing parking areas and footpaths – 126
 - (b) Recreational paths and community centres – 20
 - (c) Footpaths and other non-highway authority lighting – 298
 - i. Town centre: public areas, Henry Court millennium project, public footpaths etc.
 - ii. Car parks
 - iii. Borough wide estate parking areas, footpaths and private streets such as Brownwich Lane
3. However, there are 62 columns in various locations that were being maintained outside of this contract.
4. At the time many of these were installed, HCC would not include them into their maintenance contract but gave indications that they could be included in any future PFI scheme.

STREET LIGHTING PRIVATE FINANCE INITIATIVE (PFI)

5. In December 2009, Hampshire County Council entered into a Private Finance arrangement with Scottish and Southern Electricity for the maintenance of its street lighting stock for a period of 25 years. All boroughs in Hampshire were invited to join the scheme, including Fareham.

6. The key points of the scheme are summarised below:
 - (a) Lights more than 15 years old would be replaced during the first five years;
 - (b) A government grant would cover the cost of the new columns;
 - (c) Columns of decorative design or in a conservation area would be replaced like for like;
 - (d) New equipment would use less energy and provide flexibility of control to help meet sustainability and procurement objectives and carbon emission targets;
 - (e) Single point of contact for street lighting throughout Hampshire;
 - (f) The estimated maintenance cost (at the time) for each column included in the scheme would be in the range of £35-40 per annum.
7. It was agreed by the Council's Executive Committee on 20 July 2009 that Fareham's 444 lights should be included in the PFI.
8. However, the remaining 62 light columns were not included and therefore their maintenance would be undertaken by FBC Officers as and when required.

CURRENT SITUATION

9. From the start of the PFI contract in Dec 2009, the responsibility for maintaining Fareham's remaining 62 street lights was transferred to the Department of Streetscene.
10. Requests to undertake repairs on any of the Council's lights are processed through the Council's Building Services maintenance contractors and on occasions can be quite expensive and time consuming due to the need to hire equipment not normally used such as platform lifts to replace a light fitting.
11. Many of the lights are linked into electrical supplies that arise from adjoining Council buildings e.g. public conveniences, and this is probably why HCC did not want to include them into the PFI contract as the adoption of these lights would result in alterations to the supply connections.
12. There is currently no formal inspection regime and the condition of the lamp columns and lamps have not been assessed. Therefore it is not possible to identify the life expectancy of the current asset stock. It is highly likely that they will need replacement within the next 10 to 20 years.
13. Due to the fact that across the borough, the PFI contractor has been replacing a large proportion of street lights, it has highlighted that more lights that are not included in the contract. Originally it was thought that there were only 44 outstanding but that has risen to the current figure of 62. Of the 13,728 street lights in Fareham, 1873 are still outstanding for replacement and therefore there is a small chance that a few more lights may be identified as belonging to Fareham Council.

TRANSFERRING LIGHTS TO THE PFI

14. Officers have been working closely with HCC especially whilst the contractor has been working in Fareham. Over the last six months Officers have also been liaising directly with Scottish and Southern Energy (SSE) Contracting in order that quotes could be obtained to possibly include the 62 lights not already in the contract.

15. Due to the fact the SSE are extremely busy installing new lights all over the County it has been a long process and the actual final figures have not been obtained in all instances. However, for the purpose of this report a good estimate has been provided instead.
16. A summary of the capital costs of this exercise can be found further in the report but it is fair to say that costings for groups of lights varies considerably depending on where they are located and whether new cabling has to be laid to connect them to the existing street lighting circuit. Detailed information can be found in Appendix B.

BENEFITS OF INCLUSION IN THE PFI

17. There are a number of benefits of including the remaining street lights into the current PFI contract, these are as follows:-
 - (a) There would only be one point of contact for all street lighting issues in the borough, regardless of whether they belong to HCC or FBC;
 - (b) All issues arising in relation to street lights would be automatically dealt with for the remainder of the contract which is approximately 21 years;
 - (c) Reported faults would be dealt with in a more timely efficient way as residents would be able to report the faults on line via the HCC/PFI website; see Appendix A
 - (d) Other than the on-going revenue needed to fund the electricity and maintenance costs, all other expenditure would be the responsibility of the PFI, e.g. damage caused by road traffic accident, vandalism etc;
 - (e) The lights to be transferred would be upgraded where necessary to more efficient technology with energy saving timers and more efficient lighting units;

FINANCIAL IMPLICATIONS

Capital Budget

18. Appendix B provides a detailed breakdown of the capital costs that are attributed to the transferring of all 62 lights.
19. The estimated costs are likely to be in the region of £80,000. Due to fact that it has taken over nine months to obtain the various quotes it is probable that these may rise due to the rates being subject to an increase imminently.
20. It is therefore suggested that a budget of £85,000 would need to be allocated to fully cover the works outlines.

Revenue budget

21. The revenue budget for 13/14 is shown below. The actual figures for 11/12 and 12/13 are also shown.

Actual 11/12	Actual 12/13	Budget 13/14
£15,431	£16,258	£19,800
£13,159	£10,418	£12,000

22. The costs are split into two payments, the first relates to the actual maintenance costs of the lights which for 2013/14 are £33.86 per column per year plus 8% admin charge. This cost of which has slightly risen year on year.
23. The second figure relates to the supply of electricity and does fluctuate, although the current trend shows a year on year reduction, which is probably due to the installation of more efficient light columns.

24. Should the Council proceed with transferring all of the 62 lights to the PFI then there would be an estimated increase in revenue cost of £2133 per annum for routine maintenance and inspection? At the current time there are sufficient funds within the existing budgets to accommodate this.
25. With regard to the energy supply, the Council already pays towards this, albeit from a number of different costs centres such as Housing, car parks etc. Therefore, transferring them into the PFI wouldn't have any real effect on this cost other than it might reduce due to HCC getting a better rate within the contract due to economies of scale.
26. It is therefore considered, that at the current time, there is no budgetary pressure on the revenue budget should the lights be ultimately transferred to the PFI.

RISK ASSESSMENT

27. There are no significant risk considerations in relation to this report.

CONCLUSION

28. The current PFI contract arrangement which exists and includes over 444 of Fareham's street lights is working well and provides a very quick and efficient service to the residents of Fareham.
29. A large proportion of the street lights have already been replaced across the borough, with the remaining soon to be completed.
30. It would be beneficial to incorporate the remainder of the street lights not currently in the PFI contract to enable a more prompt and efficient service in maintaining and repairing the lights.
31. All future street light installations in the borough, regardless of which department wishes to implement them, should be undertaken in accordance with current SSE specifications and with a view to them ultimately being included in the PFI.

Appendix A – HCC/PFI Fault reporting website

Appendix B – Detailed costings of outstanding street lights to be transferred.

Background Papers:

Report to the Executive – 20 July 2009 – Fareham Borough Council Street lighting maintenance arrangements

Report to Streetscene Policy Development Review Panel - 5 September 2013 – Street lighting

Detailed costed proposals from Scottish and Southern Electric

Enquiries: For further information please contact Sue Woodbridge. (Ext 4546)

HCC/PFI Website used to report a fault.

SSE Contracting Hampshire County Council
working together for safer streets

HOME REPORT A FAULT WORK SCHEDULE NEWS INFORMATION CONTACT US QUESTIONNAIRE

Search
Type the name of a street, postcode or a landmark below and press lookup to find that street quickly or use the map controls to move and zoom in manually.
PO16 7AZ
• [Postcode PO16 7AZ](#)

Interactive Map Choose a different service: Google Maps
Map Satellite
Osborn Rd Church Path Manor Cottage
Fareham Library Fareham Health Centre Fareham Borough Council
Civic Way
Map data ©2014 Google - Terms of Use
Toggle On/Off: Labels Enter Reference to Track a fault report:

Legend of light icons on the map

Beacon	Bollard
Feeder Pillar	School Flasher
Sign	Street Light
Subway	

Having trouble?
Having trouble using the interactive version?
[Use the standard fault report tool.](#)

Costings for outstanding lights to be transferred

Location	SSE Energy	SSE Contracting
Johns Road Housing Area (1 light)		
<ul style="list-style-type: none"> • Replace 1 x 5m column with 5m raise and lower c/w Libra lantern and mayflower node 		£700
<ul style="list-style-type: none"> • Transfer of underground service 	£245	
Titchfield Community Centre car park (2 lights)		
<ul style="list-style-type: none"> • Replace 2 x 8m columns with new 8m c/w 150w iridium lanterns and mayflower nodes. • Transfer private service and fit new isolator to LC 2 • Transfer private feed to pillar • Supply & install feeder pillar c/w secondary isolator 		£2250
<ul style="list-style-type: none"> • Transfer of underground service/new underground service 	£650	
Cams Alders Recreation Ground (3 lights)		
<ul style="list-style-type: none"> • Replace 1 x 5m column with new 6m c/w 55w Libra lantern and mayflower node • Replace 2 x lanterns with 55w Libra c/w Mayflower nodes • Paint 2 x 5m columns with, BS 12-B-21 PSX700 paint • 2 x concrete watersheds for existing columns • Discount private service to 1 column • Replace 2 cut outs to retain private feed to 1 column from feeder pillar • Transfer private supply to pillar • Supply and install feeder pillar c/w secondary isolator 		£1925
<ul style="list-style-type: none"> • Transfer underground service • 2 x new underground services, road crossing and 25m of trenching 	£2585	
Locks Heath District Centre - by skate ramps (2 lights)		
<ul style="list-style-type: none"> • Replace 2 x lanterns with 100w son-t Iridium c/w Mayflower nodes. Re-number as LC 3A, 4A • Supply and fit 2 strimmex attachments for 140mm base • Abcrite repairs to both columns, and paint over existing door. 		£885
New Road (entrance to Warsash Common) (1 light)		
<ul style="list-style-type: none"> • Replace existing lantern with Iridium 100w son-t c/w Mayflower nodes 		£345
Titchfield Recreation Ground (2 lights)		
<ul style="list-style-type: none"> • Replace 2 x lanterns with 55w Libra c/w Mayflower nodes. Removing existing control gear at column bases. • Paint 2 x 5m columns, BS 12-B-21, PSX700 paint • 2 x private service disconnections 		£925
<ul style="list-style-type: none"> • 2 x new underground services • 45m of trenching in verge, 10m trenching in road 	£3350	
Holly Hill car park (1 light)		
<ul style="list-style-type: none"> • Remove 2 existing floodlights and bracket, and replace with 2 Phillips MVP 506 210w cdmt floodlights c/w internal Mayflower nodes • Paint 2 existing columns with BS 12-B-21, PSX700 paint 		£1605

Location	SSE Energy	SSE Contracting
<ul style="list-style-type: none"> • Disconnect private supply 		
<ul style="list-style-type: none"> • New underground service, 20m trenching in verge 	£1060	
Prory Park Open Space (3 lights)		
<ul style="list-style-type: none"> • Replace 1 x abacas type 5m column, with 5m mid hinged raise & lower c/w 36w Libra lantern and Mayflower node • Replace 2 lanterns with 36w Libra and Mayflower nodes • Paint 2x 6m columns with BS 12-B-21 PSX700 paint 		£1250
<ul style="list-style-type: none"> • Transfer of underground service 	£245	
Osborn Road car park (1 light)		
<ul style="list-style-type: none"> • Replace existing floodlights with 1 x Iridium 150w Mayflower node • Paint 8m column BS 12-B-21 PXS700 paint • Remove control gear from base • Transfer private service to pillar • Supply & install feeder pillar c/w secondary isolator 		£1015
<ul style="list-style-type: none"> • New underground service 	£405	
West Street car park (rear of garage) (2 light)		
<ul style="list-style-type: none"> • Replace existing floodlight with 1 x Iridium 150w son-t lantern c/w Mayflower node • Replace private cut out, and remove control gear from base compartment • Paint 8m column BS 12-B-21 PXS700 paint • Replace lantern with 36w Libra c/w mayflower node • Paint 6m column BS 12-B-21 PXS700 paint 		£810
<ul style="list-style-type: none"> • Replace damaged cut out 	£80	
Whitebeam Close (2 lights)		
<ul style="list-style-type: none"> • Remove 2 x 5m columns • Supply & install 2 x 6m columns c/w 36w Libra lanterns and mayflower nodes • 1 x disconnection and pot end of private supply 		£1130
<ul style="list-style-type: none"> • 1 x disconnection, 2 new underground services, 32m trenching in road 	£4550	
Stubbington recreation ground (1 light)		
<ul style="list-style-type: none"> • Replace 2 x Lantern with Phillips Iridium 100w Son-t, c/w Mayflower nodes, on existing twin arm bracket • Disconnection and pot end of private service, removal of cut out • Paint 8m column and bracket with BS 12-B-21 PXS700 paint 		£975
<ul style="list-style-type: none"> • New underground service, 60m trenching in verge, 80m in footway 	£4980	
Fareham Park (1 light)		
<ul style="list-style-type: none"> • Remove 8m column and disconnect supply • Supply and install 8m Column c/w Iridium 100w lantern & Mayflower node 		1335
<ul style="list-style-type: none"> • New underground service 22m trenching in verge, 6m road crossing 	2000	
Market Quay car park (29 lights)		
<ul style="list-style-type: none"> • 43 No. lantern changes inc nodes • 29 No. columns painted 		£10,000 (estimate)

Location	SSE Energy	SSE Contracting
<ul style="list-style-type: none"> • Replace control gear in distribution pillar where necessary • 1x transfer private service, new pillar, new service (bus station column with outgoing supply) • 29 No. replace private cut out 	£18,000 (estimate)	
Park Lane Leisure Centre car park (7 lights)		
<ul style="list-style-type: none"> • Estimated replacement lights 		£7500 (estimate)
<ul style="list-style-type: none"> • Estimated ground works 	£7500 (estimate)	

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio: Policy and Resources
Subject: **Maintaining the Vibrancy of Fareham Town Centre: Update**
Report of: Director of Planning and Environment
Strategy/Policy: Fareham's Town Centre Action Plan

Corporate Objective: To promote the economic success of the Borough
 Protecting and enhancing the environment

Purpose:

To seek Executive approval for a series of improvements identified in the Town Centre Action Plan, including the provision of new pedestrian signs, seats and cycle racks as illustrated in Appendix A.

Executive summary:

The report describes proposals for improvements identified in the Town Centre Action Plan, including the provision of new pedestrian signage and additional seats and cycle racks in the town centre, and improvements in the advertising of town centre events, financed from the High Street Innovation Fund.

Recommendation:

The Executive is requested to approve the provision of new pedestrian fingerpost signs, seats and cycle racks, along with the provision of town centre maps in car parks and advertising of town centre events in the multi-storey car parks. The total estimated cost is £75,000.

Reason:

To maintain viability and improve the environment and appearance of the town centre.

Cost of proposals:

To be financed from the High Street Innovation Fund.

Appendices:

Appendix A1 - Curved Seats in the 'Henry Cort' pedestrian area

Appendix A2 – New seats and cycle racks in Harper Way and near Café Tusk

Appendix A3 – New pedestrian signs

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Maintaining the Vibrancy of Fareham Town Centre: Update

Briefing by: Director of Planning and Environment

Portfolio: Policy and Resources

INTRODUCTION

1. At a meeting on 3 September 2012 the Executive approved a report from the Director of Planning and Environment which set out an Action Plan for maintaining the vibrancy of Fareham Town Centre financed from the High Street Innovation Fund. Following this report an update and review of the earlier Town Centre Action Plan (TCAP) was reported to 4 March 2013 Executive. This report focuses on key actions set out in the update report concerned with the physical environment and appearance of the Town Centre, as listed below:
 - Improve signage and information boards (TCAP Item 7)
 - Provide new seating in pedestrian areas (TCAP Item 16)
 - Provide new seats and cycle racks in Harper Way (TCAP Item 17)
 - Provide space in car parks for advertising (TCAP Item 18)
2. The proposals described in this report and Appendix A form part of a wider series of Town Centre Action Plan initiatives. There is also a key relationship with the provision of wayfinding signage by Hampshire County Council which is described in full later in this report. A future update will provide a review of other actions to be implemented in the overall Town Centre Action Plan.

PROPOSALS

3. In summary, the proposals for approval are to provide new pedestrian fingerpost signs and additional seats and cycle racks in the Town Centre, along with advertising of town centre events in the multi-storey car parks. These proposals are illustrated in Appendix A and described in more detail below. The total estimated cost is £75,000, financed from the High Street Innovation Fund.

Provide new seating in the Henry Cort pedestrian area

4. Insufficient seating is considered one of the most important issues for visitors to Fareham. The Town Centre Action Plan identified the provision of additional seating as a priority as it was considered that it would help to increase dwell time within the Town Centre and be of particular benefit to older people and people with young children. Two suitable locations for seating have been identified, following further investigation, which minimise impact on the space required for the Monday market. One is located near the Town Well sculpture area south of the podium (see **Appendix A1.1**) The other is located in front of Portland Chambers near the Tipping Scales sculpture (see **Appendix A1.2**).
5. Quotations have been received and the proposed curved seats for the Henry Cort area (see **Appendix A1.3**) would closely match the existing seats (see **Appendix A1.4**) and would be made by Charles Normandale, artist blacksmith, who made the existing Millennium scheme seats.

Provide new seats and cycle racks in Harper Way

6. Locations have also been identified near Westbury Manor Museum and in Harper Way adjacent to the bus station and taxi rank to provide much needed additional seating (see **Appendix A2.1**). The proposed seats in these locations have been selected to match existing seats in the bus station (see **Appendix A2.2**).
7. Local traders, visitors and Hampshire Constabulary have all highlighted the need for additional cycle racks within the Town Centre. This will help encourage people to visit the Town Centre by bicycle and discourage them from leaving bicycles chained to railings or leaning against shop windows. Two locations are proposed: one is in Harper Way, adjacent to the bus station and taxi rank (see **Appendix A2.1**). The second is at the eastern end of West Street outside Cafe Tusk (see **Appendix A2.3**). The proposed cycle stands are the simple 'Sheffield' style preferred by cycling organisations (see **Appendix A2.4**).

Improve signage and information boards

8. At present there are 82 fingerposts on 28 signs at different locations throughout the Town Centre: a typical example is illustrated in **Appendix A3.1**. An audit of these has been carried out and it is proposed to replace all the existing fingerboards with new fingerboards on the existing posts to provide better information on existing destinations and to add destinations that are not currently covered.
9. The information and symbols on the new fingerboards has been carefully co-ordinated with the information and symbols on new wayfinding 'totem' signs to be provided separately by Hampshire County Council. The wayfinding 'totem' signs feature new town centre mapping; a typical example is illustrated in **Appendix A3.2**. The destinations shown on the maps and signs will include the different areas of the town centre such as West Street Speciality Shopping, Historic High Street and Historic Waterfront.

10. Hampshire County Council wayfinding 'totem' signs will be located at Fareham Station, the entrances to some major car parks and at other strategic locations within the Town Centre. These signs will provide a "you are here" type location map including all of the different shopping zones and other attractions and places of interest in the Town Centre. Where new wayfinding signs are provided they will replace the existing signage, including the two existing shop directory signs in West Street. The wayfinding signs will incorporate QR (Quick Response) Codes to enable visitors to access the new Town Centre website using their smartphone.
11. The renewal of the fingerpost signs will cost Fareham Borough Council approximately £18,000 and the new wayfinding 'totem' signs will cost Hampshire County Council approximately £30,000. It is anticipated that the work will be implemented in January 2014 to fit in with Hampshire County Council's wayfinding current contract programme.
12. It is also proposed that the wayfinding map and legend should be installed in ten Fareham Borough Council car parks with a preliminary cost estimate of £20,000. These signs will help visitors arriving by car to find their way around the town and highlight the perhaps lesser known town centre areas such as the shops and restaurants in High Street, the West Street Speciality Shopping area and the historic waterfront area.

Provide space in car parks for local advertising

13. At the moment, there is a large amount of blank space on the walls at the entrances to the multi storey car parks. Some of this space could be utilised to provide advertising space for local events.
14. Approval is sought to place advertisements for Town Centre events in Fareham Borough Council car parks at an estimated cost of £5,300 for suitable cabinets fixed to the walls of each floor of the multi-storey car parks.

FINANCIAL IMPLICATIONS

15. All works will be financed from the High Street Innovation Fund.

CONSULTATIONS

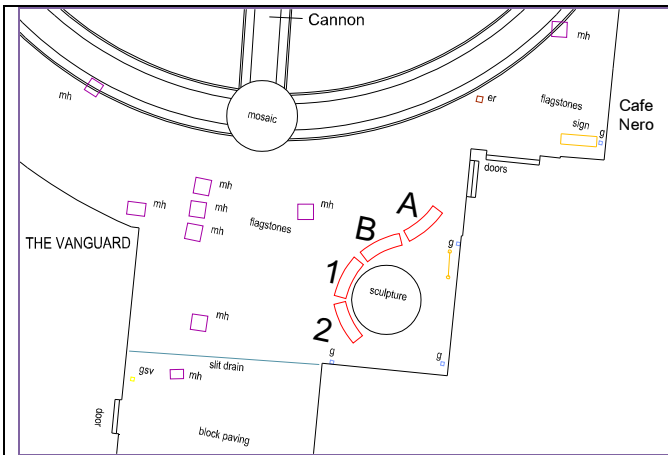
16. Key methods of engagement undertaken have been largely through a presentation to the Town Centre Steering Group and the Town Centre Newsletter.

CONCLUSION

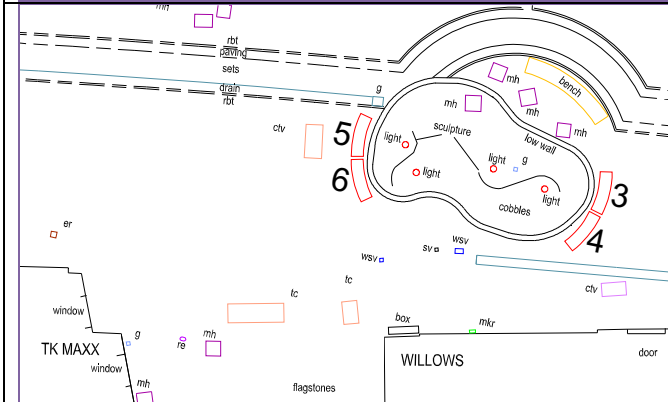
17. The Executive is requested to approve the provision of new pedestrian fingerpost signs, seats and cycle racks, along with the provision of town centre maps in car parks and advertising of town centre events in the multi-storey car parks, all as described above and in the Appendices. The total estimated cost is £75,000 from the High Street Innovation Fund.

Reference Papers: None

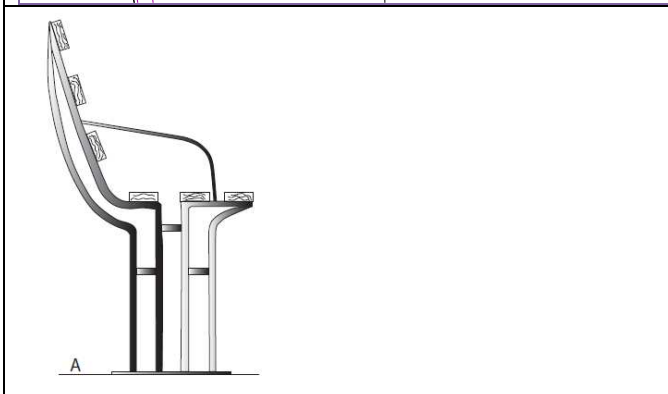
Appendix A1 - Curved Seats in the 'Henry Cort' pedestrian area



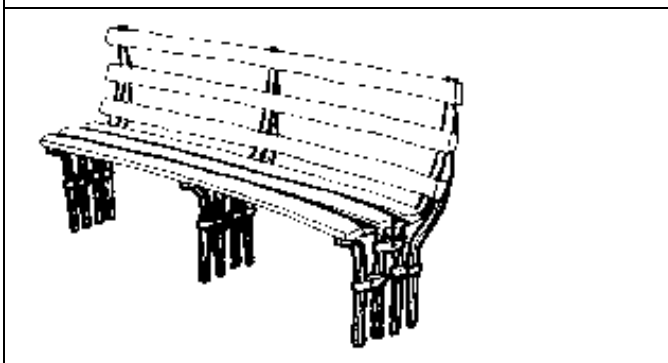
Appendix A1.1
Location near The Vanguard



Appendix A1.2
Location near Tipping Scales sculpture

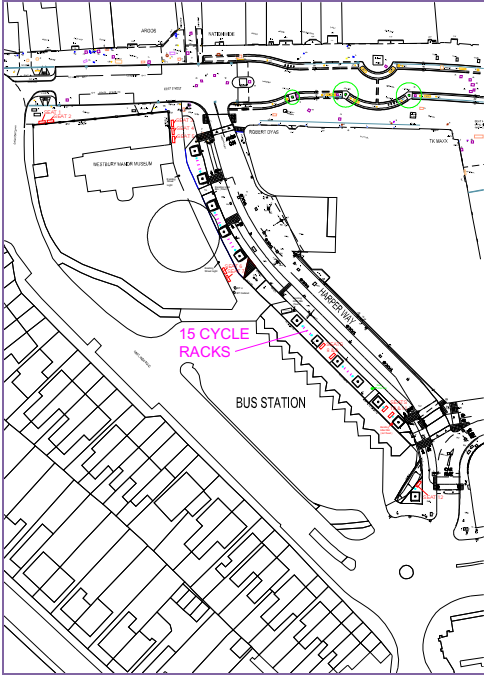

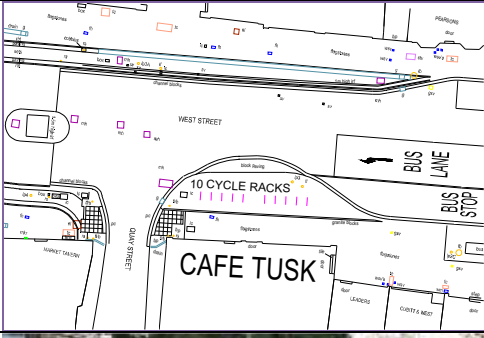



Appendix A1.3
Proposed New Seats



Appendix A1.4
Existing Seats

Appendix A2 – New seats and cycle racks in Harper Way and near Café Tusk

 <p>A detailed street map of Harper Way. A pink line indicates the proposed location for 15 cycle racks along the road. A 'BUS STATION' is marked near the bottom of the road. Other street names like 'WEST STREET' and 'DANA STREET' are visible.</p>	<p>Appendix 2.1 Proposed locations for seats and cycle racks in Harper Way</p>
 <p>A photograph of a black, cast-iron park bench with a curved backrest and armrests, set on a concrete pad outdoors.</p>	<p>Appendix 2.2 Proposed Seats</p>
 <p>A map showing the area around Café Tusk. A pink line indicates the proposed location for 10 cycle racks. Other features include 'WEST STREET', 'DANA STREET', 'BUS LANE', and 'BUS STOP'.</p>	<p>Appendix 2.3 Proposed location of cycle racks near Café Tusk</p>
 <p>A photograph of a row of black, U-shaped cycle racks standing on a sandy or gravelly ground.</p>	<p>Appendix 2.4 Proposed Cycle Racks</p>

Appendix A3 – New pedestrian signs

<p>Appendix 3.1 Fareham Borough Council 'Fingerpost' Sign</p> 	<p>Appendix 3.2 Hampshire County Council 'Totem' Wayfinding Sign</p> 
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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio: Policy and Resources
Subject: **Commercial Property Investment Acquisition Strategy**
Report of: Director of Finance and Resources
Strategy/Policy:

Corporate Objective: A dynamic, prudent and progressive Council

Purpose:

To request that the Executive consider providing additional funds to purchase further commercial property as a means to optimise returns on Council investments.

Executive summary:

A report was considered by the Executive on 7 January 2013 and approval was given for;

- (a) The principle of a programme of investment in commercial property and the adoption of a Commercial Property Investment Acquisition Strategy;
- (b) an initial investment of £3 million to fund a commercial property investment acquisition programme;
- (c) the authority to be delegated to the Director of Finance & Resources following consultation with the Executive Leader to submit offers for commercial property investments in accordance with the criteria set out in the Commercial Property Investment Acquisition Strategy.

The first commercial property investment has been acquired at Clifton House in Segensworth and an offer has been accepted and is in the hands of solicitors on a second property investment in Eastbourne.

The balance remaining of approximately £339,000 after both purchases is unlikely to be sufficient to acquire a third commercial property investment. However, when considering the Medium Term Finance Strategy, the Executive recognised the potential to make a further tranche of funding available to investment in commercial property, and this report invites the Executive to consider making £5m available to support the continued implementation of the Acquisitions Strategy.

Recommendation:

That;

- (a) The Executive are requested to consider providing an additional £5m to fund further commercial property investment acquisitions for the reasons set out in the briefing paper and,
- (b) Reaffirm the criteria for selecting investment opportunities as set out in the Commercial Property Investment Acquisition Strategy attached as Appendix B to this report and agreed by the Executive on 7 January 2013.

Reason:

To release additional funds to invest in commercial property, in line with the agreed Acquisitions Strategy, as an alternative to the treasury related investments and which are currently producing a low level of return which is likely to continue into the medium term

Cost of proposals:

The cost of the proposal is £5m, to be met from the Council's capital reserves.

Appendices: **A:** Executive Briefing Paper - Investments Acquired and Financial Implications (Confidential Appendix)
B: Commercial Property Investment Acquisition Strategy

Background papers: Report to Executive 7 January 2013

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Commercial Property Investment Acquisition Strategy

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. As part of the Council's on-going review of finances and new income generating opportunities, some initial investigative work was carried out into the possibility of generating an on-going revenue stream by increasing its investment in commercial property.
2. This work identified that if the Council were use some of its treasury related cash investments to acquire commercial property; it is likely that a greater return could be secured. However, it was also clear that, to provide the security that such an approach would require, a set of clear criteria were necessary to ensure that only high quality; low risk property assets were acquired.
3. The Executive, on 7 January 2013, agreed to put in place a Commercial Property Investment Acquisition Strategy to achieve this aim. The strategy included the criteria that would need to be considered in order to choose the most suitable investment and measures to minimise risk. The Executive also agreed to provide £3m as an initial investment to fund the acquisition programme.
4. On 7th October 2013, the Executive agreed a report on the Annual Review of the Council's Medium Term Finance Strategy. Included within the Strategy at paragraph 102 was reference to the meeting on 7 January 2013 when the Executive approved the Commercial Property Investment Acquisition Strategy which is designed to increase the Council's return on investments due to the low returns being received from treasury related investments. As mentioned in this report, the Executive agreed to commit up to £3 million of investment in commercial property to achieve returns of up to £150,000 per annum to assist in reducing funding pressures.
5. The Finance Strategy at paragraph 103 advised that a report will be brought to this Executive meeting to review the investments that have been made to date and with a view to increasing the amount available to invest by between £3 million and £5million funded from capital reserves, to relieve the pressure on the revenue budget.

INVESTMENTS ACQUIRED

6. Following the decision of the Executive in January 2013, an industrial property; Clifton House in Segensworth was acquired in August 2013. The purchase price for this property, including all costs was £1.8m. A second property comprising a ground floor Sainsbury's unit in Eastbourne is progressing with solicitors. The full details are set out in the Confidential Appendix A.
7. Officers have also considered a number of other acquisition opportunities. These have been tested against the criteria within the Commercial Property Investment Acquisition Strategy and have either been rejected as they have not satisfied the criteria or offers have been submitted but rejected. The decision to pursue or reject an opportunity site is documented, and for those which are pursued, the Councils retained commercial property advisors provide a detailed investment report which informs the decision-making process.
8. It is appropriate, in considering whether to extend the acquisitions programme, to review the selection criteria in the Strategy agreed by the Executive on 7 January 2013 and attached as Appendix B to this report. This has been undertaken and officers are satisfied that the criteria remain relevant and appropriate and therefore should continue to be used to acquire further investment property if the Executive agree to allocate additional funding. .

RISK ASSESSMENT

9. The risks associated with acquiring commercial property investments and measures to minimise the exposure to risk are set out in the Commercial Property Investment Acquisition Strategy which was approved by the Executive on 7 January 2013. For example, acquiring property with long term leases to a tenant with a strong financial standing and good track record. The risks can also be mitigated by establishing a clear "exit strategy" in the event that the property no longer achieves the wider objectives of the portfolio.

FINANCIAL IMPLICATIONS

10. The total cost committed from the £3m budget is £2,660,966, leaving a balance of approximately £339,000 which is unlikely to be sufficient to acquire a third commercial property investment.
11. For the current financial year to date, the Council is currently earning on average 0.965% from its treasury related cash investments. Had £2,660,966 been invested at this interest rate, the return for the year would be £25,678 compared to the projected rental income of £217,000; a difference of £191,322 (full details are set out in the Confidential Appendix A).
12. Assuming that an average rate of return of 6% could be achieved from high quality acquisitions, then a second, £5m tranche of investment would produce a return of £300,000 p.a.

CONCLUSION

13. The report outlines the acquisitions of investment property following the Executives decision in January 2013 to provide £3 million as an initial investment to fund a commercial property investment acquisition programme. The report also sets out the financial benefits of providing additional funds of £5m to purchase further commercial property bearing in mind the positive investment returns which can be obtained when compared to the low returns being received by the Council from treasury relates investments and which is likely to continue into the medium term.
14. Assuming that the Executive supports an extension to the funding for this strategy, the selection criteria as approved in January 2013 will continue to be applied to ensure that high quality, low risk acquisitions are pursued.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Commercial Property Investment Acquisition Strategy

Introduction and Objectives

1. The Asset Management Plan which is updated biennially includes a Property Strategy, Disposal Strategy and a Repairs and Maintenance Strategy. In order to maximise the returns on resources which the Council has available for investment, the Council is considering how commercial property can play a role. The approach to acquiring commercial property for investment is set out in this “Commercial Property Investment Acquisition Strategy” (CPIAS).
2. The CPIAS aims to be a viable and sustainable strategy for the acquisition of commercial property investments. It seeks to:
 - (a) Optimise the returns on all property investment, while offering a reasonable level of protection to the Council's initial investment;
 - (b) Exploit new opportunities for income generation from the Council's assets and investments;
 - (c) Promote key strategic Council policies;
 - (d) Provide value for money and facilitate assets that represent a sound financial investment for the Council;
 - (e) Property investment decisions made within the scope of the CPIAS will need to satisfy one of two objectives;
 - i. Investments to promote the key strategic policies of the Council

This relates to buildings that fall within certain development areas or that are likely to enhance the standards within the borough for council tax payers, such as properties in and around Fareham Shopping Centre or others where an interest in held. These investments would be location specific, i.e., within the Borough.
 - ii. Investment to maximise 'value for money'

This relates to investments to be purchased on a purely commercial basis because they provide a good income stream and maximise the return on investment. These investments would not be location specific and therefore could be outside of the Fareham Borough.

Commercial Property as an Investment

- (f) All investment sectors, including commercial property, have seen revenue streams depleted during the economic downturn. However, current market conditions have led to opportunities that may previously not have existed leading to a re-balancing of pricing favouring the investor.

- (g) Property as an asset can provide a reliable and long term source of revenue income, but which is sufficiently liquid such that it can be traded or disposed of if required. Growth in the capital value of the investment is also possible, although in current markets, the focus should be principally on securing a reliable source of revenue income.

Managing the risks of investing in commercial property

- (h) Investing in property is not risk-free, so it is important that any acquisitions reflect the Council's risk appetite in terms of maintaining the capital value of the asset and extent to which rental income is guaranteed.
- (i) The main risk is vacancy and the resultant loss of income. The added costs of holding a vacant property include non-domestic rates, insurance, utilities, security, inspections and management. In addition, there would be the cost of marketing the property, the agent's disposal fees and legal fees for completing the lease documentation for re-letting the premises.
- (j) Other risks include tenant's defaulting on rental payments, repairs not being undertaken or unauthorised works or sub-lettings being undertaken.
- (k) Risks will need to be minimised through a series of measures:
 - a. Funds available for the purchase of commercial investments will be disaggregated to limit the overall impact that any single investment would have on the Council's finances;
 - b. Assets with existing tenants of a "high quality" only will be considered, as measured by undertaking appropriate financial checks;
 - c. Assets with a sufficiently long tenancy term will only be considered;
 - d. Appropriate checks will be carried out to ascertain the tenant's reliability including provision of satisfactory trade, landlord and bank references for tenants;
 - e. Other "due diligence" must be undertaken to protect the Council's investment as far as possible. These would include checks such as planning conditions, land contamination issues, planning policy issues, quality and strength of tenant lease agreements, etc.
- (l) The steps that must be taken before any decision to purchase a property will be clearly documented, and this will be tested via a challenge process involving the Head of Estates, Director of Finance and Resources and the Executive portfolio holder for Policy Strategy and Finance.

Managing the costs related to investing in commercial property

- (m) The process of identifying, acquiring, managing and maintaining, then ultimately disposing of commercial property can be substantial. It is therefore important that these costs are recognised when contemplating an investment decision.

- (n) The overriding principle of the strategy is that any investment in commercial property will generate a higher net financial “return” than would otherwise be expected through an investment in the financial markets.
- (o) Any increase in costs must therefore be kept to a minimum so they do not undermine the rental income stream achieved from the investment. To do this, preference will be given to properties with a full repairing liability upon the tenant, and where the management overhead is minimal.

Identification of potential investments

- (p) Potential investments will need to be considered against certain criteria as follows.

- a. Covenant strength

Covenant strength will affect the yield profile of an investment as a strong covenant will generally offer more security and therefore less risk. A tenants covenant can be measured against a series of “due diligence” checks, including a measurement of a tenant’s financial standing and long term strength.

- b. Location

Assets purchased to improve the wellbeing of the borough are likely to be within Fareham. These could be funded from cash resources or via prudential borrowing.

Assets purchased purely for investment purposes would not be location specific and therefore could be outside of the borough. The strength of the investment opportunity will dictate the wider locations which may be considered, as opposed to the location being the driving force.

- (q) Investments to promote the key strategic policies of the Council: For asset purchases falling into this category, covenant strength will remain important, but by other strategic factors are likely to supersede this. For example, the asset may be in a key location which will offer long term development opportunities for the Council, or it may be in an area of high vacancy rates where start up or small businesses may be encouraged in order to improve the overall success of the area. It could also be that the Council is looking to promote a certain service or facility which may not be achieved by a tenant with a strong covenant.
- (r) Investment to maximise 'value for money': The aim of purchasing assets falling into this category is to maximise income, provide a secure investment with a strong covenanted tenant in place and to minimise outgoings.

- (s) Return on Investment / Yield: The aim of the majority of investments is to provide a secure return on income. The Council will manage its commercial property as a single portfolio, ensuring that the collective returns achieved on the investments meet the overall financial target that is set. It is therefore also important that any purchasing decisions also contribute positively to the performance of the portfolio, both financially and in minimising the overall risks.
- (t) Sector Types: The main property sectors are retail, office, industrial and leisure/healthcare. The portfolio will aim to spread its investment across the sectors to limit exposure to any volatility in a particular area.
- (u) Management of Property: Properties with fully repairing and insuring leases shall be sought as a preference for investment, in order to minimise the cost of management and maintenance. Exceptions could be made for properties that are purchased for specific development or planning reasons. In order to minimise management overheads, use of an external property management firm would be considered to handle the day to day operational issues with the portfolio, particularly for properties which are outside the Borough.
- (v) Tenure: Assets acquired with tenants in place may be subject to sub leases granted within the security of tenure provisions of the Landlord and Tenant Act 1954. This may be less attractive if assets are purchased for future development possibilities as ending the tenancies will require the Council to satisfy one of the grounds under the Act to take back possession. Conditions of tenure will therefore be a further important consideration in any investment decision.
- (w) “Exit Strategy”: There will be a need in the future to dispose of property investments. This may happen because of the need to return the investment to cash for other purposes, or it could be due to poor financial performance of a particular property, etc. So, while it is likely that the majority of investments will be held for a medium to long term in order to achieve the required return and to justify the cost of the acquisition, it is important to understand the opportunities to dispose of any investment at the outset. Therefore, as part of the investment decision, consideration must be given to the potential ways in which the Council could “exit” from the investment, such as sale to another investor, sale for redevelopment, etc. An investment would only proceed where there is a clear exit strategy, should it be required.

Monitoring and Review

- (x) The risks associated with property investment are arguably greater than those associated with cash investments. Equally, the returns achieved from investment can be very positive to assist in funding day to day services in the borough. For this reason, a robust and on-going method of monitoring portfolio performance will be necessary.

- (y) A portfolio performance framework will, on an on-going basis, consider the following aspects:
- i. How an asset is performing against an individual financial target
 - ii. Whether the risk profile of the asset has changed since the point of investment
 - iii. Whether the portfolio remains sufficiently well balanced and diverse to limit the risk to the Council
 - iv. Whether the portfolio is performing satisfactorily against its financial target
- (z) The responsibility for managing the performance of the portfolio will reside with the Council's Head of Estates. This will be reviewed by the Director of Finance and Resources, and will periodically be scrutinised by the Council's Corporate Asset Management Group.
- (aa) A Portfolio performance report will also be published at least annually for Member scrutiny.

Way Ahead

- (bb) The CPIAS document shall be kept under review, to ensure that it remains relevant to the changing economic outlook, and also to the Council's own financial circumstances. In the meantime, the following actions will be undertaken to deliver the objectives of the strategy.

		Target date
1	Develop a property risk assessment template, identifying the measures for considering new property acquisition opportunities.	31 st January 2013
2	Develop a "Portfolio Performance Management Framework" to monitor the performance of properties against agreed targets and to consider retention, disposal or management of each asset.	28 th February 2013
3	Engage the Council's retained property agent to identify opportunities which are consistent with CPIAS.	31 st January 2013
4	Establish a challenge process for assessing property opportunities, prior to acquisition.	28 th February 2013
5	Establish a member scrutiny process, to ensure there are transparent arrangements for reporting the performance and activity of the portfolio on a periodic basis.	30 th June 2013

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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Policy and Resources
Subject:	Land Adjoining 268 Brook Lane, Sarisbury Green
Report of:	Director of Finance and Resources
Strategy/Policy:	Asset Management
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

To seek the view of the Executive on the renewal or otherwise of the current 3 year licence of the land adjoining 268 Brook Lane, Sarisbury Green which will terminate on 9 April 2014 having regard to the consideration of a report on this matter by the Executive on 7 January 2013.

Executive summary:

The Executive on 7 January 2013 received a report on the options regarding a strip of land adjoining 268 Brook Lane, Sarisbury Green. The report & decision notice are attached as Appendix A. Following consideration of the report the Executive resolved "that the land is not disposed of, allowing the current licence arrangements to continue". As the 3 year licence will terminate on 9 April 2014 the Executive is asked to reconsider the options for the future use/ownership of this land, so that appropriate arrangements can be put in place once the current licence expires. Views are sought on whether the options contained in the 7 January 2013 report should be reconsidered which includes the granting of a new licence on payment of an appropriate licence fee.

Recommendation:

That the view of the Executive is sought on the options regarding the future of the land adjoining 268 Brook Lane, Sarisbury Green following the termination of the existing licence on 9 April 2014.

Reason:

To obtain the view of the Executive on the future of the land adjoining to 268 Brook Lane, Sarisbury Green.

Cost of proposals:

If it was decided to dispose of the land or continue with the licence arrangement the legal costs would be the responsibility of the purchaser or licensee.

Appendices A: Report to the Executive 7 January 2013 and Record of Executive Decision- Disposal of Land Adjoining 268 Brook Lane, Sarisbury Green

B: Brook Lane Plan

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Land Adjoining 268 Brook Lane, Sarisbury Green

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Executive on 7 January 2013 considered a report on the options regarding a strip of land adjoining 268 Brook Lane, Sarisbury Green. The report and decision notice are attached as Appendix A. The Executive resolved that the land was not disposed of which allowed the current licence arrangements to continue.
2. The 3 year licence of the land adjoining 268 Brook Lane, Sarisbury Green as shown on the plan attached as Appendix B will terminate on 9 April 2014. This report invites the Executive to consider the options for the future use/ownership of the land so that appropriate arrangements can be made in readiness for the expiry of the current licence arrangement.

DETAILED OPTIONS

3. The options regarding the future of the land adjoining 268 Brook Lane as set out in the 7 January 2013 Executive report were as follows;

Option 1

4. *The Council could licence (or alternatively lease) the strip of land to an interested party (subject to a review of the fee or rental) on a longer term basis or could consider inviting bids from both interested parties for a licence or lease. Whilst the costs of preparing the documentation would be passed to the licensee/lessee there would still be an ongoing administration role for the Council.*

Option 2

5. *The land could be declared surplus to requirement and disposed of. If this approach was pursued the owners of 266 & 268 Brook Lane have expressed an interest in buying some/all of the land. It could also be of interest to the residents of 1 & 3 Highnam Gardens. Given the level of potential interest in the land officers suggest that the disposal is advertised locally and competitive bids sought. It is also proposed that the land is packaged in 2 parts - a road frontage section and a rear section (the road frontage section is shown cross hatched black on the inset of the plan attached as Appendix B). Any ongoing administration role would cease on the disposal of the land.*

6. *Whichever option is pursued an application to remove the original S106 planning condition would need to be made and it is recommended that this is applied for once a decision has been reached by the Executive. This will take approx 8 weeks as it follows the same process as a full planning application but once achieved will mean that the land is no longer constrained by the condition.*
7. *If the Executive were to declare the land surplus then six months notice will need to be served to bring the licence to an end.*
8. The above options are still relevant to the consideration of the future of the land adjoining 268 Brook Lane, Sarisbury Green. However if the land was declared surplus the giving of six months notice is no longer applicable as the licence will terminate on 9 April 2014. The approved plans for the house at 268 Brook Lane included an 1800mm high close boarded fence with concrete posts along the boundary of the site i.e. separating the development plot from the strip of land. If the land were disposed of to a party other than the current licensees then the fencing obligation (which runs with the application plot and hence would fall to the current owners of 268 Brook Lane) would need to be enforced.

INTEREST IN THE LAND

9. Following the meeting of the Executive on 7 January 2013 both parties who expressed an interest in the land were updated as to the decision. At that stage both confirmed their continued interest in the land. More recently both parties have been advised that a report was to be taken to the Executive and have confirmed their continued interest.

LEGAL CONSIDERATIONS

10. The land is owned by the Council without any onerous covenants. As landowner the Council can manage the land and dispose of it as it sees fit. It has no obligation to retain or sell, all options may be considered and are solely at the Council's discretion. If it was to dispose of the land to a third party it must accord with the principles within Section 123 Local Government Act 1972 and obtain best consideration reasonably obtainable but due to the small value of the land it can in essence dispose of it as it sees fit for a nominal but reasonably valued sum. The value of the land is a relative consideration when dealing with the land, there need not be a formal or elaborate tender process. The Council has no legal obligation to any other person in respect of who has any perceived "right" to the land.

RISK ASSESSMENT

11. If the Executive chooses to dispose of the land, then it would need to be subject to a successful application to remove the s.106 planning obligations, as referred to in paragraph 6 above. If the application to remove the condition was unsuccessful, any proposed disposal could not be progressed.

FINANCIAL IMPLICATIONS

12. If the land were to be licensed or leased an ongoing fee or rental would be received. If the land were disposed of the Borough Council would receive a one-off consideration from the purchaser(s).

CONCLUSION

13. In the light of the 3 year licence of the land adjoining 268 Brook Lane, Sarisbury Green terminating on 9 April 2014 the view of the Executive is sought on the options as set out in paragraphs 4 and 5 above.

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Report to the Executive for Decision 7 January 2013

Portfolio: Policy, Strategy and Finance
Subject: **Disposal of Land Adjoining 268 Brook Lane, Sarisbury Green**
Report of: Director of Finance and Resources
Strategy/Policy: Asset Management
Corporate Objective: A dynamic, prudent, progressive and best practice Council

Purpose:

To request the Executive to consider the options regarding a strip of land adjoining 268 Brook Lane, Sarisbury Green.

Executive summary:

A strip of land originally acquired for a greenway route is no longer required for that purpose. The land has been licensed on a temporary basis to the owners of 268 Brook Lane but options exist for a longer term agreement for the occupation of the land or for the disposal of the land on the open market.

Recommendation:

It is recommended that the land is declared surplus and is disposed of (Option 2), subject to the Council successfully obtaining the release of the planning condition.

Reason:

Option 2 would produce a one-off consideration and relieve the Council of any ongoing management issues

Cost of proposals:

Legal costs for the transfer would be the responsibility of the purchaser(s).

Appendix A: [Plan](#)

Background papers: None



Executive Briefing Paper

Date: 7 January 2013

Subject: Disposal of Land Adjoining 268 Brook Lane , Sarisbury Green

Briefing by: Director of Finance and Resources

Portfolio: Policy, Strategy and Finance

INTRODUCTION

1. In 2001 planning permission was granted for the construction of a single dwelling to the side of 270 Brook Lane, Sarisbury Green (the new house became 268 Brook Lane). The permission was subject to a Section 106 Agreement part of which contained a condition that the Borough Council acquire a strip of land at the edge of the development plot. The strip is shown outlined in black on the attached plan. The original intention was that, subject to funding becoming available this strip would join up with a section of footpath to the rear of the development at Battle Close and become part of the greenway network from the District Centre to the Cold East Development.
2. The development plot was subsequently sold and in 2003 the strip of land was transferred to the Borough Council. At that stage no funding was available to complete the greenway and rather than leave the strip of land vacant with a risk of dumping etc it was agreed that until such time as it was required for the greenway it would be licensed back to the purchaser of the development plot on a peppercorn basis.
3. The house was subsequently sold in 2006 to the current occupiers and a new licence was set up in their names. The licence was renewed in April 2011 for 3 years and it can be terminated by the Council on the giving of six months notice in writing. In 2009 the owner of 266 Brook Lane approached the Borough Council to register his interest in purchasing part of the land should it become available in the future and has more recently confirmed his continuing interest.
4. Hampshire County Council have confirmed that they have no aspirations or funding to complete the footpath link and when resources allow will look to stop-up and dispose of the Battle Close section of greenway. An alternative footway exists via Highnam Gardens.

PROPOSAL

5. Given that the County Council do not intend to progress the greenway link there is no reason for the Borough Council to continue to licence the land on a short term basis. Under the terms of the Transfer and the Section 106 Agreement there is no guidance as to disposal in the event of the land not being required for the intended purpose, but clearly if the purpose is no longer relevant then the Borough Council should consider disposal.

DETAILED OPTIONS

Option 1

6. The Council could licence (or alternatively lease) the strip of land to an interested party (subject to a review of the fee or rental) on a longer term basis or could consider inviting bids from both interested parties for a licence or lease. Whilst the costs of preparing the documentation would be passed to the licensee/lessee there would still be an ongoing administration role for the Council.

Option 2

7. The land could be declared surplus to requirement and disposed of. If this approach was pursued the owners of 266 & 268 Brook Lane have expressed an interest in buying some/all of the land. It could also be of interest to the residents of 1 & 3 Highnam Gardens. Given the level of potential interest in the land officers suggest that the disposal is advertised locally and competitive bids sought. It is also proposed that the land is packaged in 2 parts - a road frontage section and a rear section (the road frontage section is shown cross hatched black on the inset plan). Any ongoing administration role would cease on the disposal of the land.
8. Whichever option is pursued an application to remove the original planning condition would need to be made and it is recommended that this is applied for once a decision has been reached by the Executive. This will take approx 8 weeks as it follows the same process as a full planning application but once achieved will mean that the land is no longer constrained by the condition.
9. If the Executive were to declare the land surplus then six months' Notice will need to be served to bring the licence to an end.

RISK ASSESSMENT

10. If the application for removal of the condition were unsuccessful any proposed disposal could not then be progressed.

FINANCIAL IMPLICATIONS

11. If the land were to be licensed or leased an ongoing fee or rental would be received. If the land were disposed of the Borough Council would receive a one-off consideration from one or more purchasers.

CONCLUSION

12. The strip of land adjoining 268 Brook Lane is no longer required for greenway purposes and so a longer term arrangement could be considered or the land could be declared surplus to requirement and disposed of.

Reference Papers: None



Record of Executive Decision

7 January 2013 – [xps-130107-r05-kbo](#)

Portfolio:	Policy, Strategy and Finance
Subject:	Disposal of Land Adjoining 268 Brook Lane, Sarisbury Green
Report of:	Director of Finance and Resources
Strategy/Policy	Asset Management
Corporate	A dynamic, prudent, progressive and best practice Council
Objectives:	

Purpose:

To request the Executive to consider the options regarding a strip of land adjoining 268 Brook Lane, Sarisbury Green.

A strip of land originally acquired for a greenway route is no longer required for that purpose. The land has been licensed on a temporary basis to the owners of 268 Brook Lane but options exist for a longer term agreement for the occupation of the land or for the disposal of the land on the open market.

Options Considered:

The Executive received a deputation from Mr Nigel Worwood in relation to this item. At the invitation of the Executive Leader, Councillor Mrs M E Ellerton addressed the Executive on this item.

Following a debate on the matter, an amended recommendation was proposed and duly seconded to leave the current licence arrangements in place and therefore not dispose of the land. Upon being put to the vote, the motion was declared CARRIED (5 Executive Members voting for, 1 against).

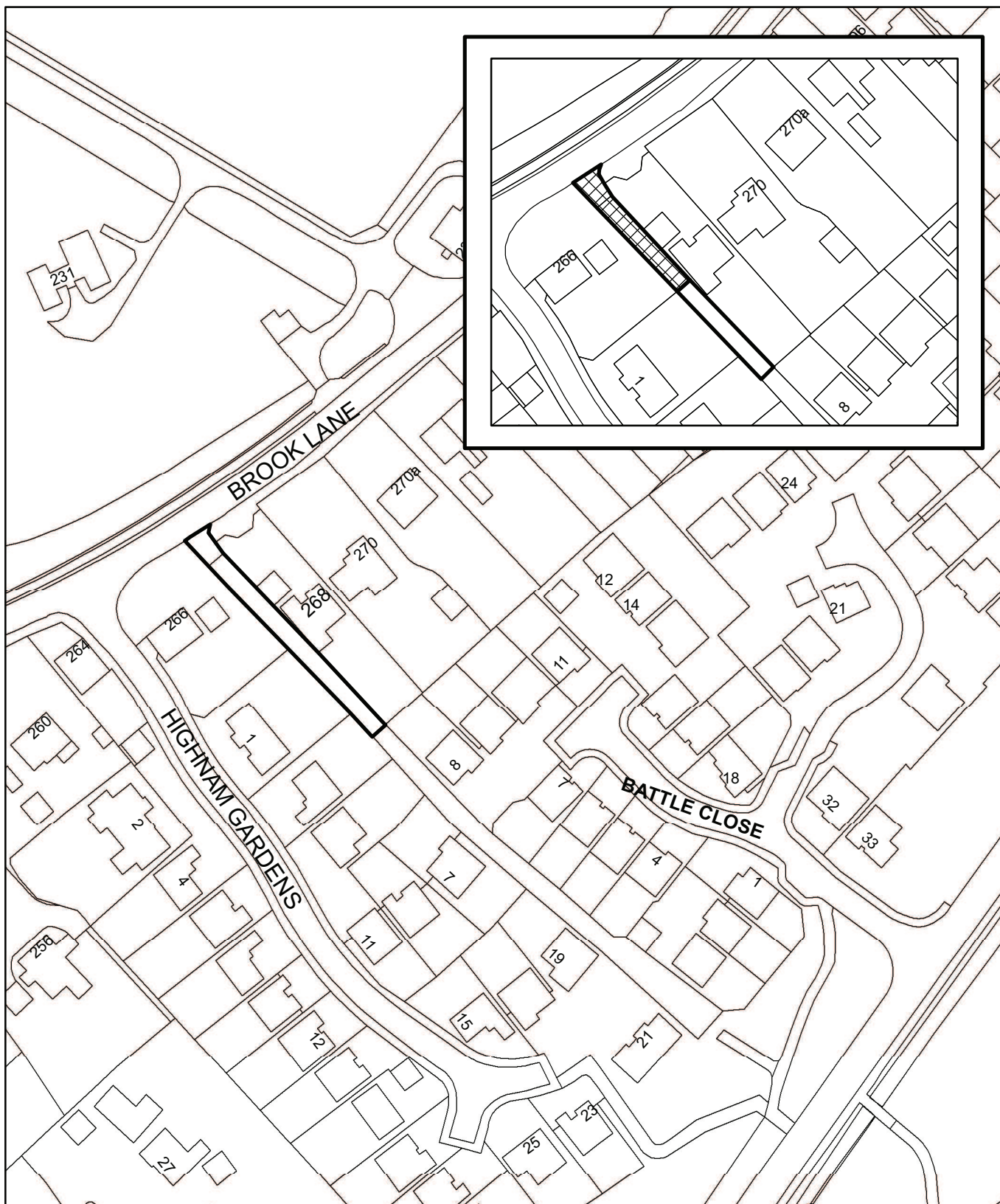
Decision:

That the land is not disposed of, allowing the current licence arrangements to continue.

Reason:

Following a debate on the matter, an amended recommendation was proposed and duly seconded to leave the current licence arrangements in place and therefore not dispose of the land. Upon being put to the vote, the motion was declared CARRIED (5 Executive Members voting for, 1 against).

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FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio: Policy and Resources
Subject: Quarterly Financial Monitoring Report 2013/14
Report of: Director of Finance and Resources
Strategy/Policy: Finance Strategy

Corporate Objective: A dynamic, prudent and progressive Council

Purpose:

This report provides comparative information on the Council's revenue and capital expenditure for the three months ended 30 September 2013. Members are invited to consider the financial performance in the quarter, and any corrective action that may be deemed appropriate.

Executive summary:

This report provides summary information on the overall spending position against the revenue and capital budgets in the current year, as set out in the following tables:-

Revenue	Budget 2013/14	Budget to 30 Sept 13	Actual to 30 Sept 13	Variation
	£000s	£000s	£000s	£000s
Service Budgets	12,712	15,649	15,177	-472
Non-Service Budgets	-2,889	-798	-793	+5
Net	9,823	14,851	14,384	-467

The main variations in spending to 30 September 2013 are within cost of employment (-£221,719). Vacancies are the main reason behind the under spend on the cost of employment.

Capital Programme	Budget 2013/14	Budget to 30 Sept 13	Actual to 30 Sept 13	Variation
	£000s	£000s	£000s	£000s
General Fund	7,614	2,806	2,558	-248
HRA	7,317	1,282	1,051	-231
Total	14,931	4,088	3,609	-479

Revenue and capital spending plans are showing an under spend for the period.

While there are no areas of immediate concern, it is appropriate to monitor financial performance over the final quarter to ensure that any slippage does not adversely affect the services provided to residents and customers. Commentary on the most significant variations is set out in the in the briefing paper accompanying the report.

Recommendation:

That the report on revenue and capital budget monitoring be noted.

Reason:

To provide members of the Executive with a summary of the Council's budgetary performance to 30 September 2013.

Cost of proposals:

Not applicable.

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Quarterly Financial Monitoring Report 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. This report sets out, in detail, the variations between the budgeted and actual income/expenditure to 30 September 2013 for both revenue and capital budgets.

REVENUE EXPENDITURE SUMMARY

2. The details of the budget and spend for each of the Council's committees and portfolios for the first three months are shown in the following table:-

ACTUAL REVENUE EXPENDITURE TO 30 SEPTEMBER 2013

	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £
Committees				
Planning	669,000	337,700	314,842	-22,858
Licensing & Regulatory Affairs	395,800	105,400	60,310	-45,090
Executive - Portfolio Budgets				
- Leisure & Community	1,681,800	506,300	416,689	-89,611
- Health & Housing	1,369,400	554,500	523,275	-31,225
- Strategic Planning & Environment	-234,100	-363,100	-191,471	171,629
- Policy & Resources	2,113,000	11,448,300	11,407,740	-40,560
- Public Protection	2,435,700	1,350,700	1,205,948	-144,752
- Streetscene	4,281,600	1,709,400	1,439,724	-269,676
SERVICE BUDGETS	12,712,200	15,649,200	15,177,057	-472,143
NON-SERVICE BUDGETS	-2,888,900	-797,700	-793,413	4,287
NET BUDGET	9,823,300	14,851,500	14,383,644	-467,856


















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xps-131104-r02-nwo

THE KEY COUNCIL SERVICES

3. The Council has a number of services that would be considered as major or demand led services as they have a large impact on the council tax and any major variation in these budgets could lead to unacceptable rises in council tax. The details are shown in the following table:-

Service	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £	
Parking Services	-1,347,300	-455,600	-353,853	101,747	
Commercial Estates	-2,325,300	-832,400	-749,460	82,940	
Local Tax Collection	1,081,400	611,500	584,805	-26,695	
Community Parks & Open Spaces	913,500	440,300	373,113	-67,187	
Street Cleansing	979,600	473,300	413,951	-59,349	
Processing Planning Applications	209,300	103,100	155,257	52,157	
Homelessness	231,000	239,300	250,740	11,440	
Land Charges	-144,000	-78,000	-103,183	-25,183	
Housing Benefits Payments	0	9,821,000	9,849,398	28,398	
Waste Collection & Recycling Services	1,898,700	992,300	935,953	-56,347	
Trade Waste	-60,400	-389,900	-392,703	-2,803	
Ferneham Hall	390,800	46,500	43,082	-3,418	
Interest on Investments	-874,500	-251,300	-232,763	18,537	
Cost of Employment	15,444,400	7,506,308	7,284,589	-221,719	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				









4. The main variations in the key services are detailed as follows:-

- (a) Parking Services is showing a variation of £102,000 above the budget, which is mainly as a result of reduced income from users of the Council's car parks which is down on budget and also below the level for the same period during the last financial year.

- (b) Commercial Estates is showing that the income due to the Council is under budget by over £83,000. This is mainly due to rental income from the shopping centre which has seen a fall due to empty units reflecting the continued downturn in the retail sector along with competition from other shopping centres. It is anticipated that the overall deficit for the service will be in excess of £150,000 by the end of the financial year.
- (c) Waste Collection and Recycling Services covers Household Waste Collection, Recycling and Garden Waste Collection. These services combined are currently showing an under spend of £56,000. The main reason for the variation is that additional income in respect of recycling has been received.
- (d) Housing benefits payments are currently £28,000 over the budget for the year. The budget was increased at revised stage to reflect the continuing increase in caseload and it is anticipated that the increased expenditure and budget will continue throughout the financial year. Expenditure will be offset by income at year end when Government Grant is received.
- (e) Interest on investments is lower than budgeted for the year due to lower interest rates being achieved. Longer term investments with higher rates continue to reach maturity and are being replaced with shorter term lower rate deals that are reflective of the current position within the investment market.
- (f) Expenditure on employees represents approximately 60% of the Council's gross expenditure (excluding benefit payments) and therefore it is important that the total establishment cost is monitored collectively, as well as monitoring at service level. During the first 6 months of the year, savings on salaries and wages have arisen, mainly as a result of employee vacancies and also due to organisational structure changes. While this has been partly offset by the additional expenditure on agency employees, it is anticipated that there will be an overall saving in this area at the end of the year.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

5. The Council has five fundamental partnerships and it is appropriate that the expenditure in relation to each partnership is specifically monitored. The table below shows the financial performance relating to this Council's element of each partnership:-

Service	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £	
Project Integra	25,000	25,000	24,937	-63	
Community Safety Partnership	269,500	140,800	124,437	-16,363	
Fareham & Gosport CCTV Partnership	214,200	51,100	22,134	-28,966	
Portchester Crematorium Joint Committee	- 150,000	0	0	0	
Building Control Partnership	211,100	105,200	89,293	-15,907	
Key					
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

6. There are no particular causes for concern within the Council's fundamental partnerships.
















CAPITAL PROGRAMME

7. On 11 February 2013, the Executive approved the 2013/14 capital programme for General Fund services of £3.08m and £5.33m for the Housing Revenue Account (HRA), giving a combined total of £8.41m.
8. Details of actual capital expenditure in 2012/13 were reported to the Executive on 8 July 2013 and it was noted that the slippage on the capital programme for 2012/13 of £1.76m for General Fund and HRA services, would now be included in the capital programme for 2013/14, giving a revised total of £10.17m.
9. Since the capital programme was approved earlier in the year, a number of new schemes have been added to the 2013/14 programme:
- Commercial property investment acquisition - £3m
 - Palmerston Avenue housing development - £1.6m
 - Matched funding grants for community groups - £107,500
 - Daedalus Project - £50,000
10. The following table sets out the updated capital programme for 2013/14 and has been used as the basis for monitoring progress to 30 September 2013:-

	Approved Programme £	2012/13 Slippage £	New Schemes £	Total £
Public Protection	0	0	0	0
Streetscene	22,800	31,800	0	54,600
Leisure & Community	1,609,300	613,200	107,500	2,330,000
Health & Housing	585,600	249,800	0	835,400
Strategic Planning & Environment	160,000	125,300	0	285,300
Policy & Resources	702,600	355,900	3,050,000	4,108,500
Total General Fund	3,080,300	1,376,000	3,157,500	7,613,800
Housing Revenue Account	5,333,100	384,400	1,600,000	7,317,500
Updated Capital Programme	8,413,400	1,760,400	4,757,500	14,931,300

MAJOR CAPITAL SCHEMES

11. The Council has a number of major capital schemes where expenditure is in excess of £200,000. These schemes, with forecast budget to 30 September 2013, are detailed in the following table:-

Capital Scheme	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £	
Collingwood House	3,160,600	20,000	11,738	-8,262	
Commercial Property Investment Acquisition	3,000,000	1,700,000	1,719,873	19,873	
Palmerston Avenue	1,600,000	0	0	0	
HRA: Tenants Modernisation	950,000	742,000	709,658	-32,342	
Disabled Facilities Grants	549,000	200,000	198,176	-1,824	
HRA: Replacement Windows and Doors	488,100	125,400	54,845	-70,555	
HRA: Central Heating and Boiler Replacement	485,400	149,200	76,050	-73,150	
Vehicles and Plant	446,800	189,200	105,085	-84,115	
Bath Lane Cricket Pavilion	393,800	10,000	1,050	-8,950	
ICT	264,100	63,900	75,673	11,773	
HRA: Electrical Upgrading	243,400	96,200	84,406	-11,794	
Salterns Promenade	212,500	0	0	0	
	budget currently on track and likely to be in a positive position at year end				
	budget is either off track currently or is expected to be off track at year end				
	budget currently off track and likely to be in a negative position at year end				

12. The main variations in the major schemes where expenditure is over £200,000 are detailed below:-
- (a) A contract has been entered into with Leadbitters for the redevelopment of Collingwood House. Works started on site in mid-October with the scheme finishing in late 2014 or early 2015.
 - (b) In January 2013, the Executive agreed £3m to fund a commercial property investment acquisition programme. Completion of the first purchase Clifton House, an industrial premises located in Segensworth, completed on 1 August 2013 at a purchase price of £1.7m.
 - (c) The £1.6m housing development scheme at Palmerston Avenue was approved by the Executive in June but the Planning Committee has asked for the scheme to be re-designed to incorporate more car parking spaces. The construction works will be put to tender in the near future.
 - (d) For the Tenants Modernisation scheme, a number of properties have received new kitchens and bathrooms due to age and condition. The programme is determined by the recent stock condition survey and is programmed to continue in all areas of the Borough until autumn 2013 where the current contract will be suspended due to a lack of need.
 - (e) £198,176 has been spent on Disabled Facilities Grants with 49 cases completed. Current approvals stand at 39 cases with a value of £204,417 and there are 51 pending cases with an estimated value of £244,500.
 - (f) Replacement doors will be installed to 240 properties this year following a recent tender exercise. This timely work scheduled to commence in December has been identified by stock condition survey findings.
 - (g) Replacement of old and inefficient boilers is being progressed following breakdowns where major repairs have been identified and are considered to be beyond economical repair. A planned boiler replacement programme will be considered in 2014/15 therefore the anticipated under spend will be carried forward.
 - (h) A street cleansing sweeper, garden waste bin lift, two grounds maintenance ride-on mowers and a Transit tipper have been purchased to date from the Vehicles and Plant rolling programme.
 - (i) An application for planning consent has been submitted for Bath Lane Cricket Pavilion and permission is expected to be granted in November 2013. The aim is to have the scheme ready for construction in spring 2014, but it is likely that works will be deferred until the end of the cricket season (September) to minimise disruption to the cricket club.
 - (j) The major projects for the year for the ICT programme include the on-going SharePoint development for the HUB, expanding the use of mobile technology to improve customer contact and data collection at source, replacing and upgrading the internal security infrastructure and continuation of the rolling programme of PC and server upgrades.

- (k) To minimise disruption to users, the Salterns Promenade scheme is being combined with a Hampshire County Council scheme to provide a cycle way alongside the promenade. The designs of both schemes are due to complete in October 2013 and the project will be tendered in November 2013. Work on site will commence next financial year with the exact timing subject to discussion with the successful contractor, the need to avoid work during the peak summer months and the requirement to avoid the over wintering birds nesting season (October to March).
- (l) The electrical upgrades scheme is progressing in line with budget. A programme of periodic electrical inspections is continuing with urgent remedial works being undertaken as identified. Garden Court and Frosthole Close communal areas are programmed to receive a lighting renewal improvement which incorporates the upgrade of the emergency lighting to meet the current British Standard. The project is scheduled to commence in early 2014.

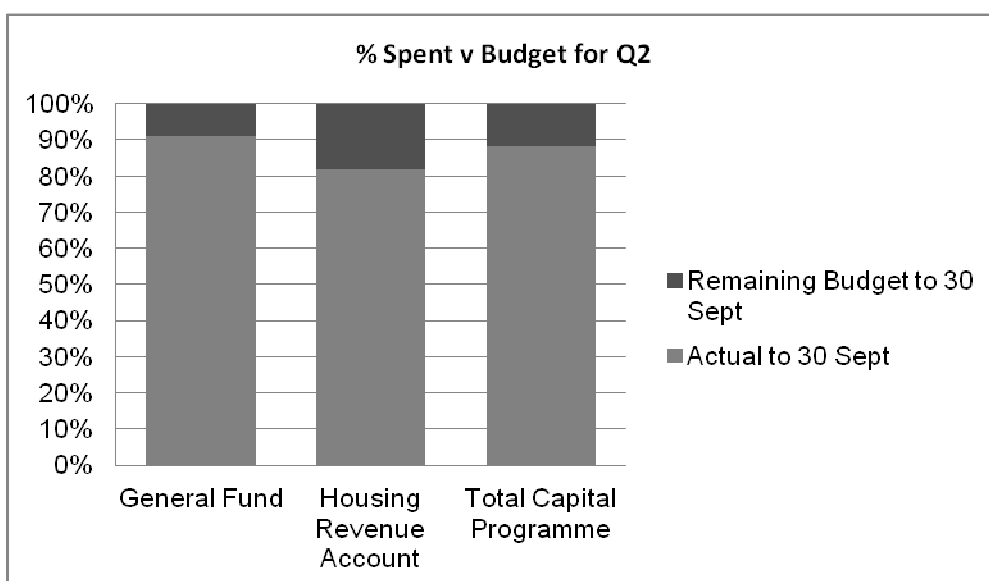
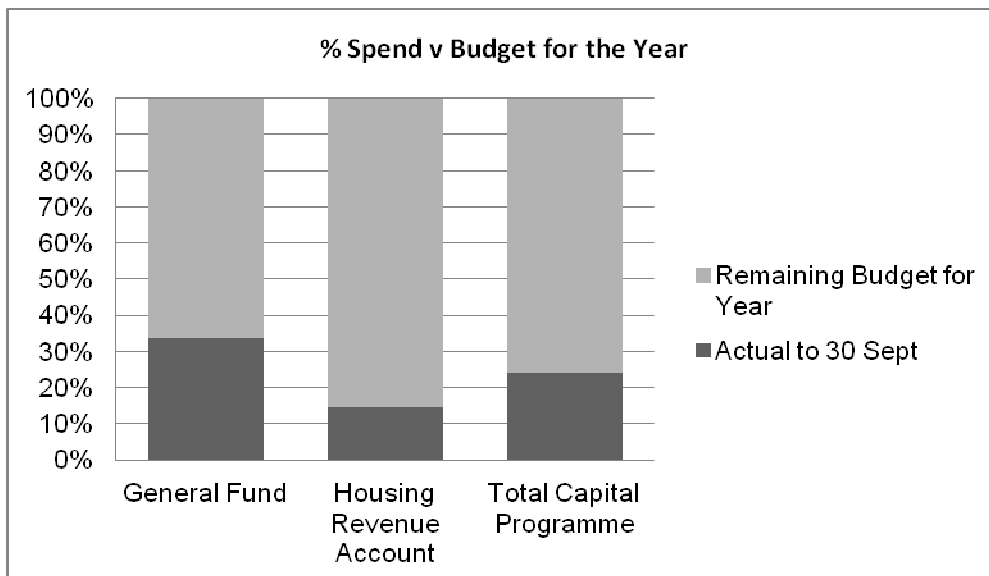
CAPITAL MONITORING

13. The following table provides summary information for the first quarter to 30 September 2013, for the schemes within each portfolio.

	Budget 2013/14 £	Budget to 30 Sept 13 £	Actual to 30 Sept 13 £	Variation £
Public Protection	0	0	0	0
Streetscene	54,600	0	0	0
Leisure & Community	2,330,000	255,350	194,482	-60,868
- Buildings	663,600	41,600	39,675	-1,925
- Play & Parks	258,000	0	0	0
- Outdoor Recreation	1,020,000	106,250	68,807	-37,443
- Grants to Community Groups	107,500	107,500	86,000	-21,500
- Other Community Schemes	280,900	0	0	0
Health & Housing	835,400	376,400	253,954	-122,446
- Home Improvement Loans	673,800	294,800	211,009	-83,791
- Enabling	111,600	81,600	42,945	-38,655
- Other Housing Schemes	50,000	0	0	0
Strategic Planning & Environment	285,300	107,550	93,235	-14,315
- Environmental Improvements	120,000	100,000	93,235	-6,765
- Car Parks	165,300	7,550	0	-7,550
Policy & Resources	4,108,500	2,067,100	2,016,635	-50,465
- Fareham Town Centre	76,600	0	0	0
- Vehicles & Plant	446,800	189,200	105,085	-84,115
- ICT	264,100	63,900	75,673	11,773
- Depot	85,800	37,000	37,349	349
- Civic Offices	171,200	57,000	56,420	-580
- Commercial Property Acquisition	3,000,000	1,700,000	1,719,873	19,873
- Other Schemes	64,000	20,000	22,235	2,235
Total General Fund	7,613,800	2,806,400	2,558,306	-248,094

Housing Revenue Account				
- Improvement Work	1,293,400	888,200	795,001	-93,199
- Energy Conservation	973,500	274,600	130,895	-143,705
- Environmental Work	80,000	50,700	57,491	6,791
- Capitalised Repairs/Renewals	190,000	38,460	38,682	222
- New Build	4,760,600	30,000	28,971	-1,029
- Other HRA Schemes	20,000	0	0	0
Total Housing Revenue Account	7,317,500	1,281,960	1,051,040	-230,920
Total Capital Programme	14,931,300	4,088,360	3,609,346	-479,014

14. The graphs below show the actual expenditure to 30 September 2013 as a percentage of the programme for the equivalent period and for the whole year. 88% of the capital programme has been spent compared to the profiled budget for the second quarter of the year. 24% has been spent compared to the budget for the year.



RISK ASSESSMENT

15. Whilst it would be too early to draw very firm conclusions regarding the final revenue and capital budget position for 2013/14 after six months, it is equally important that the Executive is made aware of the trends in both expenditure and income where they differ from those anticipated when the original budgets were prepared.
16. It is also worth noting that expenditure tends to increase during the latter months of the year as work programmes proceed so any under spends in the first quarter of the financial year are unlikely to continue throughout the whole of the financial year.
17. A potential risk to the capital programme relates to scheme slippages. Delayed schemes could result in increased contract costs for which funding may not be available and could also impact on the Council achieving its corporate objectives.
18. The Council's expenditure and income are monitored by officers throughout the year and these projections will be updated each quarter, as part of the budget monitoring reports. These will be reflected in the Finance Strategy for 2014/15 that which was be presented to the Executive at its meeting in October and also in the Spending Plans report that will be going to the Executive in December.
19. There remains concerns with the general economic climate, which could continue to affect other Council services, particularly within the business sector where a large proportion of the Council's income is reliant on businesses continuing to rent property owned by the Council such as industrial estates or the trade waste service where businesses ceasing to trade can affect income to that service. There is also an impact on services such as car parking where income levels have been reducing over the last couple of years and are continuing to reduce in the current financial year and with increasing competition from other shopping centres.

CONCLUSION

20. It is important that there is a timely reporting system in place to focus the Executive on key variances. To reflect this, revenue and capital monitoring reports include detailed information about the more significant areas of the Council's expenditure and income.
21. No particular actions are considered necessary at the present time as variations will be reflected in the revised budget, which will be considered in detail by the Executive in December 2013 and January 2014. Officers will, however, continue to monitor the actual revenue and capital expenditure very closely and any variance that will impact on the Council's overall financial position will be reported to the Executive as soon as possible, in advance of the normal monitoring arrangements.

Reference Papers:

- (a) 11 February 2013 Executive Report - Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2013/14.
- (b) 11 February 2013 Executive Report - HRA Spending Plans including the Capital Programme for 2013/14.
- (c) 8 July 2013 Executive Report - Actual Capital Expenditure and Financing 2012/13.

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Policy and Resources
Subject:	Daedalus Investment Project: Project Appraisal and Governance Arrangements
Report of:	Director of Finance and Resources
Strategy/Policy:	
Corporate Objective:	To promote the economic success of the Borough

Purpose:

To update Members on the overall progress with the Daedalus Investment project and to seek approval for governance arrangements including setting up a Project Member Working Group and certain delegations of authority to ensure that the project can proceed within the agreed timescales.

Executive summary:

In July 2013 the Executive supported a proposal to provide improvements to the airfield, provision of new hangar space and an Innovation Centre for small businesses at the Solent Enterprise Zone, Daedalus. Subsequently, at its last meeting on 7 October 2013, the Executive agreed revised funding arrangements for the project.

Overall, the project contains some very challenging timescales. Principally among these is the need to complete the Innovation Centre by March 2015. Work has already commenced on initial design work and a procurement process to appoint a Design and Build contractor and other professional consultants with a view to a start on site in May 2014.

Specification and design work on the airfield improvements is underway and work is scheduled to take place between March and June 2014. Preparatory works will also be undertaken to the secondary runway to allow its use during works to the main runway.

Negotiations are underway concerning the location of the new hangar and the timing of its construction with the Homes And Communities Agency (HCA). The nature of its specification and design will be sufficiently flexible to ensure its' suitability for the length of its useful life, but initially will be guided to a certain extent on the outcome of a pre-letting marketing approach.

The report sets out a proposed decision making structure for the project, including the setting up of a member Working Group.

Recommendations:

It is recommended that the Executive

- (a) Agree the governance and decision-making structure as set out in appendix A to the report;
- (b) Consider the composition of the Project Member Working Group and to nominate representatives on the group

Reason:

To enable the project to proceed in line with the proposed timescales whilst ensuring Member involvement and scrutiny.

Cost of proposals:

The cost of supporting the governance structure will be met within existing resources.

- Appendices A:** Decision Making structure
B: Outline project timetable
C: Outline project budget
D: Preliminary sketches of the Innovation Centre for illustrative purposes

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Daedalus Investment Project: Project Appraisal and Governance Arrangements

Briefing by: Director of Finance and Resources Job Title

Portfolio: Policy and Resources

INTRODUCTION

1. The Daedalus Investment Project comprises three distinct, but inter-related elements. A new Innovation Centre will provide office and workshop space for emerging small business and will be funded by a grant of £5.3m from the HCA. This grant is conditional on the provision of improvements to the airfield at a cost of £1.5m and provision of new hangar space, also costing £1.5m, both of which will be funded via borrowing by the Borough Council.
2. The timescale for achieving the completion of these projects by March is very challenging. This is particularly so in the case of the Innovation Centre, a major new build project in a prominent location at the entrance to the site, adjacent to Fareham College's new Centre for Excellence for Engineering, Manufacturing and Advanced Skills Training (CEMAST).
3. The following paragraphs describe the progress in relation to each aspect of the project.

PROPOSAL DETAILS

4. **Innovation Centre.** The Innovation Centre will offer a good quality business incubator facility, providing a total of 25,000 sq ft of space divided between office space, workshop space and common facilities. It will enable new business start ups, encourage entrepreneurship and provide support for new and growing businesses. In line with the objectives of the Enterprise Zone, the Innovation Centre will be targeted at the advanced engineering sector, including marine, aerospace and aviation industries. However, recognising that the Council needs to secure a high level of occupancy, it will not be restricted exclusively to these sectors. It is intended however, that the Centre will work in close co-operation with CEMAST, sharing some facilities and assisting budding entrepreneurs in setting up their own business. It is estimated that it will provide up to 150 new jobs when fully occupied.

5. The Centre will operate on flexible “easy in/easy out” terms to encourage small new businesses and will provide business support to help them survive, thrive and grow. It is anticipated that the availability of larger premises within the immediate area of Daedalus will assist in the move-on process, enabling a level of turnover to encourage further small business.
6. In order for new businesses to qualify for Business Rate Relief for 5 years within an Enterprise Zone, they need to be in occupation by the end of March 2015. It is also a condition of the grant from the HCA that the Centre is completed by this date. This sets a very challenging timescale and one which demands a start on site by May 2014 at the absolute latest.
7. For this reason officers have already started some initial design work. Hampshire County Council (HCC) has been appointed as the Council’s technical adviser under the terms of a Joint Working Agreement between the two Councils and has assisted in procuring the services of an architect to undertake this design work. The design concept which is being developed is based on considerable research into other Innovation Centres and their operators and has been informed by two workshops attended by interested parties including the HCA, HCC, the Solent Local Enterprise Partnership (LEP) and Fareham College.
8. Participants at the workshops agreed a draft vision statement for the Innovation Centre as follows:

The Innovation Centre will be a place which provides new businesses, predominantly within the advanced manufacturing sector, with a range of flexible office and workshop accommodation in which they can be supported to grow and thrive.

9. The initial “concept” for the design is to be flexible so that the split between office and workshop space, the combination of sizes of offices and workshops and the split between “lettable” space and common facilities can all be adjusted as necessary. Initially a set of design principles have been agreed which include the following :
 - The building should make new businesses proud to work in and enable them to impress their clients;
 - The design should be open and inviting with communal space giving opportunities for networking and social interaction and the ability to “create a buzz”;
 - There should be a broad 3:1 ratio of let-able to communal space;
 - There should be a slight bias towards workshop space in the let-able allocation;
 - 50% of the workshop space should be easily convertible into office space, either at the detailed design stage or following completion;
 - A higher percentage of smaller offices to suit new businesses should be provided, but there should be an element of flexibility to enable office sizes to be changed;
 - The building should complement CEMAST but have its own identity.

10. Based on these principles, some initial thoughts have already been given as to how the brief can be interpreted and what type of design could eventually emerge. Some very preliminary sketches are attached at Appendix D. At this stage, it should be stressed that these sketches are for illustrative purposes only to demonstrate how the different types of space can be distributed within a building and how a building could sit on the site. A great deal more work needs to be done before a design is finalised, so the sketches should not be interpreted as how the building will eventually look.
11. The procurement process for a “Design and Build” contractor has already begun with a view to an appointment in early December. The contractor will take over the initial design work and prepare a detailed design, in readiness for an application for full planning consent in mid January. Procurement is also underway for a Quantity Surveyor and Construction Project Manager to oversee the work of the contractor through to completion.
12. It is intended that the Centre will be managed by an operator with considerable experience in the field. Consideration is currently being given to an operator specification which best fits the Council’s vision for the Centre and spreads the risk between the Council and the operator. A procurement process will then commence, resulting in a preferred operator being appointed in time to influence the completed design.
13. The Centre will be located on a site close to the main entrance to the Daedalus site and adjacent to the CEMAST facility. This will create a synergy between the two buildings and assist in the use of shared facilities e.g. conference/meeting rooms, restaurant and use of equipment. It will also help support the potential movement of students at the College into new business start ups at the Innovation Centre. The site is currently owned by the HCA and a 999 year lease will be acquired by the Borough Council.
14. **New Hangar.** The new hangar will provide space for either a new enterprise or for an existing tenant at Daedalus. At this stage, it is intended that the space remains flexible so that it could be used for the storage and maintenance of aircraft or for other manufacturing or engineering facilities which require an airside base close to the main runway. Discussions will be undertaken with prospective new tenants to enable the design and specification to be tailored to suit. However, it is likely that the basic hangar space of approximately 25,000 sq ft. will be procured on a design and build “off the shelf” basis from a specialist supplier and then fitted out accordingly.
15. The development of the hangar is not as far advanced as the Innovation Centre as the lead in time for construction and the construction period itself will not be as long. However, efforts are being made to move it forward as quickly as possible with a view to completion by the end of 2014.
16. HCC will also be acting as a technical advisor to the Council for the project, although their role and the need for other external consultancy support will not be as great as for the Innovation Centre.
17. The new hangar will be located on a prominent site at the northern entrance to the Daedalus site. The land is currently owned by the HCA and will be acquired by the Council on a 999 year lease.

18. **Airfield Improvements.** The improvement work to the airfield will comprise the basic work necessary to prevent further deterioration to the main runway, attract new business and safeguard the site for future investment. Without this work, it is likely that the amount of traffic would decrease, weakening the viability of the airfield and jeopardising the possibility for the airfield to become licensed by the CAA. The proposed work will support an application for a CAA license, eventually allowing for a broader range of aviation uses.
19. The work will include resurfacing, drainage works, the provision of ducting to enable installation of lighting at a future date and an airfield refuelling facility. At present, it does not include upgrading of Air Traffic Control services, but the work carried out now would ensure that this remains an option in future years.
20. The specification has been drawn up by the HCA and HCC are now undertaking design work based on this specification. It is intended that the procurement process will commence at the end of 2013, with a view to starting works on site in March 2014 and completing them by June 2014. The first element of the work will be re-instatement works to enable the second runway to be operational while work is being carried out to the main runway.
21. HCC are currently undertaking all of the infrastructure work on the Daedalus site on behalf of the HCA. HCC will also act as a delivery partner for the Borough Council for the airfield improvements. Due to its in-house expertise HCC will procure and manage the contractor for the execution of the works. The work will be done under the terms of a Joint Working Agreement supported by a funding agreement whereby HCC recovers its actual costs from The Borough Council.

TIMETABLE FOR DELIVERY

22. An outline timetable for whole project is attached at Appendix B. This covers only the headline activities and highlights the dates which are absolutely critical to achieving the whole project on time.

GOVERNANCE AND DECISION MAKING

23. The project is significant in terms of the scale, complexity and importance to the achievement of the Council's corporate objectives. For this reason it is important that there is a clear decision-making structure in place to ensure that the key stages of the project are determined objectively. It is also clear, however, that the timescales for delivering the project are very challenging, if the funding conditions are to be met and the built assets are completed by March 2015.
24. For the above reasons, a decision-making and reporting process is proposed, so that decisions can be made expediently without causing delays to the project, but also so that there is sufficient objective input into the decision-making process. The decision-making structure is set out in Appendix A
25. The role of the Member Working Group for the project is also defined in the appendix and is primarily to act as critical friend and advisory body to support the key decisions that are required to deliver the project. It is proposed that the Working Group comprises 4 Members (3 Conservative and 1 Liberal Democrat) and the Executive are asked to set up the group.

26. The project is the responsibility of the Borough Council and will be led as such. However, the delivery is a priority not only for the Borough Council but also for the Homes and Communities Agency and the Solent Local Enterprise Partnership, both of which have an interest in the project. To support the decision-making process and delivery of the project, an officer-based steering group has been established, comprising representatives of FBC, its delivery partner (HCC) and the partners (Solent LEP and HCA). This group is also assisting in other critical aspects such as design specification, construction and operating arrangements.

PROJECT RISKS

27. As a large and complex project, there are a number of risks associated with it, and these were broadly outlined in the initial report considered by the Executive at their meeting in July 2013, and are re-produced below.
28. *This is an inherently high risk proposition in commercial terms, however, these risks are reduced by the availability of grant funding and favourable loan finance. The most notable risks are explained further below:-*
29. *Development risk – at this stage, the development costs are broad estimates. The nature of the site is such that costs could escalate due to contamination, site constraints or variations to the specification. This risk is carried by FBC as lead body and ultimate asset owner.*
30. *Occupancy risk (hangar) – the hangar would provide commercial premises in a niche market, with a limited demand. While there is every possibility of letting the space, the value will be determined by the wider site infrastructure and suitability/availability of the runway. This risk is carried by FBC (as landlord), but is partially mitigated through a condition on the airfield improvement to ensure it remains accessible for at least 10 years.*
31. *Occupancy risk (Innovation Centre) – There is a reasonable supply of incubator units in the local area, which this proposal would compete against. Independent evidence will be sought to support the assumption that demand exists and that rents are set at an attractive, competitive level. The proposal has been modelled using a conservative occupancy rate, but a 5% change in occupancy would result in a c.£0.5m variation in the 25 year business plan. Equally, a reduction of £50/sqm would result in a c.£1.5m variation in the 25 year business plan.*
32. *Tenant Default risk (Innovation Centre) – The nature of the centre is such that leases will be offered on very flexible terms to tenants who are likely to have a limited track record and whose customer base is unlikely to be well established. There is therefore a higher risk of default which undermines the positive operating position and restricts the ability to repay the Growing Places loan. This risk will be carried by FBC but mitigated partially through flexible loan repayment terms offered by the LEP and by offering mentor/support services through the managing agent of the Centre.*
33. At an early stage, the Member Working Group will be provided with an assessment of the project risks, to assist in monitoring the project.

FINANCIAL IMPLICATIONS

34. An outline project budget is attached at Appendix C, which covers the total estimated capital cost of £8.35m. It should be stressed that, at present, many of the figures are provisional and depend on the outcome of procurement processes which are currently being undertaken and on negotiations on land values. However, they are the best estimates available at the moment and are based on extensive due diligence work and research on the costs of similar projects.

CONCLUSION

35. The three inter-related projects represent an exciting investment opportunity for the Borough Council which will complement the investment already secured for the Daedalus site and assist in the achieving the overall objectives of the Enterprise Zone. In particular, the overall project will provide a facility for business start-ups, currently lacking in the Enterprise Zone, help seed further growth and complement the developing CEMAST facility. The airfield improvement works will secure essential upgrading to the main runway to a standard that will eventually enable the granting of a CAA license.
36. The timescales are, however, very challenging, with a required completion date for the three projects of March 2015. The governance arrangements outlined in this report are designed to ensure that this date is achieved whilst enabling proper scrutiny by members of the council at crucial points in the development.

Reference Papers:

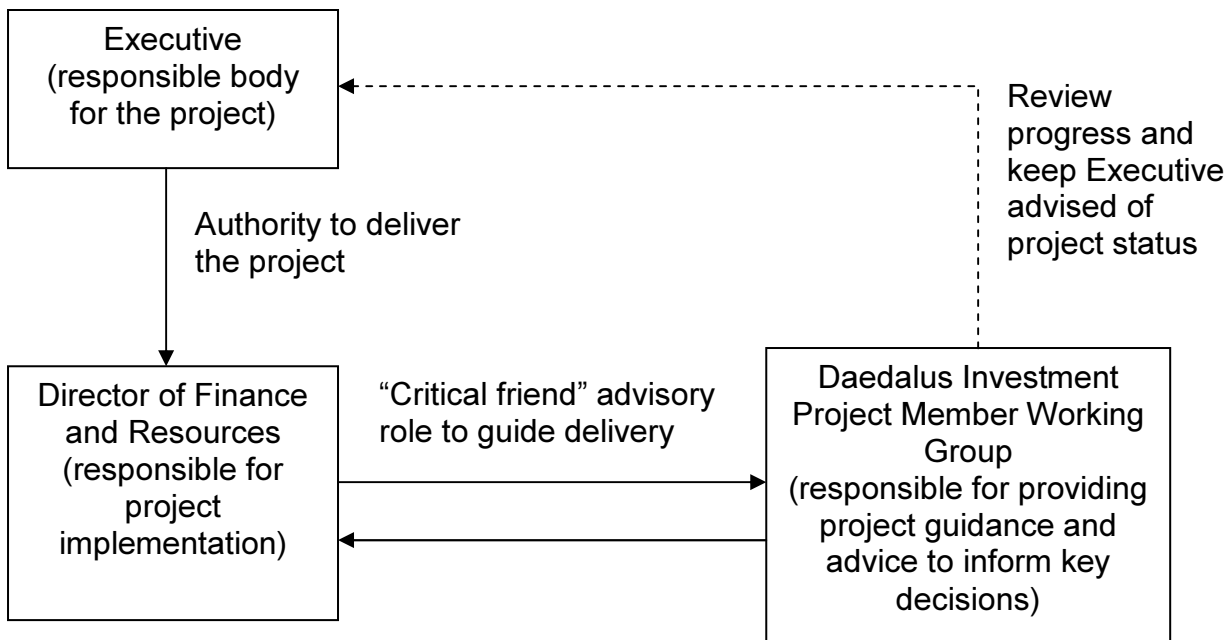
Previous Executive Reports,

July 2013: Daedalus Investment Opportunity (xps-130708-rx01-awa)

October 2013: Daedalus Investment Opportunity - Update (xps-131007-r09-awa)

APPENDIX A

DECISION-MAKING STRUCTURE



DAEDALUS INVESTMENT PROJECT MEMBER WORKING GROUP

To act as critical friend to the project delivery team by

- i. Overseeing progress against the project timetable
- ii. Periodically reviewing the project costs against the agreed budget
- iii. Assisting the delivery team in determining the design features of the Innovation Centre and Hangar space
- iv. Assisting the delivery team in determining the most appropriate basis for managing the Innovation Centre
- v. To make recommendations to the Director of Finance and Resources in relation to the award of contracts, delegated to him by the Executive.
- vi. To provide periodic project status reports to the Executive.

EXECUTIVE

Retain overall responsibility for the delivery of the project

Maintain an overview of the project by receiving regular, periodic reports on project progress from the Project Member Working Group and Director of Finance and Resources

To approve changes to the overall project budget

To delegate authority to the Director of Finance and Resources to make decisions, as set out below, to enable the critical path of the project to be maintained.

DIRECTOR OF FINANCE AND RESOURCES

Delegated authority to:

- (a) Appoint a Quantity Surveyor and Construction Project Manager for the project
- (b) Conclude land transactions within the Enterprise Zone, sufficient to enable construction to be undertaken
- (c) Formally sign off the final design specification for the built assets
- (d) Award the construction contracts for the three project elements, to the most economically advantageous bidder, using previously agreed award criteria
- (e) Award the contract for operate the Innovation Centre

All delegations are subject to the costs being contained within the overall budget available for the project and, in relation to (c), (d) and (e) above, only following consultation with the Project Member Working Group. All decisions will be reported retrospectively to the Executive.

DAEDALUS PROJECT TIMETABLE- HEADLINE ACTIVITIES

(OCTOBER 2013 ONWARDS)

OVERARCHING ACTIONS

ACTIVITY	START	FINISH
Finalise Funding agreement for Innovation Centre	1/10/13	31/10/13
Finalise loan agreements for hangar and airfield improvements	17/10/13	15/11/13
Finalise land acquisition agreements for Innovation Centre and hangar sites	4/11/13	6/12/13
Draft Communications Plan for life of project	4/11/13	18/11/13
Implement Communications Plan	1/12/13	31/3/15

INNOVATION CENTRE

ACTIVITY	START	FINISH
Appoint consultant architect		1/10/13
Agree design principles	1/10/13	15/10/13
Undertake initial design work	1/10/13	31/11/13
Undertake second stage market analysis	7/10/13	31/10/13
Procurement exercise for QS and Construction Project Manager	8/10/13	31/10/13
Appoint QS and CPM	5/11/13	5/11/13
Procurement exercise for Design and Build contractor	8/10/13	16/11/13
Appoint D&B contractor	22/11/13	22/11/13
Agree initial design	9/12/13	13/12/13
Procurement exercise for Centre operator	28/10/13	6/12/13
Appoint preferred Centre operator	15/12/13	15/12/13
Undertake detailed design work	16/12/13	31/3/13
Secure planning consent for Innovation Centre	15/1/14	14/3/14
Construction period	1/5/14	31/3/15
Marketing period	1/4/14	31/3/15
Complete Innovation Centre		31/3/15

NEW HANGAR SPACE

ACTIVITY	START	FINISH
Discuss provision of hangar with potential new tenants	14/10/13	11/11/13
Draft specification for Hangar construction	18/11/13	9/12/13
Agree specification	9/12/13	13/12/13
Procurement process for Design and Build contractor	2/1/14	12/2/14
Appoint D&B contractor	26/2/14	26/2/14
Secure planning consent	1/3/14	31/5/14
Construction period	1/6/14	30/9/14
Complete hangar		30/9/14

AIRFIELD IMPROVEMENTS

ACTIVITY	START	FINISH
Specify airfield requirements	1/10/13	31/10/13
Undertake design works	1/11/13	30/11/13
Agree works license with HCA	1/11/13	30/11/13
Procurement exercise for airfield contractor	1/12/13	15/1/14
Appoint airfield contractor	8/2/14	8/2/14
Undertake preparatory works to second runway	1/3/14	31/3/14
Undertake main airfield improvements	1/4/14	30/6/14

NOTE: Critical activities and dates highlighted in bold type

DAEDALUS PROJECT
PROVISIONAL CAPITAL DUDGET

Innovation Centre

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Design and Build Contract	450	3950	400	4800
Land acquisition**	300	0	0	300
Professional fees (Architect, QS, CPM, CDM, BREEAM, Legal fees)	100	30	0	130
HCC Fees (Technical adviser)	40	18	0	58
FBC Project management costs	20	14	0	34
Due Diligence work	15	0	0	15
Planning and Building Control fees	15	0	0	15
	940	4012	400	5352

** Subject to DV valuation

New hangar

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Design and Build Contract*	250	1000	0	1250
Land acquisition**	200	0	0	200
HCC Fees (Technical adviser)	15	5	0	20
Legal fees	10	0	0	10
FBC Project management costs	7	5	0	12
Due diligence work	5	0	0	5
Planning and building control fees	15	0	0	15
	502	1010	0	1512

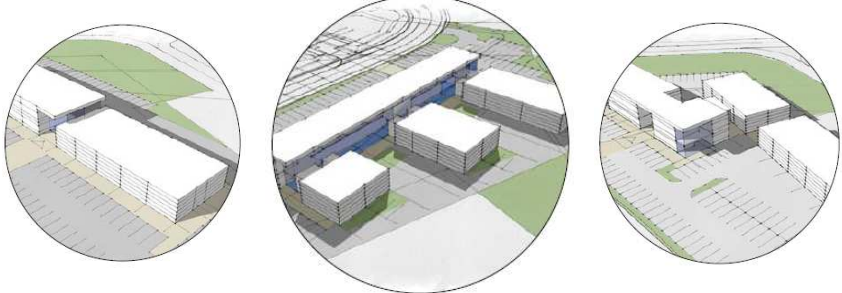
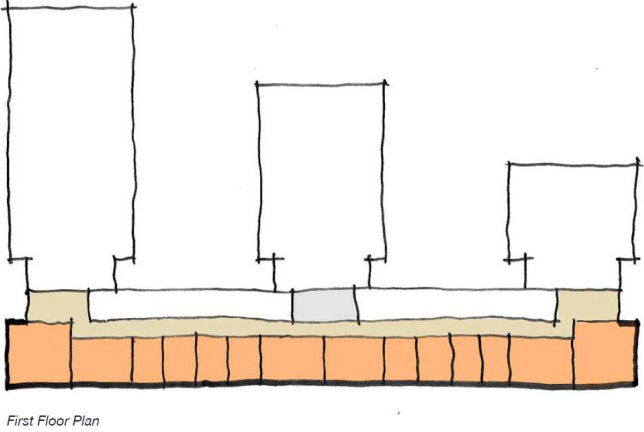
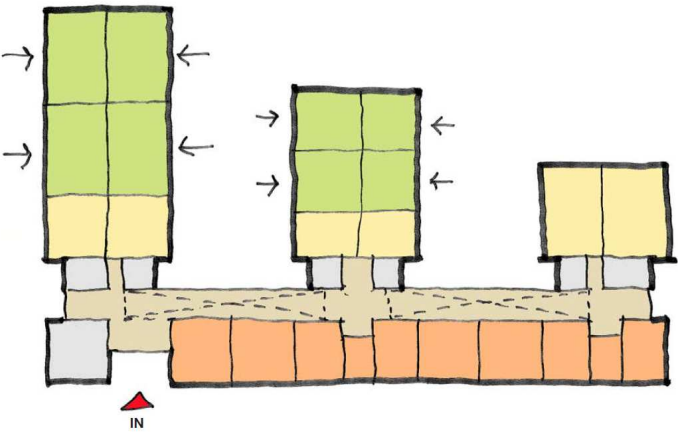
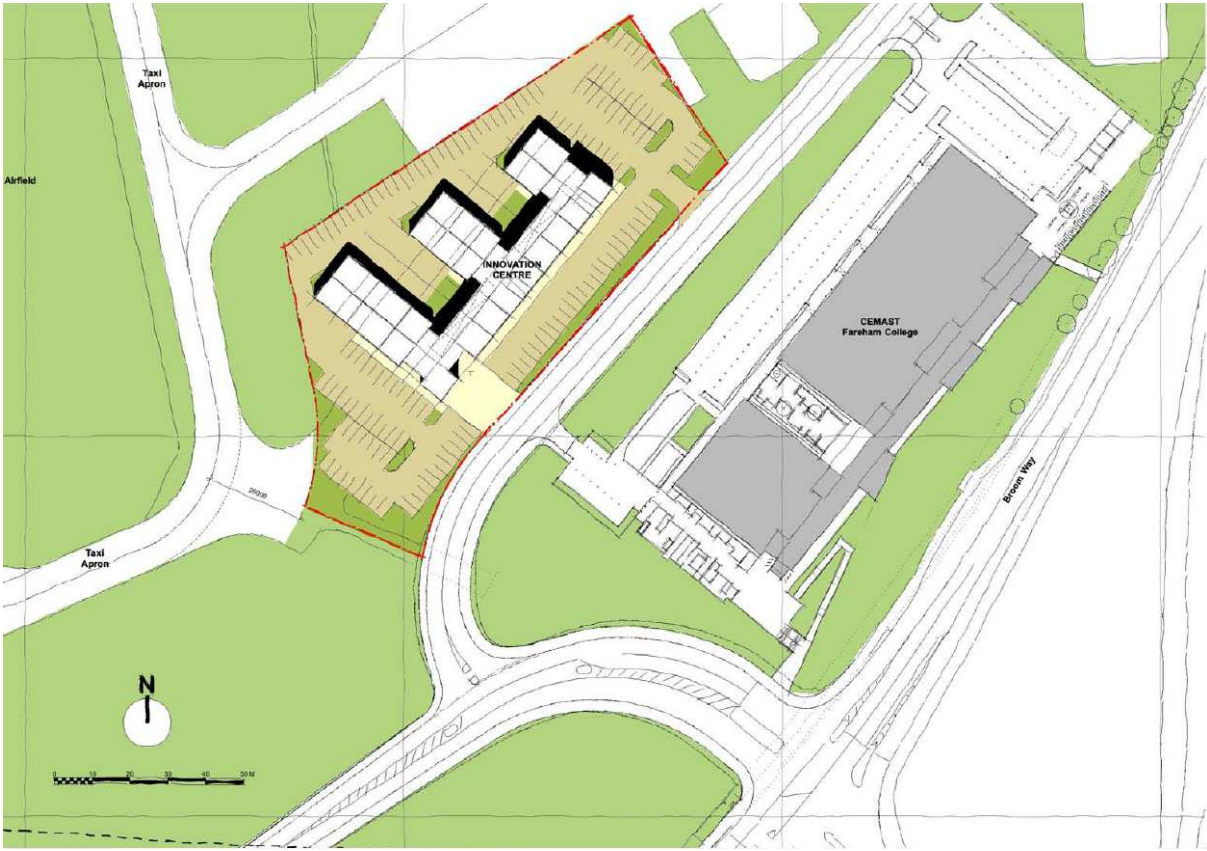
* At this stage, this is an all inclusive figure including an "off the shelf" hangar, preparatory ground works, fitting out and any related professional fees. It will need refinement over the next two to three months

** Subject to DV Valuation

Runway Improvements

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Runway works	0	1350	0	1350
HCC Fees (Design and contract management)	80	50	0	130
Legal fees	5	0	0	5
FBC Project management costs	3	2	0	5
	88	1402	0	1490

ILLUSTRATIVE EXAMPLE OF INNOVATION CENTRE CONCEPT AND LOCATION



- Office
- High-bay workshop
- Workshop (conversion to offices possible)
- Circulation
- Support

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 4 November 2013

Portfolio:	Policy and Resources
Subject:	Treasury Management Monitoring Report 2013/14
Report of:	Director of Finance and Resources
Strategy/Policy:	Finance and Treasury Management Strategies
Corporate Objective:	A dynamic, prudent and progressive council

Purpose:
This report summarises the Council's investment activity up to 30 September 2013 and provides details of the Council's money market transactions.

Under the Code of Conduct that governs the operation of the money markets, it is not possible to make public details of specific transactions. For this reason, Appendix A is included in the confidential part of the agenda.

Executive summary:

This report gives the Executive the opportunity to review the treasury management activity up to 30 September 2013 along with the Treasury and Prudential Indicators.

The overall position is set out in the following table:

Investments	Externally Managed £m	Internally Managed £m	Call Accounts £m	Total £m
At 1 April 2013	10.0	12.0	10.8	32.8
New	7.0	9.0	62.9	78.9
Repaid	7.0	7.0	52.2	66.2
At 30 Sept 2013	10.0	14.0	21.5	45.5

The actual fixed term investments are set out in Appendix A with more detailed information set out in the briefing paper.

Performance for the first half of the year for the treasury and prudential indicators are shown in detail in Appendix B. During the financial year to date the Council has operated within the treasury limits and prudential indicators.

Recommendation:

That the treasury management monitoring report be noted.

Reason:

To inform the Executive of the Council's investment, borrowing and repayment activity up to 30 September 2013.

Cost of proposals:

Not applicable.

Appendices A: Externally & Internally Managed Investments (Confidential Appendix)

B: Q2 Treasury and Prudential Indicators

C: Treasury and Prudential Indicators Explained

Background papers:

Exempt by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 4 November 2013

Subject: Treasury Management Monitoring Report 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report therefore ensures this Council is implementing best practice in accordance with the Code.
2. The total amount of fixed term investments and call accounts as at 30 September 2013 was £45.5 million, as summarised below. The movements during the year for fixed term investments are detailed in Appendix A.

Investments	Externally Managed £m	Internally Managed £m	Call Accounts £m	Total £m
At 1 April 2013	10.0	12.0	10.8	32.8
New	7.0	9.0	62.9	78.9
Repaid	7.0	7.0	52.2	66.2
At 30 Sept 2013	10.0	14.0	21.5	45.5

3. The increase in funds of £12.7 million during the first half of the year was mainly due to the timing of precept payments, receipts of grants and progress on the capital programme.

INVESTMENT STRUCTURE

4. The structure of the investments at 30 September is shown in the table below. Over the past few years, most investments have been held on short periods to mitigate the risks that have been seen during the recession. At the same time, officers have actively sought to spread investments across a wider range of counterparties rather than operating at the upper limit for investments to limit the exposure to financial loss.

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xps-131104-rx01-cha

5. Throughout this period of uncertainty, officers have been taking advice from the Council's retained treasury advisor, Capita Asset Services (previously known as Sector), to ensure that decisions are taken in light of the latest facts at the time. This has given rise to lower interest rates being secured but this is the lowest priority consideration compared to the security of investments and the liquidity of cash flow.
6. The Council's fixed term investments are partly managed externally by Tradition UK Ltd. The role of the broker is to determine the most appropriate investment option within criteria set by the Council. All cash transfers are made by Council officers and Executive approval has been given for the allocation of up to £13 million to the externally managed portfolio. This retains sufficient funds within the direct management of officers, while still ensuring that maximum yield is achieved from the longer term investments.
7. The investment structure is sufficient to meet the capital programme and other large cash outflows.

Investment Structure	External £m	Internal £m	Call £m	Total £m
For periods of less than 1 month	1.0	0	17.5	18.5
For periods of 1 to 3 months	2.0	0	0	2.0
For periods of 3 to 6 months	0	5.0	4.0	9.0
For periods of 6 to 12 months	5.0	9.0	0	14.0
For periods of 1 to 2 years	2.0	0	0	2.0
Total Investments at 30 Sept 2013				
Investments for periods < 365 days	8.0	14.0	21.5	43.5
Investments for periods 365+ days	2.0	0	0	2.0

8. To increase the liquidity of the Council's investments, call accounts with Nat West (including a 95 day notice account), Santander and HSBC are being used. These accounts offer quick access to funds however they do attract a lower rate of interest than some of the fixed term investments shown in the table above.
9. The balance within each call account as at 30 September 2013 is set out in the following table:-

Call Accounts	£m
NatWest	5.5
NatWest - 95 day notice	4.0
Santander UK	6.0
HSBC	6.0
Total	21.5

ECONOMIC UPDATE

10. Summary for the quarter ended 30 September:
 - After strong growth of 0.7% in Q2, it appears that the UK GDP is likely to have grown at an even faster pace in Q3.
 - Consumer spending also continued to rise and may beat the increase seen in Q2.

- The run of good news on the labour market continued, with the unemployment rate falling to 7.7% in July from 7.8% in June.
- The cost of new credit has continued to fall, perhaps in response to the extension of the Bank of England's Funding for Lending Scheme (FLS) earlier this year.
- Demand in the housing market continued to grow at a fast pace, supported by the FLS and the Government's Help to Buy scheme, which provide equity loans to credit-constrained borrowers.
- The new Governor of the Bank of England, Mark Carney, took office in July. Alongside the August Quarterly Inflation Report, the Bank introduced its new policy of forward guidance in which the Monetary Policy Committee pledged not to raise official interest rates, or reduce the size of the asset purchase facility until the unemployment rate falls to 7%. The guidance was subject to three 'knockouts' which, if breached, would invalidate the guidance.
- CPI inflation fell from a 2013 peak of 2.9% in June to 2.7% in August. The fall was primarily the result of a drop in the contribution from petrol prices and a reduction in core inflation.

11. Summary outlook for the UK:

- Growth has been on an upward trend – 0.3% in Q1; 0.7% in Q2 and likely to be much stronger in Q3. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. However, this is still a long way away from the UK getting back to sustainable strong growth.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is still vulnerable to what happens in overseas markets.
- Consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.

12. Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

INTEREST RATES

13. The base rate has remained at 0.5% since March 2009. Capita Asset Services undertook a review of its interest rate forecasts in late September as a result of an increase in confidence in economic recovery, chiefly in the US, but more recently, also in the UK and Eurozone. The latest forecast now includes a first increase in Bank Rate in quarter 3 of 2016 (previously quarter 4).

14. Investment rates available in the market have continued at historically low levels and have fallen further during the first half of the year as a result of the Bank of England's Funding for Lending Scheme. Investment income has dropped significantly over the past few years as long term investments with high interest rates have matured. Actual investment income for 2012/13 was £647,800 with the budget for 2013/14 set at £737,700 for the General Fund and HRA.

BORROWING

15. The Council's external long term debt amounted to £40.6 million as at 1 April 2013. This is as a result of the HRA reforms (£40m) and the Hampshire County Council interest free loan for Portchester Community Centre (£0.6m). Further borrowing is anticipated in 2013/14 in relation to the Solent Growing Places Fund for Daedalus.
16. The Council has taken out ten £4 million loans from the PWLB with duration of between 40 and 50 years at an average interest rate of 3.50% as detailed in the table below:-

Repayment Date	Loan Amount	Interest Rate
30/09/2052	£4m	3.52%
30/09/2053	£4m	3.51%
30/09/2054	£4m	3.51%
30/09/2055	£4m	3.51%
30/09/2056	£4m	3.50%
30/09/2057	£4m	3.50%
30/09/2058	£4m	3.50%
30/09/2059	£4m	3.49%
30/09/2060	£4m	3.49%
30/09/2061	£4m	3.48%
Total	£40m	3.50% average

17. Interest payable for 2013/14 is budgeted at £1,870,900 and will be met by the HRA. £1,400,400 relates to the PWLB loans and £470,500 for interest on internal borrowing between the General Fund and the HRA.

STRATEGY COMPLIANCE

18. The Council's Treasury Management Strategy Statement for 2013/14, which includes the Annual Investment Strategy 2013/14, was approved by the Council on 22 February 2013. It sets out the Council's investment priorities as being:
- Security of capital;
 - Liquidity; and
 - Yield
19. The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in higher rates in periods up to 12 months with highly credit rated financial institutions.
20. The compliance with the various elements of the strategy are set out in the following table:-

Compliance on Individual Elements	Yes/No	Notes
Borrowing only up to "supported" level	Yes	No borrowing this quarter
All investments with approved institutions	Yes	Treasury management advisors provide updated list of approved institutions weekly
All individual investments within prescribed financial limits	Yes	There are currently 5 institutions where the total investment is at the maximum level. They are Lloyds TSB Bank (£8m limit), Barclays Bank, HSBC, Santander (£6m limit), and Skipton BS (£2m limit)

21. No changes to the Council's Treasury Management Strategy Statement and Annual Investment Strategy 2013/14 are considered necessary at this time as the rules currently being applied to investments are much tighter than those approved within the Treasury Management Strategy.

COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

22. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) were approved by the Executive at its meeting on 11 February 2013.
23. Performance for the first half of the year is shown in Appendix B and the purpose of each indicator is explained in more detailed in Appendix C. During the financial year to date the Council has operated within the treasury and prudential indicators.

RISK ASSESSMENT

24. There are no significant risk considerations in relation to this report.

Reference Papers:

11 February 2013 Executive Report - Treasury Management Strategy and Prudential Indicators 2013/14

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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2013/14 Prudential and Treasury Indicators - Quarter 2 Performance

Indicator	Description	Approved Indicators 2013/14	Quarter 2 Position	Performance Rating
Aff.1	Affordability Measure: Financing Costs as a percentage of net revenue streams			☺
1a	Overall Position	2%	1.9%	
1b	General Fund	-14%	-3.2%	
	Housing Revenue Account	15%	14.9% (estimated)	
Aff.2	Affordability Measure: Incremental impact of capital investment on Council Tax and Housing Rents			☺
2a	Council Tax increases, borrowing costs only	£1.15	No unsupported borrowing undertaken, therefore no affect on rent or council tax increases	
2b	Housing Rent increases, borrowing costs only	£0.65		
Aff.3	Affordability Measure: Capital Expenditure (£'000s)	Estimate to 30 Sept 13	Actual to 30 Sept 13	☺
	General Fund	£2,806	£2,558	
	Housing Revenue Account	<u>£1,282</u>	<u>£1,051</u>	
	Total Capital Expenditure	£4,088	£3,609	
Aff.4	Affordability Measure: External Debt Level (£'000s)			☺
	Authorised limit, comprising	£61,000	Long term external debt is £40.6m and short term debt is £1.429m	
	- borrowing	£57,000		
	- other long term liabilities	£4,000		
	Operational boundary, comprising	£49,000		
	- borrowing	£47,000		
	- other long term liabilities	£2,000		
Aff.5	Affordability Measure: Capital Financing Requirement (£'000s)			☺
	General Fund CFR closing balance in the year	£51,051	No anticipated change to the planned position for CFR items	
	HRA CFR closing balance in the year	-£2,754		
		£53,805		

Indicator	Description	Approved Indicators 2013/14	Quarter 2 Position	Performance Rating
Pru.1	<p>Prudence Measure: Gross Debt and Capital Financing Requirement (CFR), (£'000s)</p> <p>Gross External Borrowing level CFR (for last, current and next 2 years) Has measure been achieved? Memorandum Item: Prudence margin</p>	<p>-£42,271 £204,204 Achieved £161,933</p>	<p>-£42,029 £204,204 Achieved £162,175</p>	
Pru.2	<p>Prudence Measure: Adoption of the CIPFA Treasury Management Code of Practice</p> <p>Has the Code been adopted in its entirety?</p>	Yes	Yes	
Pru.3	<p>Prudence Measure: Upper Limits to fixed and variable interest rate exposure</p> <p>Upper limit to variable interest rate exposures Upper limit to fixed interest rate exposures</p>	<p>25% 100%</p>	All investments at fixed rates.	
Pru.4	<p>Prudence Measure: Maturity structure of borrowing</p> <p>Loans maturing within 1 year Loans maturing within 1 - 2 years Loans maturing within 2 - 5 years Loans maturing within 5 - 10 years Loans maturing in over 10 years</p>	<p><u>Upper Limit</u> 25% 25% 25% 50% 100%</p>	No borrowing undertaken in Quarter 2	
Pru.5	<p>Prudence Measure: Total Principal sums invested for periods of more than 364 days (£'000s)</p> <p>Upper Investment Limit for the year</p>	£16,000,000	<p>£2m 1-2 years £0m 2-3 years £0m 3-4 years</p>	

Details of the Treasury and Prudential Indicators

This appendix explains each of the prudential indicators, as defined in the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in Public Service Code of Practice.

Affordability

Aff.1: Financing costs as a percentage of net revenue stream

This compares the total principal and net interest payments on external debt less interest and investment income to the overall total revenue spending of the authority. The indicator must be calculated separately for the General Fund and Housing Revenue Account (HRA).

Aff.2: The incremental impact of capital investment on the Council Tax and Housing Rents

This indicator requires the General Fund net revenue streams to be converted into an estimated Band D Council Tax for each of the next three years. This will mean making assumptions on the levels of Government grant and Non Domestic Rates expected as well as the Council Tax base and spending plans. Only the element of any increase/decrease in Council Tax that relates to the Council's capital investment plans is reported in the indicator. A similar indicator must be calculated for average weekly rents in the HRA.

Aff.3: Capital expenditure

This indicator reports the Council's capital expenditure for the current year.

Aff.4: External debt

This indicator reports on the external debt limits (made up of borrowing and other long term liabilities). The two limits set are:-

The *authorised limit*. This is the maximum amount the authority allows itself to borrow.

The *operational boundary*. This reflects the most likely (prudent) but not worst case scenario of the debt position of the authority. This is also an "upper" limit, so does not reflect the expected external debt level for the Council on a day to day basis, but should link directly to capital spending plans, the capital financing requirement and daily cash-flows.

There may be occasions when the operational boundary for borrowing is temporarily breached - for example, if a capital receipt is not received on the due date. Such breaches must be monitored to identify trends, but do not need to be reported. On very rare occasions, the authorised limit may be breached and this must be reported to members.

Aff.5: The Capital Financing Requirement (CFR)

This indicator reports the actual capital financing requirement (CFR) for the General Fund and HRA. The CFR comprises the sum of the value of fixed assets (land, buildings etc), deferred charges (spending on assets not owned by the Council, such as capital grants to housing associations) and other capital accounts on the balance sheet (revaluation reserve and capital adjustment account). By adding these values together, the total represents a good approximation of how much capital investment has been funded from borrowing.

Prudence

The aim of this category of indicator is to ensure that medium and long term borrowing is only for capital purposes and that authorities are not taking out long term borrowing to fund revenue spending.

Pru.1: Gross external borrowing and the capital financing requirement

This indicator is used to compare the gross external borrowing against the total capital financing requirement (see Aff.5 above) for current year plus any additions to the total capital financing requirement for the coming year and two following years. The gross external borrowing figure should always be the lower figure.

Pru.2: Adoption of the CIPFA Treasury Management Code of Practice

The Code requires an explicit statement from the Authority that it has adopted the above Code published by the Chartered Institute of Public Finance and Accountancy, in full.

Pru.3: Upper limits to fixed and variable rate exposures

This indicator sets upper limits on the amount of net borrowing (total borrowing less investments) with fixed interest rates and variable interest rates for a three year period. By applying these thresholds, the exposure to fluctuations in interest rates can be controlled.

Pru.4: Maturity structure of borrowing

This indicator sets upper and lower limits on the amount of borrowing due to be repaid in a given period on fixed rate borrowing. The purpose of this indicator is to ensure that the Council has a balanced portfolio of debt, avoiding any major peaks and troughs over the life of the total debt.

Pru.5: Total principal sums invested for periods of more than 364 days

This sets a limit on the amount of money than can be invested for more than one year.