

FAREHAM

BOROUGH COUNCIL

AGENDA FOR THE EXECUTIVE

Date: Monday, 7 July 2014

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, MBE, Public Protection (Deputy Executive Leader)

Councillor B Bayford, Health and Housing

Councillor K D Evans, Planning and Development

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 2nd June 2014.

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. Leisure and Community

Non-Key Decision

(1) Cams Alders Recreation Ground - Vision for New Sports Facilities (Pages 7 - 12)

A report by the Director of Community.

(2) The Centenary Fields (Pages 13 - 16)

A report by the Director of Community.

(3) Coldeast Swimming Pool: Project Governance Arrangements (Pages 17 - 28)

A report by the Director of Community.

9. Planning and Development

Non-Key Decision

(1) Response to Consultation - Stubbington Bypass (Pages 29 - 66)

A report by the Director of Planning and Development.

10. Policy and Resources

Key Decision Notice

(1) Welborne Infrastructure Funding Strategy (Pages 67 - 124)

A report by the Director of Finance and Resources.

(2) Efficiency Savings (Pages 125 - 132)

A report by the Director of Finance and Resources.

Non-Key Decision

(3) Daedalus Investment Project - Progress Update (Pages 133 - 138)

A report by the Director of Finance and Resources.

(4) Actual General Fund Revenue Expenditure 2013/14 (Pages 139 - 154)

A report by the Director of Finance and Resources.

(5) Actual Housing Revenue Account Expenditure and Financing 2013/14
(Pages 155 - 160)

A report by the Director of Finance and Resources.

(6) Actual Capital Expenditure and Financing 2013/14 (Pages 161 - 172)

A report by the Director of Finance and Resources.

(7) Treasury Management Annual Report 2013/14 (Pages 173 - 182)

A report by the Director of Finance and Resources.

(8) Pulheim Twinning 30th Anniversary (Pages 183 - 190)

A report by the Director of Finance and Resources.

P GRIMWOOD
Chief Executive Officer

www.fareham.gov.uk

27 June 2014

**For further information please contact:
Democratic Services, Civic Offices, Fareham, PO16 7AZ
Tel: 01329 236100
democraticservices@fareham.gov.uk**

FAREHAM

BOROUGH COUNCIL

Minutes of the Executive

(to be confirmed at the next meeting)

Date: Monday, 2 June 2014

Venue: Collingwood Room - Civic Offices

Present:

S D T Woodward, Policy and Resources (Executive Leader)
T M Cartwright, MBE, Public Protection (Deputy Executive
Leader)
B Bayford, Health and Housing
K D Evans, Planning and Development
Mrs C L A Hockley, Leisure and Community
L Keeble, Streetscene

Also in attendance:

Mrs S M Bayford, Chairman of Streetscene Policy Development and Review Panel
Miss S M Bell, Chairman of Leisure and Community Policy Development and Review
Panel
Mrs M E Ellerton, Chairman of Health and Housing Policy Development and Review
Panel
M J Ford, JP, Chairman of Appeals Committee
A Mandry, Chairman of Planning and Development Policy Development and Review
Panel
Mrs K Mandry, Chairman of Public Protection Policy Development and Review Panel
D C S Swanbrow, Chairman of Scrutiny Board
Mrs K K Trott, for item 10(1)



1. APOLOGIES FOR ABSENCE

There were no apologies given for this meeting.

2. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 12 May 2014 be confirmed and signed as correct record.

3. EXECUTIVE LEADER'S ANNOUNCEMENTS

There were no Executive Leader's announcements made at this meeting.

4. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at this meeting.

5. PETITIONS

There were no petitions presented at this meeting.

6. DEPUTATIONS

There were no deputations made at this meeting.

7. MINUTES / REFERENCES FROM OTHER COMMITTEES

(1) Minutes of meeting Tuesday, 22 April 2014 of Housing Tenancy Board

RESOLVED that the Executive received the minutes of the Housing Tenancy Board held on 22 April 2014.

8. APPOINTMENT OF MEMBERS TO AREAS OF RESPONSIBILITY

The Executive Leader confirmed that his decision to appoint Executive Members to their areas of responsibility, as advised at the Annual Council meeting on 29 May 2014 for the municipal year 2014/15 was as follows:

Planning and Development - Councillor K D Evans;
Leisure and Community - Councillor Mrs C L A Hockley;
Health and Housing - Councillor B Bayford;
Public Protection - Councillor T M Cartwright;
Streetscene - Councillor L Keeble; and
Policy and Resources - Councillor S D T Woodward.

9. EXECUTIVE APPOINTMENTS

RESOLVED to appoint Executive Members to the following bodies for 2014/15:-

- (i) Fareham Museum Joint Management Committee - Councillors Mrs C L A Hockley and B Bayford;
- (ii) Portchester Crematorium Joint Committee - Councillors K D Evans and L Keeble;
(NB. In the past, the Executive has not appointed 'substitute' members to this joint committee. However, the Executive may, if it so wishes authorise other members of the Executive to act as deputies)
- (iii) Fareham and Gosport Building Control Members' Panel –Councillor K D Evans;
- (v) Partnership for Urban South Hampshire (PUSH)

As PUSH is a formal Joint Committee, the following appointments are required to be made by the Executive for 2014/15:-

- (a) Joint Committee representatives – Executive Leader (Councillor S D T Woodward) and Deputy Executive Leader (Councillor T M Cartwright);
 - (b) Sub-Group Meetings –the appropriate Executive Members (as relevant); and
 - (c) Meeting with Key Consultees and similar Consultation Meetings – Councillors S D T Woodward and T M Cartwright.
- (vi) CCTV Partnership - Councillor T M Cartwright.
 - (vii) Fareham and Gosport Environmental Health Partnership Panel - Councillor T M Cartwright.

10. LEISURE AND COMMUNITY

- (1) Award of Contract - Bath Lane Changing Rooms

At the invitation of the Executive Leader, Councillor Mrs K K Trott addressed the Executive on this item.

RESOLVED that the Executive agrees:

- (a) to award a contract to Hampshire Partitioning Contracts for the sum of £464,270.76 for the extension and refurbishment of the sports changing rooms at the Bath Lane Recreation Ground; and
- (b) that the capital budget for the changing rooms element of the project be increased by £44,000 to a total of £444,000.

11. PLANNING AND DEVELOPMENT

- (1) Community Infrastructure Levy Review - Preliminary Draft Charging Schedule

RESOLVED that the Executive approves that:

- (a) the First Review Community Infrastructure Levy Preliminary Draft Charging Schedule consultation document (as set out at Appendix A) be published for a six week consultation period in accordance with the Community Infrastructure Levy Regulations 2010 (as amended);
 - (b) the Director of Planning and Development, in consultation with the Executive Member for Strategic Planning and Environment, be authorised to make any necessary minor changes to the Preliminary Draft Charging Schedule consultation document prior to publication for consultation; and
 - (c) the proposed timetable for the review of CIL, set out in the accompanying Executive Briefing Paper, be approved.
- (2) Welborne Design Guidance Supplementary Planning Document - Draft for Consultation

RESOLVED that the Executive approves:

- (a) the Draft Welborne Design Guidance Supplementary Planning Document, as set out in Appendix A, be published for a six-week public consultation;
 - (b) the Director of Planning and Development, in consultation with the Executive Member for Planning and Development, be authorised to make any necessary minor changes to the Design Guidance, prior to publication, providing that these do not change the overall direction, shape or emphasis of the document, and do not raise any significant new issues; and
 - (c) the Draft Welborne Design Guidance Supplementary Planning Document be endorsed as interim guidance to be afforded due weight in the determination of planning applications at the Welborne site.
- (3) Welborne Planning Obligations Supplementary Planning Document - Draft for Consultation

RESOLVED that the Executive approves that:

- (a) the Draft Welborne Planning Obligations and Affordable Housing Supplementary Planning Document, as set out in Appendix A, be published for a six-week public consultation;
- (b) the Director of Planning and Development, in consultation with the Executive Member for Planning and Development and Executive Member for Health and Housing, be authorised to make any necessary minor changes to the document, prior to publication, providing that

these do not change the overall direction, shape or emphasis of the document, and do not raise any significant new issues; and

- (c) the Draft Welborne Planning Obligations and Affordable Housing Supplementary Planning Document be endorsed as interim guidance to be afforded due weight in the determination of planning applications at Welborne site.

- (4) Fareham Borough Planning Obligations Supplementary Planning Document (excluding Welborne) - Draft for Consultation

RESOLVED that the Executive approves that:

- (a) the Draft Planning Obligations and Affordable Housing Supplementary Planning Document for the Borough of Fareham (Excluding Welborne), as set out in Appendix A, be published for a six-week public consultation;
- (b) the Director of Planning and Development, in consultation with the Executive Member for Planning and Development and Executive Member for Health and Housing, be authorised to make any necessary minor changes to the document, prior to publication, providing that these do not change the overall direction, shape or emphasis of the document, and do not raise any significant new issues; and
- (c) the Draft Planning Obligations and Affordable Housing Supplementary Planning Document for the Borough of Fareham (Excluding Welborne) be endorsed as interim guidance to be afforded due weight in the determination of planning applications across the Borough.

12. POLICY AND RESOURCES

- (1) Matched Funding Report

RESOLVED that the Executive agrees:

- (a) that matched funding of up to £25,000 be awarded for Holy Rood Church; and
- (b) that matched funding of up to £9,800 be awarded for Portchester Community School.

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. POLICY AND RESOURCES

- (1) Business Rate Relief Application - The Rowans Hospice Trading Company Ltd

RESOLVED that the applicant, The Rowans Hospice Trading Company Ltd, be advised the relief cannot be granted in respect of the properties in question.

- (2) Tenders - Six Monthly Report

RESOLVED that details of all tenders received and contracts awarded during the six month period ending 6th April 2014, as set out in Appendix A to this report, be noted.

(The meeting started at 6.00 pm
and ended at 6.25 pm).

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Leisure and Community
Subject:	Cams Alders Recreation Ground - Vision for New Sports Facilities
Report of:	Director of Community
Strategy/Policy:	Leisure Strategy
Corporate Objective:	Leisure for Health and Fun

Purpose:

To consider proposals for developing a vision for new and improved sports facilities and enhancements to the public open space at The Cams Alders Recreation Ground.

Executive summary:

Cams Alders Recreation Ground is situated in South Fareham and is one of the largest open space areas for formal outdoor sport in the Council's ownership. The site is approximately 14 hectares with sports pitches and a mix of built facilities.

The existing sports facilities are tired and dated and both Fareham Town Football Club and Fareham Heathens Rugby Club, who are the main sports users, are seeking help and support from the Council to deliver new and improved facilities.

The site is an important area of public open space and has the potential to provide modern quality sports facilities and high quality public open space, which will benefit residents of the Borough and increase participation in physical activity.

If the site is to accommodate new sports facilities and enhancement to the open space it will be essential to ensure the long term viability of the facilities and to take into account the needs of the wider community.

It is considered that this will be best achieved by the Council leading on the preparation of a vision for the site in partnership with the different user groups as a prelude to any re-development proposals being considered.

Recommendation/Recommended Option:

That the Executive is requested to:

(a) establish a steering group to develop a vision for new and improved sports facilities and enhancements to the public open space at Cams Alders Recreation Ground; and

(b) nominate an elected member to act as chairman for the group.

Reason:

To inform any future decision to re-develop the sports facilities on the site, ensuring that appropriate consideration is given to the needs of the wider community and the long term sustainability of any new sports facilities.

Cost of proposals:

The cost of the proposals in this report can be met from current revenue budgets.

Appendices: **None**

Background papers:

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Cams Alders Recreation Ground - Vision for New Sports Facilities

Briefing by: Director of Community

Portfolio: Leisure and Community

INTRODUCTION

1. Cams Alders Recreation Ground is situated in South Fareham and is one of the largest sites for formal sport in the Council's ownership. The site is approximately 14 hectares with sports pitches and a mix of built facilities with ample car parking located on the site.
2. The Council has recently been approached by Fareham Town Football Club and Fareham Heathens Rugby Club, who are the main outdoor sports users, about proposals they are considering to enhance the facilities that they currently lease from Fareham Borough Council.
3. Both clubs are seeking help and support from the Council to bring their proposals to fruition and they will require substantial financial contributions from external sources in order to deliver any new and improved facilities.
4. The site has real potential and there is an opportunity to provide modern high quality sports facilities and to enhance the quality of public open space, which will benefit residents of the Borough and increase participation in physical activity.
5. However, the site is a valuable area of public open space and the needs of the wider community as well as the sports facilities need to be considered. It is felt that this can be best achieved by the Council leading on the preparation of a vision for the site in partnership with the different user groups.

BACKGROUND

6. The site itself is poorly laid out as a result of ad hoc development of facilities which have occurred as opportunities have arisen over a number of years. Apart from the modern Rainbow Centre and Palmerston Indoor Bowls Centre, the built facilities have a tired and run down appearance and the poor landscaping of the site does little to enhance the vista across the exposed and open area of land.
7. Access to the site is through the industrial estate on Palmerston Drive and this is controlled by a height barrier to deter unauthorised access. There is a secondary access from Highfield Avenue, although this is permanently gated to avoid the

disruption of traffic movements through the site.

8. There is car parking capacity of approximately 150 spaces including 6 accessible bays at the entrance to the Rainbow Centre and a further car park with 102 spaces that serves the Palmerston Indoor Bowls Centre.
9. The recently constructed Bus Rapid Transport (BRT) link runs north to south on the eastern boundary of the recreation ground.
10. On the southern border of the site there is a plant community that has resulted in this area being designated as a SINC.
11. There are a number of different organisations who are based at the Cams Alders Recreation Ground. The following provides a summary of their activities and the arrangements they have in place.

Fareham Town Football Club: T

12. In October 1999 the club was granted a 99 year lease of the Cams Alders Stadium plus football pitches situated to the north and the east of the stadium respectively. The lease included for the provision of an artificial football pitch to be constructed by the tenant within the stadium compound. In addition in 2004 a sub-lease was granted from the Council for the former public toilet block which the club have converted into changing rooms.
13. The construction of the 'V-Club' lounge under the main stand was completed in 2010.
14. A number of planning applications have previously been submitted by the club to re-develop the stadium including a driving test centre in 2007, a private all weather five a side football facility in 2011 and a care home development in the 1990's.
15. Most recently the club has approached the Council regarding proposals for developing entertainment and community facilities on the site and improvements to the existing football stadium.

Fareham Heathens Rugby Club:

16. In 1999 the club was granted a 20 year lease for the changing rooms and bar facility to the south of the access road. It also holds a short term 3 year lease for the two rugby pitches situated on the south of the site, which commenced in October 2012. The club holds a lease for two ancillary buildings on the site which commenced for a 17 year term in October 2012.
17. The club runs two senior men's teams and women's rugby has expanded rapidly over recent years and the colts section currently has 5 mini and four junior teams.
18. The club has started to consider ambitious plans to develop a community club house and changing facilities on the site of the existing pavilion.

Palmerston Bowling Club:

19. In 2004, the Palmerston Indoor Bowls Club was granted a 42 year lease of the indoor bowls facility. The facility has its own dedicated car park with approximately 102 parking spaces.

Rainbow Centre:

20. In 2006 The Rainbow Centre entered into a 125 year lease for the “Bradbury” building located adjacent to the main car park. The Rainbow Centre works with children with Cerebral Palsy and adults with a stroke, MS and Parkinson’s disease through a system of learning called Conductive Education.

PLANNING POLICY

21. The site is designated as “open space” and so the most relevant Planning Policy to consider is CS21 (Protection and Provision of Open Space) of the adopted Core Strategy. This Policy states that *“development which would result in the loss of, or reduce the recreational value, of open space including public and private playing fields, allotments and informal open space will not be permitted, unless it is of poor quality, under-used, or has low potential for open space and a better quality replacement site is provided which is equivalent in terms of accessibility and size”*.
22. Therefore any development proposals that would result in a loss of open space will need to consider the justification for the loss and the potential issue of replacement provision. Any loss of playing fields is also likely to result in objections from Sport England.
23. New proposals will also need to consider design implications, given the open nature of the site, and potential impacts on neighbouring development. Existing neighbouring development should have their amenity and outlook protected and should not be subjected to adverse light and noise impact.
24. Traffic implications will need to be considered, with access to the site currently via Palmerston Business Park and by Highfield Avenue, although there is no through route. Additional traffic via Highfield Avenue should be avoided where possible to limit the impact on the existing residential properties in this area. Sufficient parking will also need to be provided on site to meet the requirements of the existing or replaced facilities as well as any additional development.

PROJECT BRIEF FOR DEVELOPING THE VISION

25. It is proposed to establish a steering group to oversee the preparation of a vision for the provision of high quality and sports facilities at the Cams Alders Recreation Ground.
26. The Executive is requested to nominate an elected member to act as the Chairman for the steering group.
27. The group will be made up of an elected member (to act as chairman), officers and representatives from the two sports clubs. Other users of the site and interested parties will be invited to join the meeting of the steering group as and when required.
28. The purpose of the steering group will be to prepare a vision for Cams Alders for consideration by the Executive. The steering group will prepare a project brief to engage specialist advice to inform the development of the vision. The brief will include consideration of the following:
 - a) Identify the current and future strategic sports development needs in the Fareham area, including the needs of the clubs and organisations that use the sports facilities at Cams Alders.

- b) Determine the best mix of facilities that are required to meet the identified need, given consideration to the need to provide a revenue stream that will enable the facilities to be managed on a sustainable basis.
- c) Determine the development space requirements and resultant land take necessary to deliver the facilities and provide an illustration of the most efficient and effective lay out of facilities.
- d) Consider how the quality of the site can be enhanced to ensure there is an appropriate balance of formal sports facilities and high quality accessible public open space.
- e) Evaluate the planning policy considerations for the site and how these may influence or constrain any development proposals.
- f) Identify the potential to replace lost open space in accordance with planning policy.
- g) Determine the capital costs for developing new facilities and any open space improvements.
- h) Evaluate the different opportunities for generating both capital and grant funding required to deliver the facilities.
- i) Develop a long term business plan that reflects the need to ensure facilities are maintained to a high standard and managed on a sustainable basis ensuring provision is made for future investment.
- j) The business plan should illustrate how the facilities can be operated to ensure that general public have can access the facilities.
- k) Consider the opportunities for establishing a charitable trust that will hold the lease and oversee the management, maintenance and future investment in the facilities.

CONCLUSION

- 29. The sports facilities at the Cams Alders Recreation Ground are tired and dated and both the main sports users are seeking help and support from the Council to deliver proposals they are considering to improve the facilities they lease.
- 30. As a valuable area of public open space, the site has real potential and there is an opportunity to provide modern high quality sports facilities and enhance the quality of public open space, which will benefit residents of the Borough and increase participation in physical activity.
- 31. If the site is to be redeveloped to accommodate new sports facilities and enhancement to the open space it will be essential to ensure the long term viability of the facilities and that the needs of the wider community are taken into account. It is considered that this can be best achieved by the Council leading on the preparation of a vision for the site in partnership with the different user groups as a prelude to guide any future re-development of the sports facilities.

Reference Papers: None

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio: Leisure and Community
Subject: **The Centenary Fields Programme**
Report of: Director of Community
Strategy/Policy: Leisure for Health and For Fun
Corporate Objective:

Purpose:

To advise the Executive about the Centenary Fields Programme and to seek approval to nominate Sarisbury Green as a dedicated Fields in trust site.

Executive summary:

The Centenary Fields programme is a nationwide initiative aimed at protecting recreational spaces in perpetuity, to honour the memory of those who lost their lives in World War I.

The Programme aims to encourage every local authority in the UK to nominate at least one recreational space to be dedicated as a Centenary Field to commemorate this historic event and create a tangible legacy that will be valued by the local community for generations to come.

Recommendation/Recommended Option:

The Executive is invited to nominate Sarisbury Green for the Centenary Fields Programme.

Reason:

To participate in the Centenary Fields Programme.

Cost of proposals:

The financial implications from the recommendations in the report can be met from within existing budgets.

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: The Centenary Fields Programme

Briefing by: Director of Community

Portfolio: Leisure and Community

INTRODUCTION

1. The Centenary Fields Programme has been launched to commemorate a significant milestone in history and create a local legacy in recognition of this important event.
2. Access to outdoor space is vital for communities and plays an important role in providing a place for both physical activity and relaxation. The Inverdale report, published in May 2010, states that there is evidence that nationally the number of playing fields has reduced from 26,000 in 1992 to 20,000 in 2009.
3. The Centenary Fields Programme aims to protect the war memorial parks, playing fields or any other green spaces that local authorities may wish to dedicate in memory of those who lost their lives
4. The Fields in Trust (FIT) and the Royal British Legion are working together to deliver the Centenary Fields programme, which is in keeping with the spirit of the Armed Forces Community Covenant to which the Council is a signatory.
5. FIT currently protects over 2,500 public recreational spaces. Many of these are already dedicated to specific people or purposes, notably the King George V Memorial Playing Fields, which were established as a memorial to the Monarch after his death in 1936, and the QEII Fields Challenge to celebrate the Diamond Jubilee and London Olympic and Paralympic Games in 2012, as well as the 2014 Commonwealth Games.

The following Fareham Borough Council owned open spaces already have dedicated status:

- Bath Lane Recreation Ground
- Allotment Road
- Wicor Recreation Ground
- Seafield Park
- King George V Play Area.

6. In addition the following Council owned playing fields are registered as charities:
- Swanwick Lane Recreation Ground;
 - Sarisbury Green;
 - Crofton Recreation Ground; and
 - Titchfield Recreation Ground.

PROPOSAL

7. FIT and the Royal British Legion are inviting each Local Authority throughout the United Kingdom to nominate at least one recreational space in their area that they would be happy to protect as a Centenary Field.
8. FIT have confirmed that a site can only be nominated as a Centenary Field if it has no other award Status.
9. Existing sites protected by FIT and new sites to be afforded protection by Fields in Trust need to satisfy the following criteria if they are to be accepted into The Centenary Fields programme .The criteria are:
- Evidence of title permitting site use for outdoor, sport, play and/or recreation;
 - Sites may be provided with facilities and equipment or used as general open space, and established for that purpose by way of planning requirements;
 - Each site's principal use should be outdoor sport, play and/or recreation;
 - The minimum acceptable size is 0.2 hectare (0.5 acre);
 - Sites need to be accessible in terms of location;
 - Sites need to be accessible in terms of affordability for the community concerned;
 - Sites should be open to the public, and established charitably or, as facilities held by a sports club under the Community Amateur Sports Club regime or held as Public Open Space;
 - All sites will need local managers, who will be responsible for the quality of facilities, their maintenance and development, improving participation and use, and financial and operational sustainability; and
 - Compliance with existing legislation relating to sport, play or open space.
10. In respect of the legal process, once the site has been agreed by the Executive, Fareham Borough Council will be required to complete a deed of dedication to protect the nominated green space in perpetuity. This does not require any change to the ownership and management of the site which will remain entirely with the Council.
11. In consideration of the criteria above, Sarisbury Green has been identified as a suitable location to be nominated for the Centenary Fields programme.

RISK ASSESSMENT

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

FINANCIAL IMPLICATIONS

13. The financial implications from the recommendations in the report can be met from within existing budgets.

CONCLUSION

14. The Centenary Fields programme is a nationwide initiative aimed at protecting recreational spaces in perpetuity, to honour of the memory of those who lost their lives in World War I.
15. To commemorate this historic event, it is proposed that Sarisbury Green be nominated to participate in the Centenary Fields Programme.

Reference Papers: None

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 7 July 2014

Portfolio:	Policy and Resources
Subject:	Coldeast Swimming Pool: Project Governance Arrangements
Report of:	Director of Community
Strategy/Policy:	Leisure Strategy
Corporate Objective:	Leisure for Health and Fun

Purpose:

To update Members on the progress of the Coldeast Swimming Pool project and to seek approval for the proposed 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:

Swimming is a sport enjoyed by many people and brings enormous health benefits. The provision of a swimming pool in the Western Wards has been a high corporate priority for a number of years.

In April 2014, the Executive agreed an outline project brief and project funding to deliver a new swimming pool at Coldeast.

Overall, the project contains some very challenging timescales with an aspiration to complete the Swimming Pool by April 2016. Work has already commenced on the procurement process to appoint (1) a Project Manager, (2) a Design and Build Contractor and (3) a Leisure Consultant to input to the design of the new facility and lead on the procurement of the future operator.

This report describes the progress to date and sets out the proposed decision making structure for the project, including the setting up of a member Working Group.

Recommendations:

It is recommended that the Executive;

- (a) agrees the governance and decision-making structure as set out in appendix A to the report; and
- (b) considers the composition of the Project Member Working Group and nominates representatives to 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: Project Risks

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 7 July 2014

Subject: Coldeast Swimming Pool: Project Governance Arrangements

Briefing by: Director of Community

Portfolio: Policy and Resources

INTRODUCTION

1. Swimming is a sport enjoyed by many people and brings enormous health benefits.
2. The provision of a swimming pool in the Western Wards has been a high corporate priority for this Council for a number of years.
3. Research has shown there is a high demand for a public swimming pool in the western wards with many residents travelling outside of the borough to access public swimming. In addition, the swimming pool at Fareham Leisure Centre is extremely popular and has operated at capacity for many years and is currently being refurbished.
4. After a number of previous consultations and false dawns, the Executive were pleased to confirm the location, outline specification and project funding for a new swimming pool to be built at Coldeast at their meeting in April 2014.
5. The Coldeast Swimming Pool Project involves a number of inter-related elements. Design and construction of the new swimming pool and gym; construction of a new junction, service road and parking, design and layout of a new sports pitch and the selection and appointment of a leisure operator for the new facility. A provisional budget of £7M has been approved for the design and construction of the new swimming pool, with an additional £1M of developer contributions available for the provision of the sports pitches and associated infrastructure.
6. The Council has an aspiration to achieve the completion of these projects by April 2016, which is a very challenging target. This is particularly so in the case of the Swimming Pool which will require a new road junction and service road leading onto Barnes Lane. The design and build quality of the new swimming pool and associated sports facilities will be critical to the future success and financial viability of the new facilities.

7. This report describes the progress to date and sets out the proposed governance arrangements for the delivery of this important project.

PROPOSAL DETAILS

8. The Swimming Pool will comprise a 6 lane x 25m pool, a separate learner pool, a changing village, spectator viewing area, a minimum of 100 work station gym, a separate exercise room/ dance studio, office accommodation, reception and car parking for approximately 200 cars.
9. The site will be accessed via a new service road leading from Barnes Lane, which will serve the swimming pool complex, allotments, cemetery and the new playing pitches (comprising 1 adult and 1 junior football pitch and 1 cricket wicket).
10. Procurement is underway for a Construction Project Manager to oversee the work of the contractor through to completion. Officers have issued a project brief and advertised the opportunity to provide Project Management Services on the South East Business Portal. The Project Management Services include the role of Employers Agents, Construction Project Manager, Construction Design and Management (CDM) Coordinator and Quantity Surveying services. The Council received a good response to the advert and 4 companies with relevant leisure project management experience have been shortlisted to tender. Final tenders were due back on 13 June 2014. Following an appraisal of the tender submission, applicants will be invited to attend for an interview to discuss their proposals and explore the working relationship in more detail. It is expected that the Project Management consultancy will be appointed by 30 June.
11. The procurement process for a "Design and Build" contractor has already begun with a view to an appointment in early August. Officers are using the iESE framework to appoint the Design and Build Contractor (the contractor responsible for the architectural design and construction of the new facilities). This is a multi-authority collaborative framework which is owned by Hampshire and Surrey County Councils. The framework offers collaborative working and early contractor engagement to deliver cashable efficiencies and time and cost predictability. It has previously been used by the Council to deliver the new changing rooms at Wicor and the Business Innovation Centre at Daedalus.
12. The framework comprises a list of 8 Design and Build Contractors who have been vetted and prequalified to join the list of approved contractors. An outline project specification and provisional budget was provided to each of the contractors with an invitation to express an interest in tendering for the project by submitting details of their relevant experience and proposed project team. Three contractors expressed an interest and have been invited to submit more detailed proposals for evaluation. The Design and Build Contractors Teams will be invited for interview in July and it is hoped that the successful contractor will be appointed by early August.
13. The Design and Build Contractor will be responsible for the initial design work and prepare a detailed design. It is hoped that initial design work will be available in October for public consultation with the aim of submitting an application for full planning consent by December.

14. It will be important to have leisure expertise input to the design process to ensure the design offers a durable good quality environment and maximises the future revenue return. Leisure consultancy advice will also be required to advise on the most appropriate method and lead on the appointment of the leisure operator for this new facility. Procurement of the Leisure Consultant has already begun with a view to an appointment by early September.
15. On completion of the construction phase it is intended that the Leisure Operator will be responsible for fitting out the new swimming pool and gym complex. This will help to ensure that final fit out and gym best fits the operator's specification and requirements.

TIMETABLE FOR DELIVERY

16. An outline timetable for the whole project is attached at Appendix B. This is an ambitious timetable and will be subject to review following the successful appointment of the Project Manager and the Design and Build Contractor. The outline timetable covers only the headline activities and highlights the dates which are absolutely critical to achieving the whole project on time.

GOVERNANCE AND DECISION MAKING

17. 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 aspiration is for the new facility to be completed by April 2016.
18. 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
19. 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 is asked to set up the group.

PROJECT RISKS

20. 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 April 2014 and have been updated to reflect current progress (see Appendix D).
21. 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

22. An outline project budget is attached at Appendix C, which covers the estimated

capital cost of £8.2M for constructing the swimming pool and sports pitches. Additional funding will be required to provide the road junction and service road leading off Barnes Lane and for setting out the allotments, cemetery and sports pavilion. It should be noted that, at present, many of the figures are provisional and depend on the outcome of procurement processes which are currently being undertaken. However, they are the best estimates available at the moment and are based on the leisure consultancy advice received in 2013 following research on the costs of similar projects. A report will be submitted to the November meeting of the Executive outlining a revised budget and funding sources, following the appointment of the Design and Build contractor and selection of the preferred design.

CONCLUSION

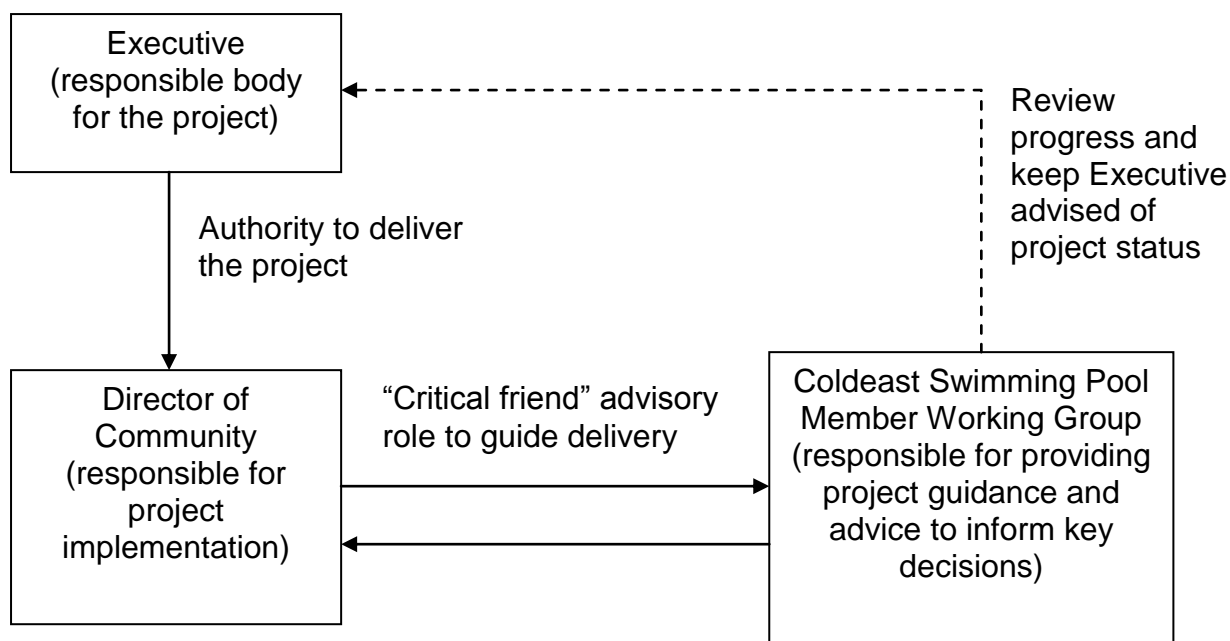
23. The construction of a new swimming pool at Coldeast at a cost of £7M represents a significant investment for the Borough Council which will complement the £1.5M investment in the refurbishment of the swimming pools and changing facilities at Fareham Leisure Centre.
24. The timescales are, however, very challenging, with an aspiration to complete the project by April 2016. The governance arrangements outlined in this report are designed to consider whether this date is realistic and ensure the project is delivered in a cost effective and timely manner whilst enabling proper scrutiny by members of the council at crucial points in the development.

Reference Papers:

Previous Executive Reports,

April 2014: Western Wards Pool – Project Approval (xlc-140407-r02-mge&awa)

DECISION-MAKING STRUCTURE

COLDEAST SWIMMING POOL 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 Swimming Pool and adjoining community facilities
- iv. Assisting the delivery team in determining the most appropriate basis for selecting and appointing the leisure operator
- v. To make recommendations to the Director of Community 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 Community

To approve changes to the overall project budget

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

DIRECTOR OF COMMUNITY

Delegated authority to:

- (a) Appoint a Construction Project Manager for the project and other specialist consultants that may be required, e.g. a Mechanical and Engineering specialist.
- (b) Appoint a Leisure Consultant to input to the design, prepare a draft business plan, to advise and lead on the procurement of a leisure operator
- (c) Formally sign off the final design specification for the built assets
- (d) Award the construction contracts for the project, to the most economically advantageous bidder, using previously agreed award criteria
- (e) Award the contract for the operation of the new facility

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.

**WESTERN WARDS SWIMMING POOL PROJECT DRAFT TIMETABLE
- HEADLINE ACTIVITIES**

(APRIL 2014 ONWARDS)

OVERARCHING ACTIONS

ACTIVITY	START	FINISH
Agree preferred location		7/04/2014
Approve outline design specification		7/04/2014
Approve initial budget (and funding strategy)		7/04/2014
Draft Communications Plan for life of project	1/8/2014	30/09/2014
Implement Communications Plan	1/10/2014	15/08/2016

WESTERN WARDS SWIMMING POOL

ACTIVITY	START	FINISH
Procurement exercise for Construction Project Manager (Employers Agent, Project Manager, Quantity Surveyor & CDM co-ordinator)	01/05/2014	30/6/2014
Procurement exercise for Design and Build Contractor (using iESE Framework)	16/05/2014	1/8/2014
Procurement exercise for Leisure Consultant	01/05/2014	29/8/2014
Appoint Construction Project Manager		7/7/2014
Appoint Design & Build Contractor		8/8/2014
Appoint Leisure Consultant		5/9/2014
Procurement exercise for Independent M&E Consultant (to Mechanical, Heating and Ventilation Engineer). To be discussed and agreed with Project Manager		
Appoint M&E Consultant		
Meet Design and Build Contractors Architect and agree design principles		5/9/2014
Undertake initial design work		3/10/2014
Site Investigations and Ecology Survey		3/10/2014
Consult Utility Companies (arrange gas and electrical supply to site)		3/10/2014
Consult Highway Authority		3/10/2014
Member Working Group agree initial design for public consultation		21/10/2014
Public Consultation		28/10/2014
Member Working Group agree Final Design and agree submit Planning Application		5/12/2014
Secure Planning Permission for Swimming Pool, Road Junction and Sports Pitches		6/02/2015
Construction Period	1/05/2015	30/04/2016
Leisure Operator Procurement	5/9/2014	31/7/2015
Appoint Leisure Operator		31/08/2015
Leisure Operator to Fit Out Complex	1/05/2016	15/07/2016
Complete Swimming Pool		15/07/2016
Complete Sports Pitches		15/08/2016

WESTERN WARDS SWIMMING POOL PROJECT

PROVISIONAL CAPITAL BUDGET

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Swimming Pool Design and Build Contract	1300	3800	1300	6400
Land acquisition*	0	0	0	0
Professional fees (Employers Agent, Construction Project Manager, Quantity Surveyor, CDM coordinator, Legal fees etc.)	130	300	130	560
FBC Leisure Consultant Costs	20	20	0	40
Sports Pitches & Associated Infrastructure	100	800	100	1000
Planning and Building Control fees	25	15	0	40
Sec 106 Contribution to Highway Authority (HCC)	0	0	173	173
Junction and Access Road**				
Allotments, Cemetery & Sports Pavilion**				

Note: This is a provisional budget based on advice received in August 2013. The budget will be reviewed and revised following the appointment of the Project Manager and Design and Build Contractor.

* Land transferred from Homes & Communities Agency at Nil Cost (as part of Section 106 Agreement) Oct 2013.

** Costs unknown at this stage (costs and budget to be agreed following appointment of Project Manager and Design and Build Contractor)

PROJECT RISKS

RISK	RISK REDUCTION MEASURE
<p>Ground Conditions – risk of unusual ground conditions, contaminated land and or hidden utility services crossing the site which could add unforeseen costs to project. (This risk is carried by FBC as lead body and ultimate owner of asset)</p>	<p>Commission site survey and geotechnological survey to assess ground conditions and inform project.</p>
<p>Ecology Survey Results – risk of project delay arising from the need to transfer or relocate flora or fauna identified in the ecology survey.</p>	<p>Commission ecology survey as soon as practicable, to enable results to be used to inform any mitigation measures.</p>
<p>Planning Permission – delays or failure to secure detailed planning approval could delay project and incur additional costs.</p>	<p>Ensure we appoint competent architectural practice, engage fully with development control and planning policy team; ensure public consultation.</p>
<p>Project Costs overrun – risk of project exceeding available budget. Additional funding will be required to construct the access road, provide the allotments, cemetery and sports pavilion.</p>	<p>Accurate cost will not be known until the Design & Build Contractor has been appointed and the detailed design is agreed. Project costs will be closely monitored throughout.</p>
<p>Principal Contractor goes into administration – resulting in works on site coming to a standstill and delaying project completion.</p>	<p>Full financial checks will be made before award of contract. A performance bond will be secured at the time of awarding the contract. Contract conditions will seek to allow novation of site and or contract in the event of main contractor going into administration.</p>
<p>Project timescales overrun – risk of project timescales being exceeded due to staff vacancies, competing priorities and or other unforeseen circumstances (i.e. shortage of skills in construction industry). At this stage the project timescales are best estimates and assume no complications or delays arising due to site contamination, ecology issues, hidden pipes, delays in utility connections etc.</p>	<p>Delivery timescale to be reviewed following appointment of Project Manager and Design and Build Contractor. Project Team will closely monitor and review delivery timescales. Project Team will be supported by consultants offering best practice advice and if the need arises temporary staff will be employed to cover any vacancies. Shortage of skills in construction industry and capacity issues impacting on delivery will be considered during tender process.</p>
<p>Appointment of a new Leisure Operator – Appointment of a leisure operator for this new facility will be subject to advice of</p>	<p>Leisure Consultant will be engaged to offer specialist advice and lead on the procurement of the leisure operator for the</p>

<p>Leisure Consultant & Legal advice. There is a risk that a new operator would act in competition with Fareham Leisure Centre which could be damaging to the Fareham Leisure Offer.</p>	<p>new facility with the aim of ensuring that the two facilities do not compete against each other. Appropriate break clauses have been included in the Fareham leisure Centre contract.</p>
<p>Replenish Capital Reserves – it will be important for the Council to replenish its capital reserves to ensure sufficient capital funds are available to support future high priority corporate projects.</p>	<p>Officers will prepare a report for the Executive outlining the opportunities for replenishing the capital reserve through the sale or disposal of existing assets.</p>

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Planning and Development
Subject:	Response to Consultation: Improving Access to Fareham and Gosport - strategic transport infrastructure schemes including Stubbington Bypass and Newgate Lane South
Report of:	Director of Planning and Development
Strategy/Policy:	Local Plan: Adopted Core Strategy (August 2011) & Submission Development Sites and Policies Plan (June 2014)
Corporate:	Protect and Enhance the Environment
Objective:	Maintain and Extend Prosperity

Purpose:

To consider and approve the Council's response to Hampshire County Council's consultation on Highway Proposals for Improving Access to Fareham and Gosport, including a new Stubbington Bypass, improvements to the southern section of Newgate Lane, the Peel Common Roundabout and the A27 corridor between Titchfield Gyratory and Segensworth.

Executive summary:

This report is Fareham Borough Council's response to the Hampshire County Council's proposals to improve access to Fareham and Gosport by implementing a programme of highway improvements, including Stubbington Bypass, which are currently undergoing a public consultation exercise.

Fareham Borough Council supports the comprehensive programme approach adopted by Hampshire County Council in developing proposals for four major highway improvement schemes in the Borough, in addition to supporting delivery of the individual schemes in the County's programme.

From the data currently available, the Council believes that the preferred schemes would achieve the programme objectives, particularly in relation to relieving existing traffic bottlenecks and congestion. It is envisaged that Peel Common Roundabout and the southern section of Newgate Lane would contribute to supporting development of the Solent Enterprise Zone at Daedalus.

Notwithstanding this, Fareham Borough Council would welcome further dialogue with the County Council in order to gain a better understanding of the benefits and impacts of the individual schemes in more detail.

Fareham Borough Council understands that obtaining the funding required to implement these schemes is challenging, and will continue to support Hampshire County Council and the Solent Local Enterprise Partnership in securing the necessary funds for these schemes as appropriate.

Recommendation:

That the Executive:

- (a) notes the public consultation currently being carried out by Hampshire County Council on highway proposals for Improving Access to Fareham and Gosport, as outlined in the attached Appendix A;
- (b) agrees the proposed consultation response in the Executive Briefing Paper;
- (c) delegates authority to the Director of Planning and Development, in consultation with the Executive Member for Planning and Development to finalise the response to Hampshire County Council, incorporating any minor additions or amendments; and
- (d) that the response be sent as soon as possible to Hampshire County Council, and in any event prior to the end of the Consultation period on 4 August 2014.

Reason:

To influence the development of Hampshire County Council's current highway proposals, including preferred route options, for improving access to Fareham and Gosport and ensuring that the Authority is fully engaged and that the public are consulted on emerging proposals.

Cost of proposals:

There are no direct financial implications in responding to this consultation.

Appendices:

- A:** "Improving Access to Fareham and Gosport Consultation"
- B:** Stubbington Bypass – Preferred Route
- C:** Newgate Lane Southern Section – Preferred Route
- D:** Peel Common Roundabout
- E:** A27 Fareham to Segensworth

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Response to Consultation - Improving Access to Fareham and Gosport (including Stubbington Bypass and Newgate Lane South)

Briefing by: Director of Planning and Development

Portfolio: Planning and Development

INTRODUCTION

1. Hampshire County Council (HCC) undertook a public consultation exercise in July 2013 on proposals to improve Newgate Lane and the western access to Gosport including a new Stubbington Bypass. The HCC consultation material clarifies that comments received during the consultation were taken into account by the County in further developing scheme proposals and identifying a preferred option for each scheme component.
2. Subsequently on 17 March 2014 the HCC Executive Member for Economy, Transport and Environment approved the preferred options for four strategic transport infrastructure schemes designed to improve access to Fareham and Gosport. The four schemes are: Stubbington Bypass, Peel Common Roundabout, Newgate Lane Southern Section and A27 Corridor Improvements between Titchfield Gyratory and Segensworth.
3. At the same time, the HCC Executive Member determined that a further round of public consultation should be undertaken on these proposals during June and July 2014. HCC has set up a dedicated website <http://www3.hants.gov.uk/gov/uk/transport-schemes-index> giving details of these schemes and information on how to take part in the current consultation exercise, including a series of manned and unmanned exhibitions.
4. As a preliminary to this exercise, HCC arranged a Preview event at the Civic Offices in Fareham on 6 June to describe the proposals, to which all Fareham Borough Council and Gosport Borough Council (GBC) Members were invited. The County's public consultation closes on 4 August 2014.
5. Feedback from the consultation will be reported to the HCC Executive Member for Economy, Transport and Environment in Autumn 2014, when a decision will be made on whether the schemes should be taken forward, subject to funding.
6. It is currently expected that planning applications for Stubbington Bypass and the Southern Section of Newgate Lane would then be submitted in Spring 2015, with other schemes in the package being progressed subject to appropriate

funding and business case approval.

7. As part of the wider programme of highway improvements, construction work has now started on the scheme for the northern section of Newgate Lane, with completion of the works scheduled for Spring 2015. The scheme will increase traffic capacity and journey time reliability for drivers and provide better facilities for cyclists and pedestrians on this section of Newgate Lane, resulting in better access to the Solent Enterprise Zone at Daedalus.
8. Fareham Borough Council recognises the need for the County to adopt a comprehensive approach to assessing proposals for Improving Access to Fareham and Gosport (IAFG), which does not consider the individual schemes solely in isolation but takes account of the additional benefits emanating from complementary improvements to the strategic road network. However, Fareham Borough Council in its response to the Consultation recognises the need to clarify the Authority's position with regard to the schemes in terms of a total package and on their individual merits.
9. Therefore, the following sections firstly set out Fareham Borough Council's response to the Consultation in relation to each of the four individual components of the IAFG strategic transport infrastructure plan and also with respect to the overall package of schemes. This is followed by a final section containing the Council's conclusions.
10. This document represents the Council's formal response to HCC's letter dated 5 June 2014 that acknowledges the effectiveness of a partnership approach and collaborative working with Fareham Borough Council, and invites the Council to submit formal views and a response to the Consultation.

CONSULTATION RESPONSE

Stubbington Bypass

The Preferred Option

11. HCC's preferred option of the nine alternatives appraised for the Bypass is the hybrid route comprising a combination of the 'Red' alignment from the B3334 Gosport Road to the south and 'Blue' alignment to the north and west connecting to the B3334 Titchfield Road. The route is shown indicatively on Attachment 1.
12. Approximately 3.5 km (2 miles) in length, the Bypass has been designed as a 7.3m wide single carriageway road with a separate 2.5m wide shared footway/cycleway.
13. The preferred route alignment allows the Bypass to have a speed limit of 50mph and there will be limited access to adjoining areas, with a single intermediate junction at Peak Lane. Connections of the new Bypass with Gosport Road and Titchfield Road and the new traffic-signalled junction at Peak Lane are designed to give priority to traffic using the Bypass.
14. These attributes are consistent with the intended 'bypass' function of the new road that in combination will ensure an attractive route option affording traffic relief to Stubbington Village.

15. According to the Consultation material, complementary traffic management measures in Stubbington Village will also be implemented to encourage through traffic to use the Bypass whilst maintaining easy access to the village centre, including by public transport, walking and cycling. Fareham Borough Council would seek further information on these aspects of HCC's Improving Access to Fareham and Gosport (IAFG) programme as this is of particular relevance to those residents and businesses in the locality of Stubbington Village.

Conformity with Fareham Borough Council's Local Plan

16. Paragraph 6.18 of the Submission Development Sites and Policies Plan (June 2014) states that: "*Stubbington Bypass has been a longer term aspiration of Hampshire County Council for many years, the scheme is now being afforded an immediate priority in order to help deliver the Solent Local Enterprise objectives in relation to local economic growth and the need to help facilitate new investment and development in Gosport and Fareham Boroughs.*"
17. Paragraph 6.19 of the Submission Development Sites and Policies Plan states that: "*The bypass is a major transport scheme, which will be very challenging to implement. After assessing a series of potential route options a preferred route has been identified which connects the B3334 Gosport Road, south of Stubbington to the B3334 Titchfield Road north of Stubbington. The preferred route will be subject to further more detailed appraisal and consultation. The development work is being afforded a high priority by the County Council. Land will be required to deliver this scheme, if it proves to be feasible, and will be safeguarded once the requirements are known.*"
18. HCC has confirmed that the Stubbington Bypass and the associated IAFG programme components - at a total estimated cost of £40m - would be fully funded through the current Solent Local Enterprise Partnership (LEP) bid, and would not be dependent upon funding contributions from developers.

Impact on the Strategic Gap and Countryside

19. Paragraph 6.52 of Fareham's Adopted Core Strategy acknowledges that the Strategic Gap between Fareham and Stubbington helps define and maintain the separate identity of these two settlements. It states that "*Strategic gaps do not have intrinsic landscape value but are important in maintaining the settlement pattern, keeping individual settlements separate and providing opportunities for green infrastructure/green corridors. Continuing pressure for high levels of development means maintaining gaps continues to be justified*". It is therefore important that the proposed Stubbington Bypass adheres to these principles, maintaining the settlement pattern and the separate identities of Fareham and Stubbington.
20. Fareham Borough Council has noted the statement by HCC in the IAFG Consultation material that the schemes in the strategic infrastructure plan improvements are not intended to open up land for development. In particular the HCC material states that "*The Fareham Borough Council draft Local Plan part 2: Development Sites and Policies document (October 2012) does not allocate development within the Strategic Gap between Stubbington and Fareham. The bypass proposal is not linked by the County Council to enabling development.*"

21. Policy CS22: Development in Strategic Gaps states that “*Development proposals will not be permitted either individually or cumulatively where it significantly affects the integrity of the gap and the physical and visual separation of settlements*”. Maintaining the separation between Fareham and Stubbington will prevent coalescence and therefore the careful consideration of the likely future implications of the preferred Stubbington By-pass alignment would be required as part of the environmental assessment undertaken by HCC to ensure that the integrity of the Strategic Gap is maintained.
22. Core Strategy Policy CS22 states that land within Strategic Gaps “*will be treated as countryside*” and thus assessed against Core Strategy Policy CS14: Development Outside Settlements. Policy C14 states that “*Built development on land outside defined settlements will be strictly controlled to protect the countryside... from development which would adversely affect its landscape character, appearance and function. Acceptable forms of development will include that essential for ... required infrastructure.*’
23. The construction of the Stubbington Bypass would, if required by HCC, be considered as enabling infrastructure and thus considered to be an acceptable form of development within the countryside to alleviate existing transport issues. Notwithstanding the acceptability of development, Fareham Borough Council would seek to liaise with HCC in order to identify suitable measures that minimise the impact on landscape character, appearance and function of the road.

Effect of Delays in Mobilisation of Project Finance

24. Given the importance to the local and regional economy of ensuring the successful marketing and delivery of developments at Solent Enterprise Zone, any delay in mobilising the funding of enabling transport infrastructure represents a potential risk in catalysing the associated regeneration benefits.
25. Whilst Newgate Lane Southern Section and Peel Common Roundabout represent essential infrastructure improvements in terms of the future development of Solent Enterprise Zone, securing funding for the timely delivery of Stubbington Bypass would further enhance accessibility to Daedalus and other areas of the peninsula.

Traffic Assessment

26. Fareham Borough Council has noted that the traffic analyses carried out by HCC utilise the Sub-Regional Transport Model (SRTM) which is the standard approved modelling package for evaluating all highway and development schemes of strategic traffic importance in South Hampshire.
27. Traffic forecast data made available as part of the Consultation exercise suggest that the Bypass will successfully attract traffic away from Stubbington Village and reduce journey times between Cherque Way and Junction 9 of the M27 motorway for the modelled future year 2026, compared with a road network without improvements.
28. The scheme would therefore assist in relieving traffic bottlenecks and congestion which is one of the main goals of the IAFG highway programme. Hence Fareham Borough Council supports the proposal and would seek to

liaise with HCC in order to assess the effectiveness and associated impacts of the proposed traffic management measures for Stubbington Village.

Local Planning Implications - Safeguarding

29. The Council would propose that HCC gives consideration to safeguarding the route for the Bypass once the alignment has been determined and there is confirmation that funding has been secured.

Other Relevant Matters

30. Fareham Borough Council has noted that whilst 87% of respondents to the July 2013 Public Consultation supported the principle of a new bypass, key residents' concerns included the potential impact of increased noise affecting nearby properties and the effect on the environment, in particular the need to avoid Oxley's Coppice, the Crofton Stream and fishing lakes/irrigation reservoir at the Newlands Farm complex.
31. The Council would seek assurance from HCC that these concerns will be fully addressed as part of the future design development of the Bypass scheme, ensuring that appropriate mitigation measures are implemented.

Newgate Lane Southern Section

Solent Enterprise Zone at Daedalus

32. Solent Enterprise Zone at Daedalus is a development of strategic significance, with the potential to secure growth for the regional and local economy. The Enterprise Zone will become the premier location for manufacturing and technology, particularly focused on the marine, aviation and aerospace industries, serving the whole Solent area, with Newgate Lane forming a key section of the principal strategic access route serving the development.
33. In late December 2013, Fareham Borough Council granted outline planning permission for the use of the airfield for employment based development (up to 50,202 sqm of floor space) in new and existing buildings (use classes B1, B2 & B8). A parallel application to Gosport Borough Council has a resolution from committee to grant permission for up to 69,992 sqm of B1, B2 and B8 commercial floor space in new buildings and re-use of existing buildings, up to 1,075 sqm of retail (use classes A1, A2, A3 and/or A4); 200 residential units (use class C3); 32 units of care accommodation (use class C2); 1,839 sqm of community uses (use class D1); 8,320 sqm of hotel use (use class C1); and 2,321 sqm of leisure (use class D2). Both the Fareham and Gosport applications are the subject of S106 Agreements.
34. Furthermore, relevant full planning applications have been granted for the Enterprise Zone, including a new road junction at the main gateway, the Centre for Engineering and Manufacturing Advanced Skills Training (CEMAST) and the Innovation Centre. Fareham College has recently confirmed that construction of the new CEMAST building is on time and budget and due to open for the start of the next academic year in September 2014. Work commenced in May 2014 on the Innovation Centre and it is due to open in mid/late 2015.
35. Having obtained outline planning permission, the Homes and Communities Agency (HCA) has been facilitating the infrastructure that will bring about

development and is negotiating the purchase of individual plots with potential occupiers. In order to facilitate this development, highway infrastructure works include improvements to Newgate Lane Northern Section, Newgate Lane Southern Section and Peel Common Roundabout as the principal strategic access route.

The Preferred Option

36. HCC's new route lies to the east of the existing road, commencing with a new arm at Peel Common Roundabout and an alignment to the north between Brookers Field and the River Alver to tie in with the northern section currently being improved at Tanners Lane. The route is shown on Attachment 2.
37. The route is approximately 1.5km in length and will be designed as a 7.3m wide single carriageway with a design speed of 40mph, commensurate with the design speed for the northern section.
38. A new link to the existing road will provide access to the residential properties, with the option for this road to form part of a north/south cycle route connecting to the Roundabout. The scheme is currently estimated to cost around £6m.

Conformity with Fareham Borough Council's Local Plan

39. HCC's preferred option for improvements to Newgate Lane Southern Section reflects the decision to recommend a preferred corridor of interest for the Stubbington Bypass based upon a route connecting Gosport Road to Titchfield Road.
40. The improvements have the potential to reduce travel on other alternative traffic routes in the Borough. Importantly, they also have the potential to provide additional capacity that will accommodate future development at the Solent Enterprise Zone at Daedalus without construction of a new Stubbington Bypass
41. Paragraph 6.20 of the Submission Development Sites and Policies Plan states that *"Options for the southern part of Newgate Lane between Tanners Lane and Peel Common Roundabout are being given further consideration during work to assess the feasibility of a future bypass for Stubbington. Improvements based upon the current alignment and also a possible new alignment to the east are currently being considered. It is likely that land outside the existing highway boundary will be required to address the traffic issues on the southern section of Newgate Lane and work is progressing to provide a clearer understanding of requirements in order that these can be safeguarded once the detailed requirements are known. A longer term solution for Peel Common Roundabout will be further developed once the outcome of investigations into the feasibility of Stubbington Bypass are known and land requirements will be safeguarded if and when appropriate."*
42. Improvements to Newgate Lane aimed at increasing capacity on the Southern Section are, in principle, beneficial to traffic flow and improved pedestrian and cyclist provision would be supported by Fareham Borough Council. However, the Council would seek further details of the technical analyses supporting HCC's business case to clarify the benefits of constructing a new route in comparison with an alternative on-line improvement.
43. The Council has noted that the proposed layout of the preferred option would

still require the dual carriageway for the Northern Section to feed into the single carriageway for the Southern Section. Furthermore, the Interim Scheme for the Peel Common Roundabout (described below) will provide additional capacity to improve traffic movements onto the Roundabout from the existing Newgate Lane.

Traffic Assessment

44. The information currently available for Newgate Lane Southern Section has not allowed Fareham Borough Council to carry out a detailed traffic assessment of the scheme benefits. Fareham Borough Council would welcome further dialogue with HCC in order to gain a better understanding of the benefits and impacts of each scheme in more detail.
45. Fareham Borough Council is concerned that consideration of the IAFG highway improvement programme, including Stubbington By-pass, should not cause any undue delay to the design and subsequent implementation of long-term improvements to the southern section of Newgate Lane, which are considered essential as part of improvements to the principal strategic access route to accommodate future development and operations of Solent Enterprise Zone at Daedalus.

Other Relevant Matters

46. In the event that HCC proceeds with the preferred option, the route alignment would bring the road closer to properties at the eastern end of Woodcote Lane and at Peel Common.
47. Fareham Borough Council would seek assurances from HCC that any potential noise impacts associated with the scheme would be fully resolved, in liaison with Gosport Borough Council as necessary.

Peel Common Roundabout (Interim and Final Schemes)

The Preferred Option

48. The Roundabout would be improved in several phases to improve existing conditions and provide for future implementation of Stubbington Bypass and Newgate Lane Southern Section. The location of the roundabout in the context of these schemes is shown on Attachment 3.
49. Improvements include re-configuring the Roundabout to introduce traffic signals and additional traffic lanes with improved access to and from the existing Newgate Lane alignment, together with improved facilities for pedestrians and cyclists.
50. The Interim Scheme is planned for delivery in 2015/16 as a stand-alone component of the Improving Access to Fareham and Gosport (IAFG) package at a cost of £3m-£4m, and is not dependent upon a decision to build the Stubbington Bypass.

Conformity with Fareham Borough Council's Local Plan

51. HCC's consultation document explains that the proposals for Peel Common Roundabout will *"improve the facilities for pedestrians and cyclists and provide*

better linkages between the existing shared use footway and cycle tracks”.

52. These objectives are consistent with Core Strategy Policy CS5: Transport Strategy and Infrastructure, which supports the prioritisation and encouragement of “*safe and reliable journeys by walking, cycling and public transport*”. However, it is noted that there is currently no specific reference to improving conditions for bus users at this location.
53. Fareham Borough Council is concerned that consideration of the IAFG highway improvement programme, including Stubbington By-pass, should not cause any undue delay to the design and subsequent implementation of long-term improvements to Peel Common Roundabout, which are considered essential as part of improvements to the principal strategic access route to accommodate future development and operations of Solent Enterprise Zone at Daedalus.

Traffic Assessment

54. The information currently available for Peel Common Roundabout has not allowed Fareham Borough Council to carry out a detailed traffic assessment of the scheme benefits. Fareham Borough Council would therefore welcome further dialogue with HCC in order to gain a better understanding of scheme proposals.

A27 Corridor (Titchfield Gyratory to Segensworth)

The Preferred Option

55. HCC is proposing to install traffic signals at St Margaret’s Roundabout to enable better management of traffic and increase capacity at this junction. In addition, improvements at the A27/Southampton Hill junction and the section of carriageway through to the Roundabout are also proposed, as shown on Attachment 4.
56. The layout of Titchfield Gyratory would also be modified under HCC’s proposals to improve access from Titchfield Road onto the A27 westbound. The scheme would be beneficial as a stand-alone proposal in terms of improving traffic flows along the A27 corridor, but would also be considered essential infrastructure for the delivery of Stubbington Bypass.
57. Fareham Borough Council is keen that detailed plans are shared as a matter of urgency, so this scheme can be quickly progressed for works to commence in 2015/16, as indicated by HCC in the Improving Access to Fareham and Gosport (IAFG) Consultation material.

Consistency with Fareham Borough Council’s Core Strategy

58. Fareham Borough Council recognises the need for Hampshire County Council to adopt a comprehensive approach to assessing proposals for IAFG, which takes account of the need “*to improve the flow of traffic from the M27 and along the A27 in order to keep traffic moving*” by investigating the potential for upgrading key junctions at St Margaret’s Roundabout and the Titchfield Gyratory (including Mill Lane junction).
59. Notwithstanding this, Fareham Borough Council will require more detailed information on scheme proposals in order to fully assess HCC’s preferred

option and the associated impacts, including confirmation that all traffic movements at these junctions are satisfactorily catered for.

A27 Corridor (Fareham to Titchfield Gyratory)

The Preferred Option

60. In addition to the above schemes which form the principal components of the IAFG programme, HCC is also proposing improvements to the A27 Station Roundabout and Gudge Heath Lane junctions, as shown on Attachment 4, which are consistent with the objectives of improving traffic movements along the A27 corridor and access to Fareham Town Centre.
61. Improvements at the A27 Station Roundabout comprise increased traffic capacity to facilitate the movement of BRT services, pedestrians and cyclists, in particular to improve the interchange arrangements between bus and rail and between the Station and Fareham College. At Gudge Heath Lane junction an additional straight-ahead traffic lane will be constructed for westbound traffic to provide extra capacity for westbound traffic.
62. The Local Transport Body has awarded £6.6m funding for this scheme, subject to a satisfactory business case, and the scheme could be delivered in 2016/17.
63. Fareham Borough Council fully supports this scheme which will provide regeneration and accessibility benefits to the Town Centre in addition to improving traffic flows on the A27, as reflected in the Council's involvement in the initial funding bid.

Fareham Borough Council's Development Sites and Policies Plan Timetable

64. Fareham Borough Council has now submitted the Development Sites and Policies Plan to the Secretary of State for examination. In dialogue with Hampshire County Council, it is considered unlikely that the timing of a decision on the detailed alignment of new routes for Stubbington Bypass and Newgate Lane Southern Section would allow for inclusion in the Plan.
65. Notwithstanding this, Fareham Borough Council would like to stress its continuing commitment to working with Hampshire County Council to ensure a mutually acceptable conclusion on any outstanding safeguarding issues as they progress.

RISK ASSESSMENT

66. It is important that a response is provided in the interests of the Borough to ensure that corporate objectives and priorities are delivered.

FINANCIAL IMPLICATIONS

67. There are no financial implications.

CONSULTATIONS

68. The Improving Access to Fareham and Gosport Consultation process is being conducted by HCC, and to date no letters, petitions or other representations

from members of the public have been received by Fareham Borough Council in respect of this matter.

CONCLUSIONS

69. Overall, Fareham Borough Council supports the integrated programme approach adopted by HCC in the 'Improving Access to Fareham and Gosport' (IAFG) initiative, and the principal objectives of the programme which seek to tackle traffic congestion and provide efficient access between the peninsula and M27 Motorway.
70. From the traffic information currently made available by HCC, the preferred options for Stubbington Bypass and other scheme proposals would appear to perform satisfactorily in terms of improved journey times and reduced traffic bottlenecks. Notwithstanding this, Fareham Borough Council would welcome further dialogue with HCC in order to gain a better understanding of the benefits and impacts of each scheme in more detail.
71. HCC's proposals generally demonstrate conformity with local planning policies. Fareham Borough Council would however seek assurances from HCC in respect of their statement that highway infrastructure proposals should not enable development, particularly in the context of maintaining the integrity of the Strategic Gaps.
72. Fareham Borough Council understands that obtaining the funding required to implement these schemes is challenging, and will continue to support HCC and the Solent LEP in securing the necessary funds for these schemes as appropriate.

Reference Papers:

<http://www3.hants.gov.uk/gov/uk/transport-schemes-index>

"Consultation on western access to Gosport, Newgate Lane improvements and potential Stubbington Bypass."

1. Improving Access to Fareham and Gosport

Welcome to the exhibition. Hampshire County Council has developed an ambitious multi-million pound programme of transport schemes for South East Hampshire which includes a package of schemes to help improve access to Fareham and Gosport. The package includes the following key schemes plus associated works:

Stubbington Bypass

Newgate Lane South

Peel Common Roundabout

A27 Segensworth to Fareham



The overarching programme includes other improvements for the area linked to Welborne and North Fareham, including the provision of an all moves M27 Junction 10, however these form part of a separate package of improvements not covered by this exhibition.

The exhibition aims to:

Page 41

Provide feedback from the public consultation undertaken in July 2013.

Summarise work that has been undertaken since July 2013 to identify: the key transport issues in the area; and the preferred package of schemes to address issues identified.

Provide Information on the package of improvements, the rationale behind the choice of preferred schemes and constraints which have been taken into consideration.

Seek local views on the improvements, to assist the progression and development of the package.

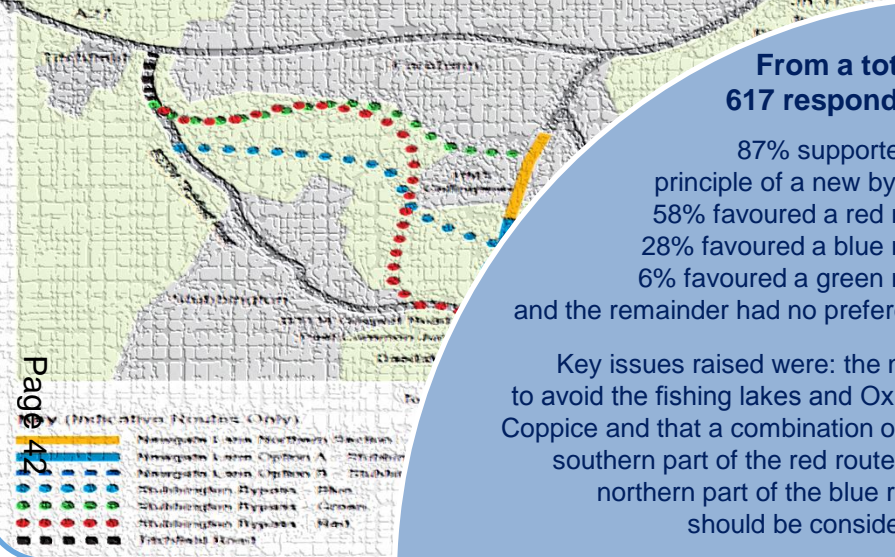
Please take a look at this presentation and complete a questionnaire

Keeping Hampshire Moving



2. Feedback from July 2013 Public Consultation

• STUBBINGTON BYPASS

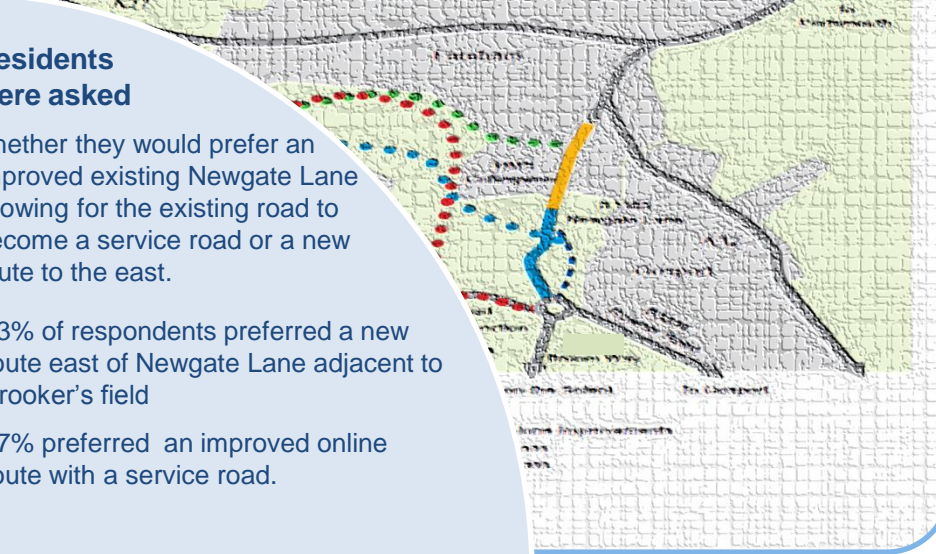


From a total of 617 respondents

87% supported the principle of a new bypass, 58% favoured a red route, 28% favoured a blue route, 6% favoured a green route, and the remainder had no preference.

Key issues raised were: the need to avoid the fishing lakes and Oxley's Coppice and that a combination of the southern part of the red route and northern part of the blue route should be considered.

NEWGATE LANE SOUTH



Residents were asked

whether they would prefer an improved existing Newgate Lane allowing for the existing road to become a service road or a new route to the east.

73% of respondents preferred a new route east of Newgate Lane adjacent to Brooker's field

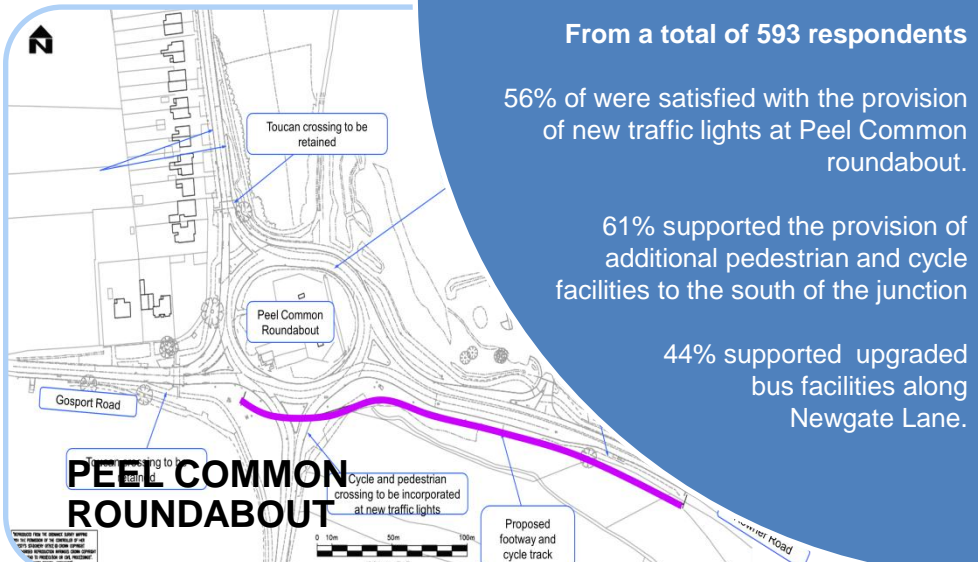
27% preferred an improved online route with a service road.

From a total of 593 respondents

56% of were satisfied with the provision of new traffic lights at Peel Common roundabout.

61% supported the provision of additional pedestrian and cycle facilities to the south of the junction

44% supported upgraded bus facilities along Newgate Lane.



From a total of 614 respondents

84% supported the principle of improvements to the A27 corridor.

16% thought no improvements were necessary.

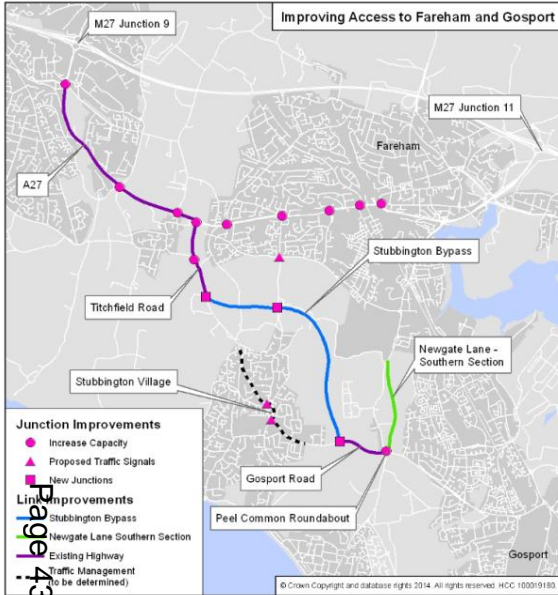
61% of respondents supported improvements to St Margaret's roundabout and other junctions, along with the dualling of single carriageway sections of the A27

A27 SEGENSWORTH TO FAREHAM



3. What have we done since July 2013?

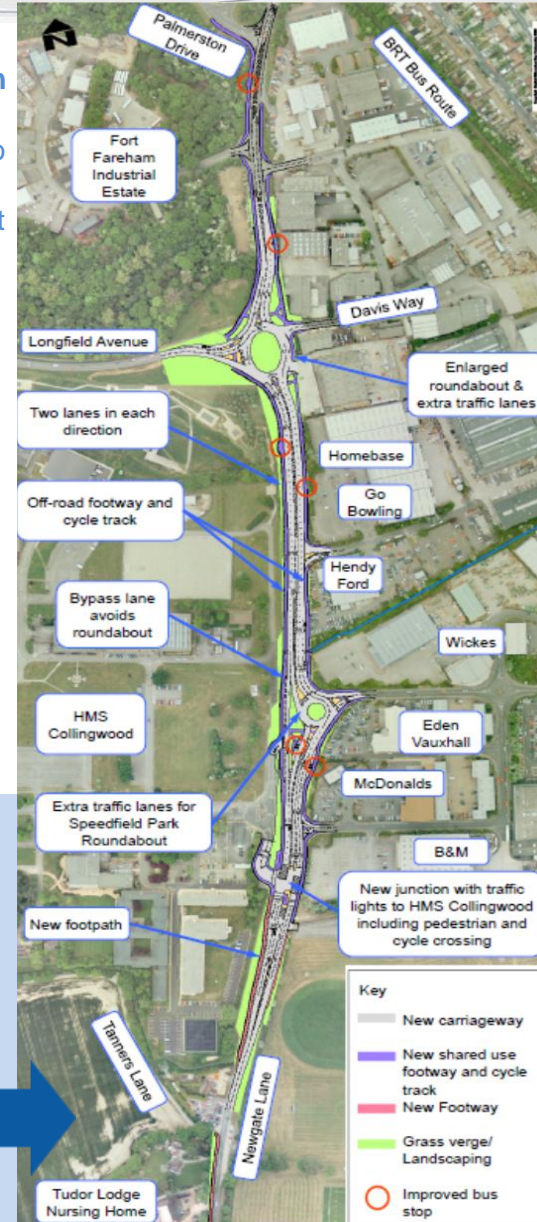
Developing a Strategic Transport Infrastructure Plan and a Package of Improvements



Following the analysis of feedback from the public consultation in July 2013, Hampshire County Council developed an ambitious package of highway schemes, as shown on the plan to the left, to improve access to Fareham and Gosport. The schemes are not intended to open up land for development and delivery is not dependent upon developer funding.

The package aims to improve access to Fareham and Gosport by:

- Relieving traffic bottlenecks and congestion;
- Helping to remove transport barriers to growth to encourage development at key strategic sites including Welborne and the Solent Enterprise Zone;
- Encouraging inward investment to help create local jobs for local people and help make the area attractive to investors;
- Improving connectivity for residents and businesses on strategic routes and critical transport arteries, in town centre areas and areas of employment; and
- Providing the necessary transport infrastructure to help deliver the Solent Local Enterprise Partnership's emerging Strategic Economic Plan.



Making a Start - Newgate Lane Northern Section

Work has just started on an improvement scheme for the northern section of Newgate Lane. At a cost of £6.5 million the work is being funded jointly by Hampshire County Council and the Solent Local Enterprise Partnership. The scheme aims to increase traffic capacity, improve journey time reliability for drivers and to improve access for pedestrians and cyclists.

The works are being undertaken by Dyer and Butler Ltd and are expected to be completed in Spring 2015. The County Council are working closely with Dyer and Butler to keep traffic moving during the working day. This will mean that some of the work will be done at night. Travel information is being provided to local businesses, residents and travellers, throughout the works period.

Further information is available on the County Council website www.hants.gov.uk/transport

4. Why Do We Need Improvements - Access and Movement

Current Transport Issues

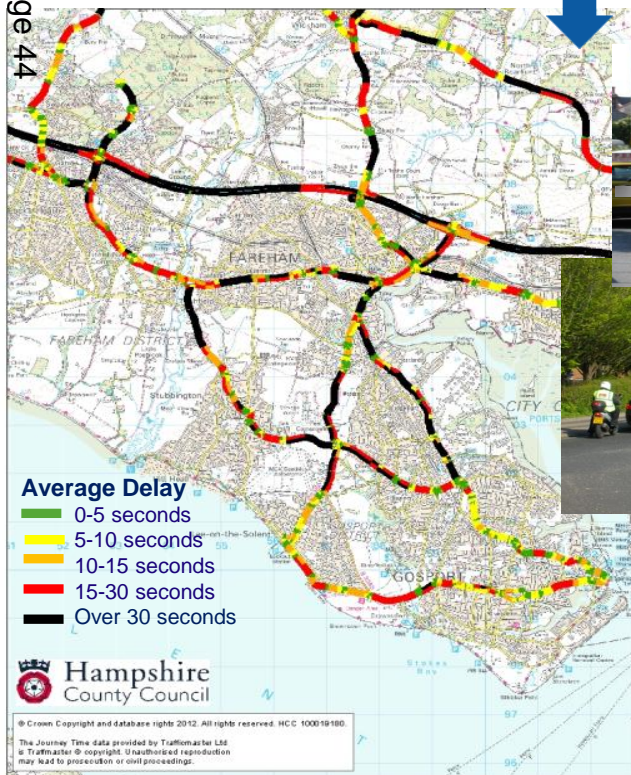
Traffic flows on the peninsula are already high, frustrating access and movement. Improvements have been needed for many years. The area experiences **congestion and delay** during peak times which discourages investment and growth. Delays encourage drivers to find alternative routes, increasing traffic in local villages and residential streets as well as on critical strategic routes. The north to south routes are characterised by slow moving traffic, particularly around junctions and blocking back from the key east to west strategic routes namely the A27 and M27. The east to west corridors are slow moving which frustrates movement onto and off the peninsula.

Traffic Flows

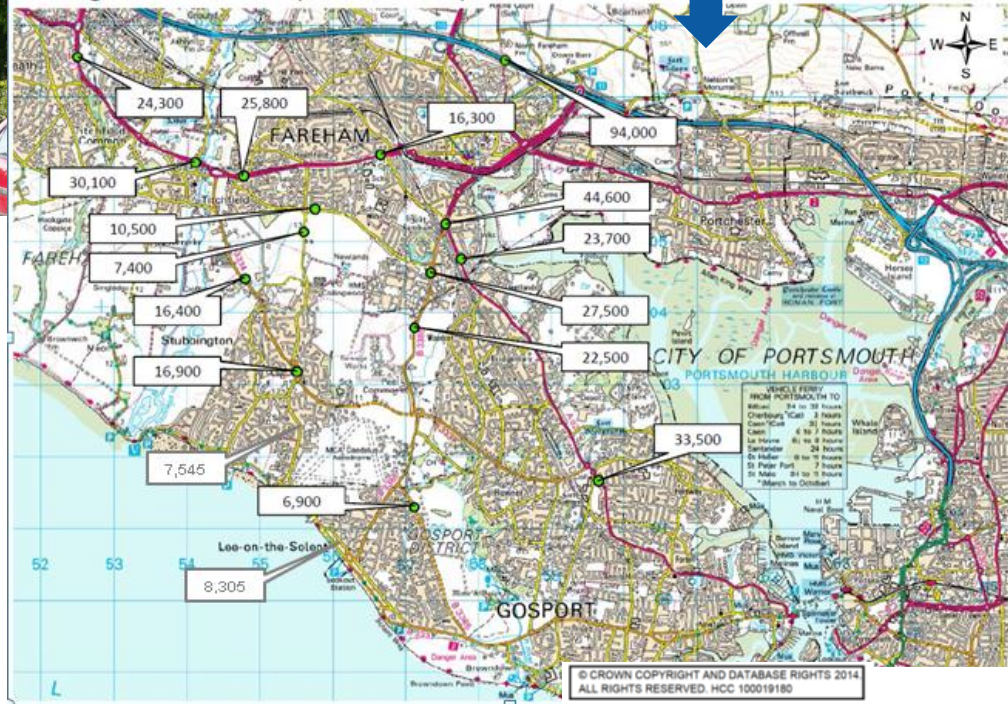
The following routes experience traffic flows which regularly exceed capacity: the A32 Fareham Road, the B3385 Newgate Lane, the A27 between Fareham and Segensworth and the B3334 Titchfield Road through Stubbington.

Why do we need improvements? High levels of traffic throughout the peninsula make it difficult for people to travel between home and work and plan journey times. Community severance is caused as pedestrians find it hard to cross the main roads. Existing traffic levels are set to grow due to increased car ownership and use. Planned development will add to this in the future. There is a need to improve the capacity of the road network and to improve journey time reliability for residents and businesses. This will also help to encourage investment and growth into the area to facilitate new jobs.

Average Delay in 2012/13 07.00-08.00



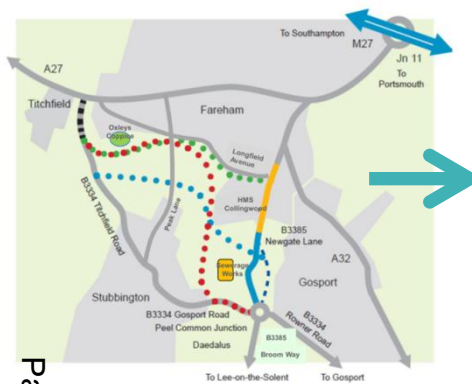
Existing Traffic Count Data (2010 - 12 Hour)



5. Stubbington Bypass - Option Appraisal

In July 2013 positive support was received at the public consultation event for a potential bypass for Stubbington where three potential bypass routes were put forward : 'Blue,' 'Red' and 'Green.'

In October 2013, based upon the consultation feedback, the Executive Member for Economy, Transport and Environment (EMETE) approved the blue and red routes, or variations of these routes, to become the focus moving forward. It was decided not to pursue the green route further as this had received least support. A high level assessment table is included below based upon a RAG (Red, Amber, Green) approach whereby green is high and red is low scoring.



Summary of Assessment Criteria	Green	Red	Blue
Strategic & Scheme Objectives	Green	Green	Green
Planning Policy	Green	Yellow	Green
Consultation Feedback	Red	Green	Yellow
Land Ownership & Use	Red	Green	Yellow
Design & Engineering Issues	Yellow	Yellow	Yellow
Scheme Performance	Red	Yellow	Yellow
Environmental Constraints	Yellow	Yellow	Yellow
Initial Sift	x	✓	✓



Since October 2013 nine route options have been studied :

- **3 x Blue Routes** connecting the B3385 Newgate Lane, south of Tanners Lane to the B3334 Titchfield Road;
- **3 x Red Routes** connecting the B3334 Gosport Road, west of the Wastewater Treatment Works, to the B3334 Titchfield Road;
- **3 x Hybrid Routes** following the 'Red' alignment from the B3334 Gosport Road to the south and then following the 'Blue' alignment to the north and west.

The nine options have been appraised using the Department for Transport's Early Assessment Sifting Tool (EAST) which uses a checklist of criteria relevant to the decision making process relating to: highway design, environmental studies, transport appraisal, land and planning, consultation feedback etc to help identify a preferred route by a comparison of relative scores. High scoring is shown as shades of green, medium scoring is shown in shades of orange and low scoring is shown as red.

On 17 March 2014 the results of the optioneering assessment were reported to the EMETE where the technical recommendation for a hybrid route to become the preferred route to be put forward for further public consultation was ratified. The hybrid route forms a key part of the wider package of improvements.

Mean score (Case)	Blue			Red			Hybrid		
	B1	B2	B3	R1	R2	R3	H1	H2	H3
Strategic	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Economic	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Managerial	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Financial	Red	Red	Red	Red	Red	Red	Yellow	Yellow	Yellow
Commercial	Red	Red	Red	Red	Red	Red	Red	Red	Red

6. Newgate Lane Southern Section - Option Appraisal

In July 2013 improvements to the southern section of Newgate Lane were linked to the determination of a preferred route for Stubbington Bypass and were not at that time being considered independently.

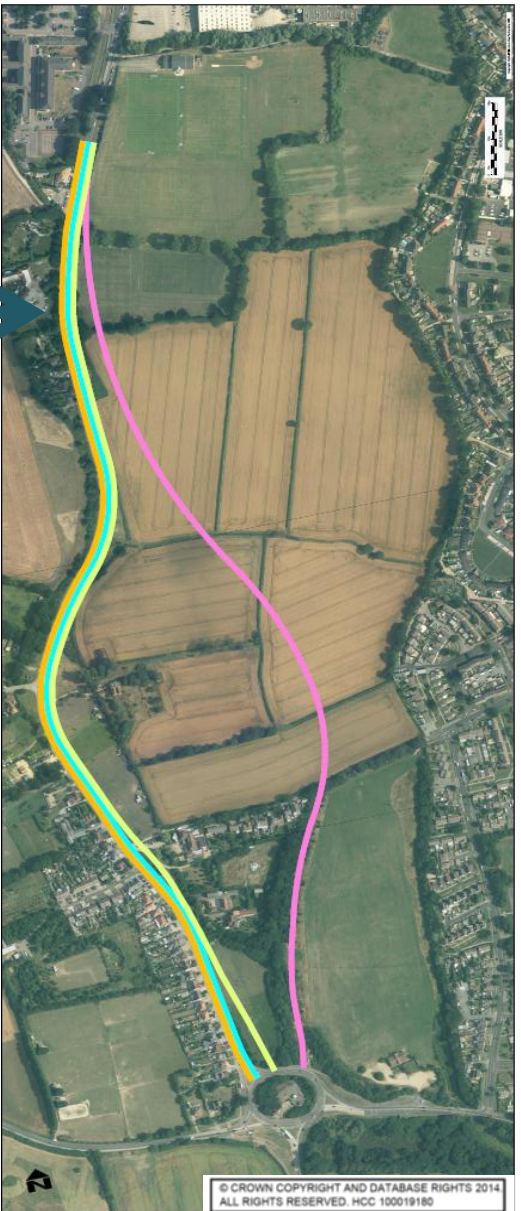
In March 2014 a preferred route for Stubbington Bypass was approved by the Executive Member for Economy, Transport and Environment (EMETE) which did not interface directly with Newgate Lane, hence design options for Newgate Lane are now being progressed independently. Improvements for Newgate Lane have been investigated for several years and on and off-line options are not new to local residents. The main options have been assessed using the Department for Transport's Early Assessment Sifting Tool (EAST) across a wide range of criteria to help identify the preferred option and are summarised below:

- Simple on-line widening to a standard 7.3m, to include a separate shared use foot / cycleway;
- On-line widening, except at the southern end of Newgate Lane, where a new road was proposed next to the existing road which would become a service road;
- On-line widening with additional width in the centre, mainly hatched, to enable turning movements to side roads and private properties;
- Three lane tidal flow, with overhead gantries to control the flow on the central lane; and
- A new eastern alignment adjacent to Brookers field.

Page 46

Criteria	RAG Scores (Red, Amber, Green)					
	Do Nothing	On-line Widening 2 Lanes	On-line Widening with Service Rd	On-line Widening with Central Hatching	Three Lane Tidal Flow	Eastern Alignment
Strategic	Red	Yellow	Green	Yellow	Amber	Green
Economic	Red	Yellow	Green	Green	Amber	Green
Managerial	Yellow	Green	Green	Green	Red	Green
Financial	Green	Green	Green	Yellow	Amber	Green
Commercial	Red	Yellow	Green	Yellow	Amber	Green

The optioneering process identified the eastern alignment as the preferred route. In March 2014, the EMETE approved the eastern alignment as the preferred scheme moving forward. The route is consistent with the alignment formally safeguarded in the relevant Local Plans, hence the preferred scheme is consistent with current and emerging planning policy. The identified package of improvements now also includes improvements to the southern part of Newgate Lane as a key scheme.



8. Assessing the Preferred Schemes – Traffic Analysis

Out Commuting

In recent years out commuting from Gosport has increased and significant numbers of residents now have to leave the peninsula in the mornings to work elsewhere.

15 to 20 years ago Gosport had the highest work place self containment ratio within Hampshire with 74% of Gosport jobs being filled by local residents.

Following a raft of job losses the travel patterns have changed on the peninsula. From the Census data collected in 2001 there were 7,610 daily in commuters compared to 18,140 out commuters. It is important we seek to re-dress this balance. (Note: 2011 data on commuting will not be available until September 2014)

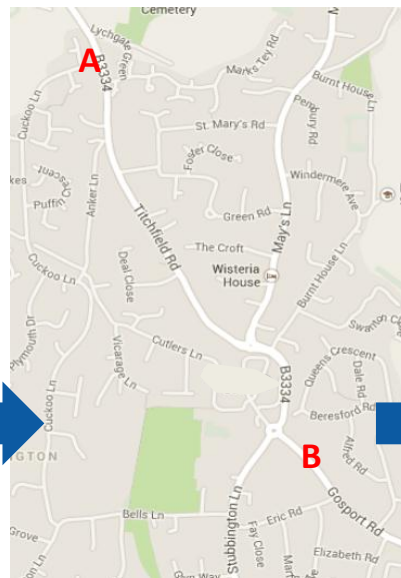
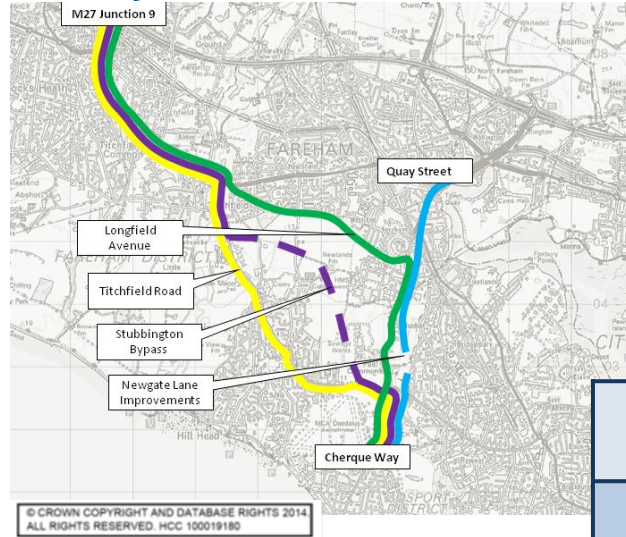
The traffic model identifies 65% of all trips over a 12 hour period originate on the peninsula and remain on the peninsula. The 35% that travel outside the peninsula is split with approximately 23% heading west, mainly to Segensworth and Whiteley areas; 3% heading north into Winchester District and beyond, and 9% heading east either to Portsmouth or beyond.

Heavy Goods Vehicles

The provision of a new bypass will provide a new through route for heavy goods vehicles to avoid Stubbington Village and other local roads.



Journey Times



Journey times are predicted to increase by 2026. The table below shows the journey times to and from the M27 Junction 9 to and from Cherque Way, which could be achieved with the provision of a new Stubbington bypass, compared to the journey times without road improvements. The bypass will reduce journey times between the M27 Junction 9 and Cherque Way by up to 7 minutes in the morning peak and up to 8 minutes in the evening peak. (Predicted times for existing routes should be compared to predicted times on the new bypass.)

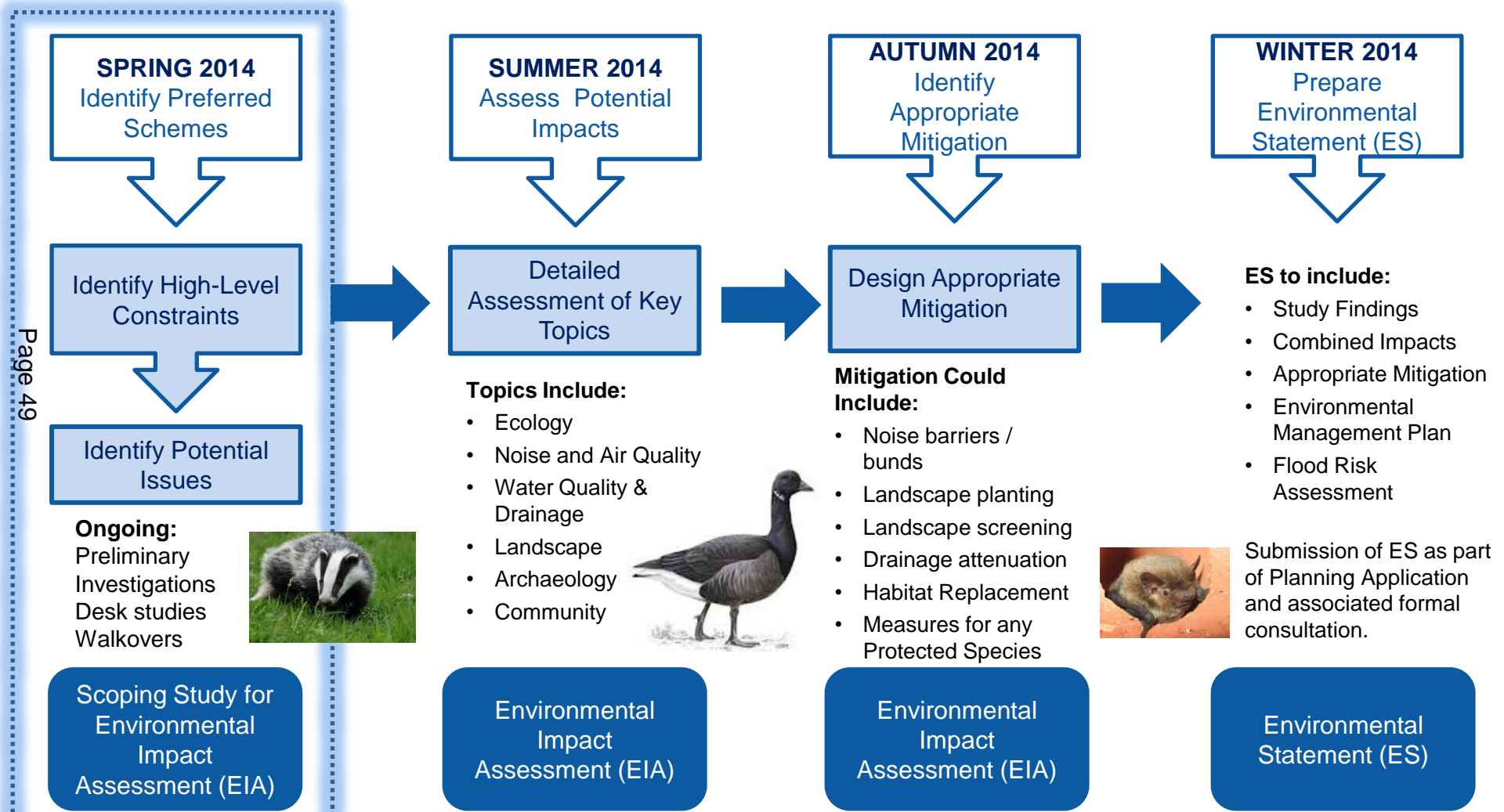
ROUTE	2026 Without Improvements		2026 With Improvements	
	AM	PM	AM	PM
Cherque Way to M27 Jct 9 (via Stubbington Village.)	22.55	20.17	20.05	18.39
Cherque Way to M27 Jct 9 (via Stubbington Bypass)	N/A	N/A	15.37	13.13
Cherque Way to M27 Jct 9 (via Longfield Ave & Newgate Ln.)	22.44	21.42	19.40	18.55
M27 Jct 9 to Cherque Way (via Stubbington Village)	18.09	18.03	20.31	17.47
M27 Jct 9 to Cherque Way (via Stubbington Bypass)	N/A	N/A	16.30	14.11
M27 Jct 9 to Cherque Way (via Longfield Ave + Newgate Ln)	16.27	16.53	18.47	16.23

Numbers of Heavy Goods Vehicles in Stubbington

Location	2026 Without Improvements		2026 With Improvements	
	AM	PM	AM	PM
A	59	31	26	5
B	58	31	12	2

9. Assessing the Preferred Schemes - Environmental Studies

A formal process is required to assess the potential impacts of major schemes such as Stubbington Bypass and the southern section of Newgate Lane called the Environmental Impact Assessment Process. The early part of this process has helped in the identification of the preferred schemes that form a fundamental part of the package however further work is still required as set out below:



10. Assessing the Preferred Schemes - Environmental Studies

Data Collection

The collection and review of all available base line data has been an essential step towards the identification of all potentially sensitive environmental features and other environmental receptors for Stubbington Bypass and Newgate Lane South Schemes.

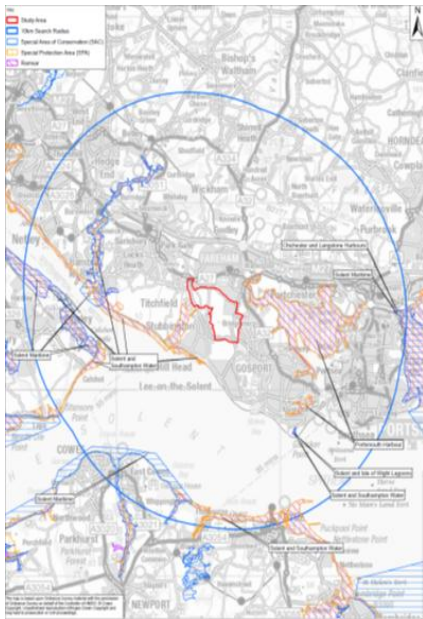
Designated Sites

The review of data starts with consideration of designated sites. There are a number of European and National Statutory Designated Sites which are within 10km and 2km respectively of the site and need to be taken into consideration as part of the on going Environmental Assessment work. In addition there are also Non-Statutory Designated Nature Conservation Sites within 2km of the site, areas of Ancient Woodland, parcels of UK Biodiversity Action Plan Habitat, Bio-sites and sites which need to be surveyed to better understand the presence of various species including waders and Brent Geese.

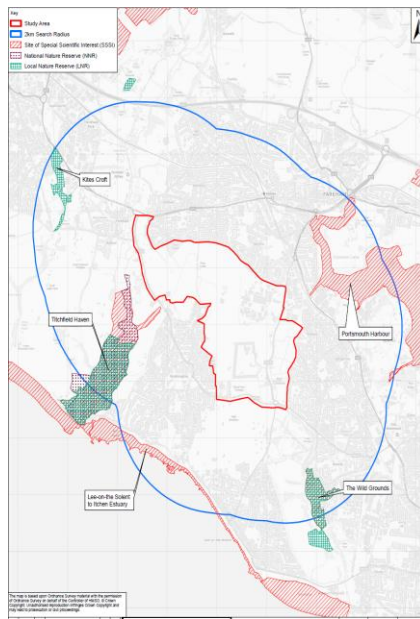
Survey Work

Following a desk top appraisal more site specific initial survey work including an extended Phase 1 Habitat Survey has commenced to help inform where more detailed survey work will need to follow on. A comprehensive evidence base is now being built up which includes data from: ecological surveys, landscape and tree surveys, water quality and drainage studies etc. Ecological surveys will be on going for several months to help identify the types and numbers of species (including protected) which could be found on and around the site. Survey seasons for each species vary depending upon: potential hibernation; migration; and breeding seasons, hence the overall survey timescale can be lengthy. The full understanding of potential impacts will then be used to help identify appropriate mitigation.

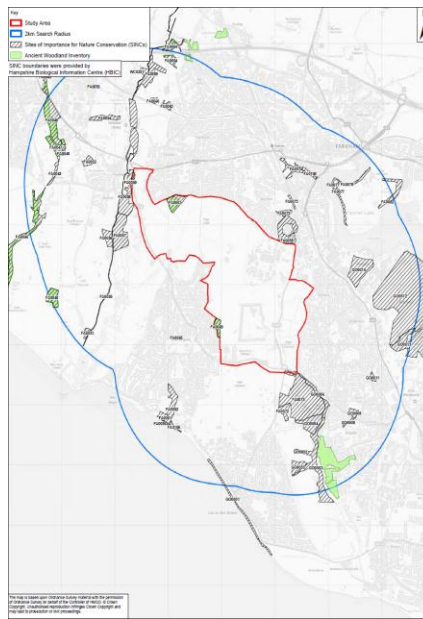
European Designated Sites



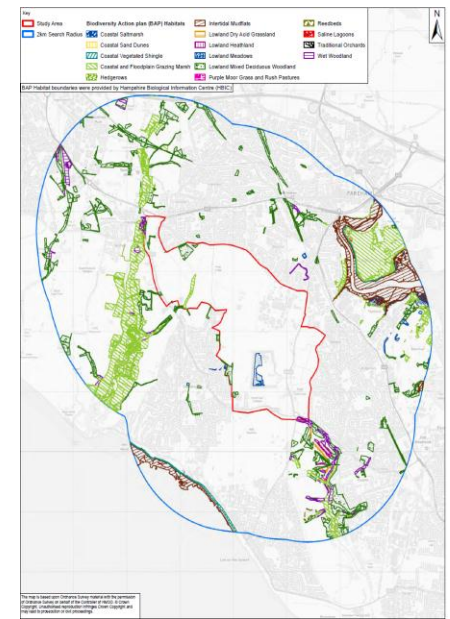
UK Statutory Designated Sites



Non-Statutory Designated Sites and Ancient Woodland



UK Biodiversity Action Plan Habitat



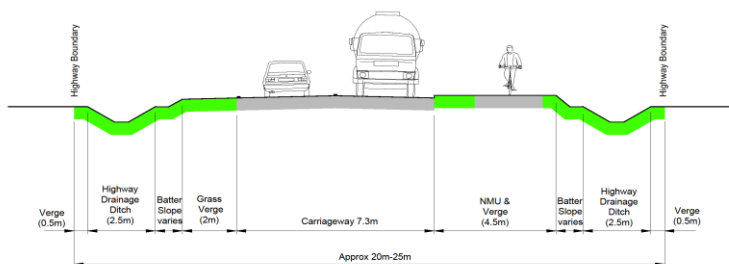
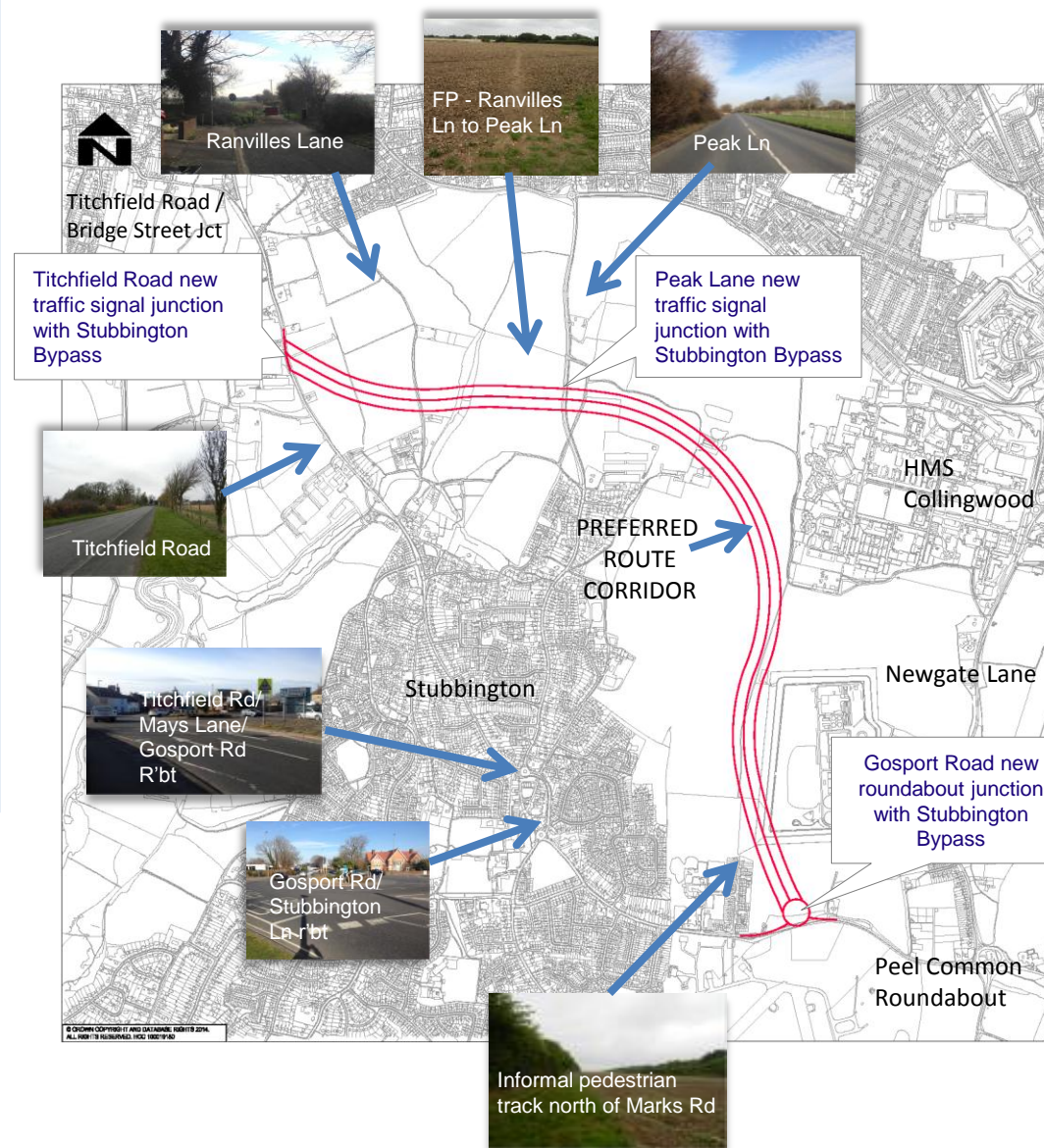
11. Stubbington Bypass – Preferred Route

Preferred Route Description

The preferred bypass route is approximately 3.5 km in length from the B3334 Gosport Rd to the B3334 Titchfield Road. The bypass will be a 7.3m wide single two-way carriageway with a 2.5m wide shared footway/cycleway, and verges. The route will have a speed limit of 50mph. The plan to the right shows an indicative corridor which is 100m wide to allow design adjustments as work progresses. The actual corridor width will be approximately 20-25m as shown in the cross section below. The bypass will cost in the order of £40m including the cost of associated works to the: A27, B3334 and Peel Common roundabout.

The following linked works are likely to be required :

- Gosport Road - widening to 7.3m from the new junction with the bypass eastwards up to and including an enhanced Peel Common Roundabout;
- Gosport Road / bypass junction – provision of a new roundabout;
- Titchfield Road - widening to 7.3m from the new junction with the bypass northwards to Bridge Street;
- Titchfield Road - dualling north of Bridge Street to Titchfield gyratory;
- Titchfield Road / bypass junction – provision of new traffic signals;
- Peak Lane / bypass and Peak Lane / Longfield Avenue junctions - provision of new traffic signals;
- Mays Lane roundabout and Stubbington Green roundabout in Stubbington Village – provision of new traffic signals and improved crossing facilities for pedestrians and cyclists;
- Ranvilles Lane extension of cul-de-sac southwards to allow access to land north of the bypass.



Typical Cross-section

12. Stubbington Bypass – Preferred Route

Drainage

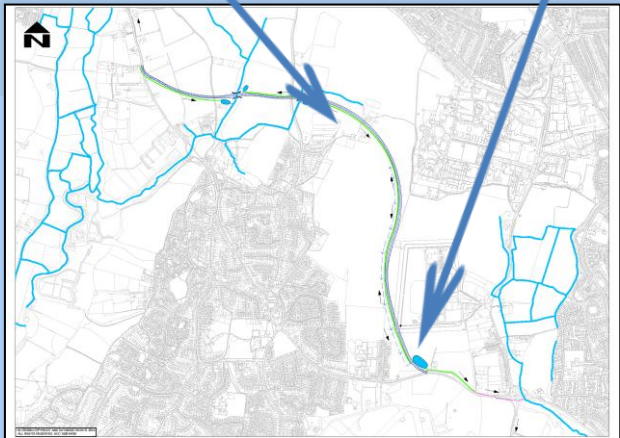
Drainage is an essential part of any highway design. The design will cater for a one in one hundred year storm and seeks to fully mitigate the impact of new infrastructure upon the surrounding land and also takes into account the potential impacts of climate change.

There are a number of methods which can be used to provide sustainable drainage (SuDS) systems including:

- Grass swales or reed beds used to absorb surface water flow and contaminants prior to outfall to local rivers;
- Retention or detention ponds to hold storm water runoff and prevent flooding.



An indicative drainage strategy has been prepared and is shown below but this will be subject to further work and discussions with affected parties.

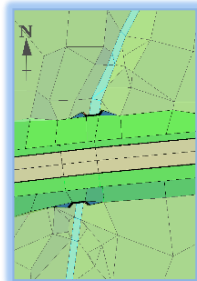


Drainage Ditch Crossing

It will be necessary for the bypass to cross the drainage water course feeding into Crofton Stream. A preferred crossing point has been identified where the tree and scrub boundary of the ditch is at its most sparse.

There are a number of ways that a road can cross a watercourse based around bridge and culvert options. It is likely in this case, as the water course is relatively minor, that a culvert option will be the preferred solution but further design and survey work will be needed to confirm this.

Photomontages have been produced and are shown below to show how a culvert could look set into the surrounding landscape.



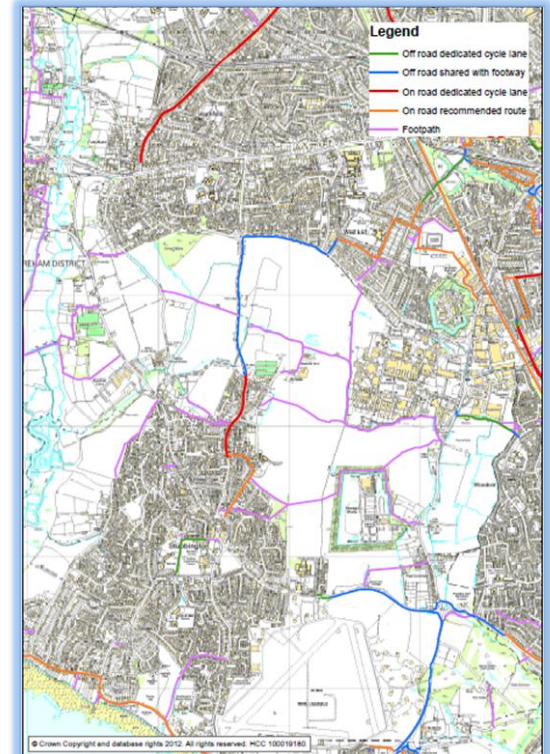
Photomontages of Bypass crossing ditch north of Crofton Stream



Footpaths and Cycle-ways

A number of footpaths, public rights of way and cycleways cross the study area that are important to local people. Every endeavour will be made to retain existing access rights and mitigate disruption to these routes. New and enhanced facilities for local people will be sought subject to agreements with land-owners. A shared footway / cycleway is proposed alongside the bypass.

We would like to know your views on footpaths, cycleways and bridleways -please see the questionnaire.



13. Newgate Lane Southern Section - Preferred Route

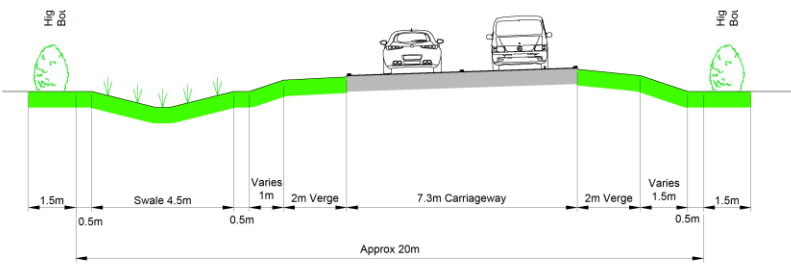
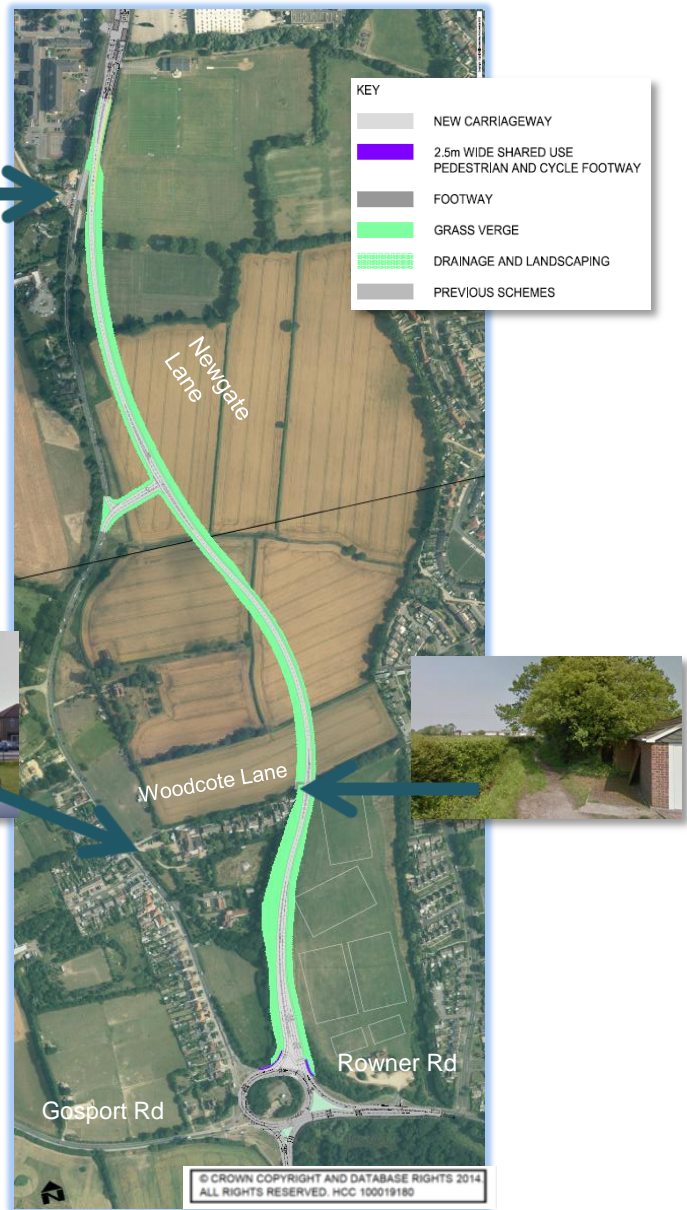
Preferred Route Description

Whilst the online widening option with service road and preferred eastern alignment achieved similar scores in the optioneering exercise, the eastern alignment is preferred as it:

- has no junctions except at the link to the existing route;
- has no accesses to residential properties, only field accesses;
- has minimal disruption to existing traffic flows on Newgate Lane during construction; and
- provides the opportunity to use the existing road as a north / south cycle route.

The preferred new eastern route for the southern section of Newgate Lane commences at Peel Common roundabout with a new arm at the roundabout. The route heads northwards between Brookers field and the River Alver to tie in with the northern section of Newgate Lane currently being improved. The route is approximately 1.5km in length and will be a single two-way carriageway 7.3m wide, with a 40mph speed limit. A pedestrian refuge will be provided in the centre of the carriageway at Woodcote Lane to facilitate crossing of the new road and a new junction with a short link road will be provided to connect with the existing Newgate Lane. The new road will not be lit, except where it joins the existing road network. The scheme will cost in the order of £6m.

There are a number of options which could be considered in relation to the treatment of the existing road. The old road could become a service road for the local residents and businesses, and it could also provide a safer route for pedestrians and cyclists. Affected local residents are being asked for their views in relation to how they would like the existing road to be used in the future as part of the questionnaire. The preferred way forward will be determined following feedback received.



Typical cross section

14. Environmental Studies

• Stubbington Bypass: drainage ditch feeding into Crofton Stream

In the north western sector of the site the bypass route crosses a drainage ditch which forms a naturalised landscape feature in a more generally open area being bordered by trees and scrub for part of its length.

Issues considered include:

- the importance of the area as a landscape feature;
- gaps in the vegetation (trees, scrub and grassland) which border the southern section;
- the proximity of the northern section to Oxley's Coppice ;
- the need to maintain a consistent scheme alignment; and
- the need to tie into a new junction on Titchfield Road at an optimum location.

Taking these issues into account the preferred route was located at a gap in the vegetation, at a mid point to keep the bypass further away from Oxley's Coppice and the residential properties along Angfield Avenue.

Potential mitigation could include:

- the extension of vegetation northwards along the ditch towards Oxley's Coppice to create continuity and connectivity for landscape and ecological reasons; and
- the creation of new habitat and preservation of key existing features such as mature trees.

• Stubbington Bypass: Marks Road Area

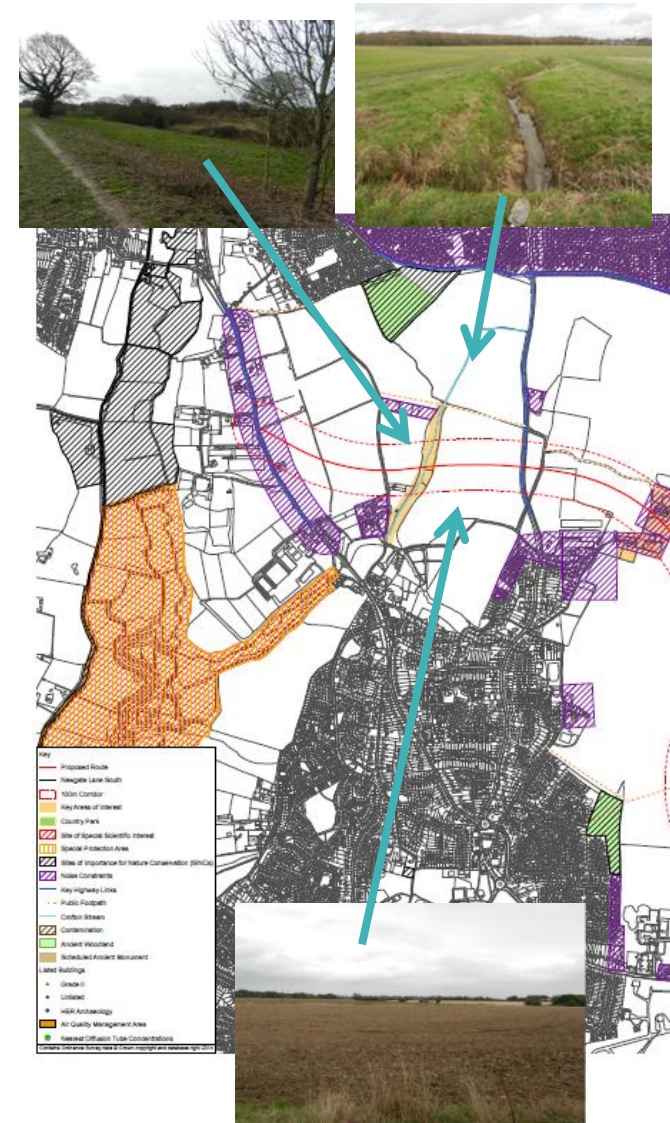
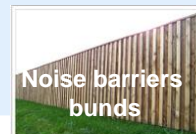
The bypass route running north from Gosport Road needs to pass through a relatively narrow gap between Crofton School and the embankments surrounding the Wastewater Treatment Works. In order to maximise the distance between the route and residential properties in Marks Road and Crofton School, the route is likely to impact upon the south western corner of the Wastewater Treatment Works.

Issues considered include:

- the impact upon the landscape and views;
- the impact upon trees, vegetation and farmland;
- the impact upon nearby residential properties and the school; and
- Rights of Way and accessibility.

Potential mitigation could include:

- provision of new and/or replacement landscape planting, earth bunds and tree screening;
- provision of noise barriers / mitigation where appropriate;
- provision of new/replacement routes for pedestrians;
- potential enhancement for wildlife / creation of new habitat; and
- the provision of drainage ponds and new drainage systems.



15. Environmental Studies

Key Areas

Whilst the study area for both Stubbington Bypass and Newgate Lane South is predominantly farm land there are a number of areas identified for more in-depth investigation, including the following:

Stubbington Bypass - Newlands Farm and Fishing Lakes Area

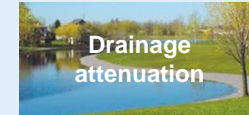
With any of the bypass options a route needed to be found through the cluster of farm buildings located in the central section of the site.

Issues considered include:

- the impact upon the fishing lakes and setting;
- the impact upon the farm buildings and nearby green-houses; and
- the impact upon residential properties;

Potential mitigation could include:

- route through the currently disused part of the cluster of farm buildings in order to help minimise impacts upon the main farm buildings; and
- noise and visual barriers to reduce impact upon the farm house and other nearby residential properties.



Newgate Lane South - Woodcote Lane Area

The route passes to the east of Woodcote Lane in proximity to existing residential properties, an area where every endeavour will be taken to reduce the impact of the scheme;

Issues considered include:

- the impact upon adjacent residential properties;
- the integrity of farm land and buildings;
- the impacts upon the water environment;
- impacts upon landscape and visual amenity;
- noise impacts; and
- impacts upon public rights of way.

Potential mitigation could include:

- provision of landscape bunds, tree planting and landscape screening;
- noise barriers where appropriate;
- access improvements with enhanced routes for pedestrians and cyclists;
- drainage improvements; and
- ecological enhancement for wildlife and the creation of new habitat.

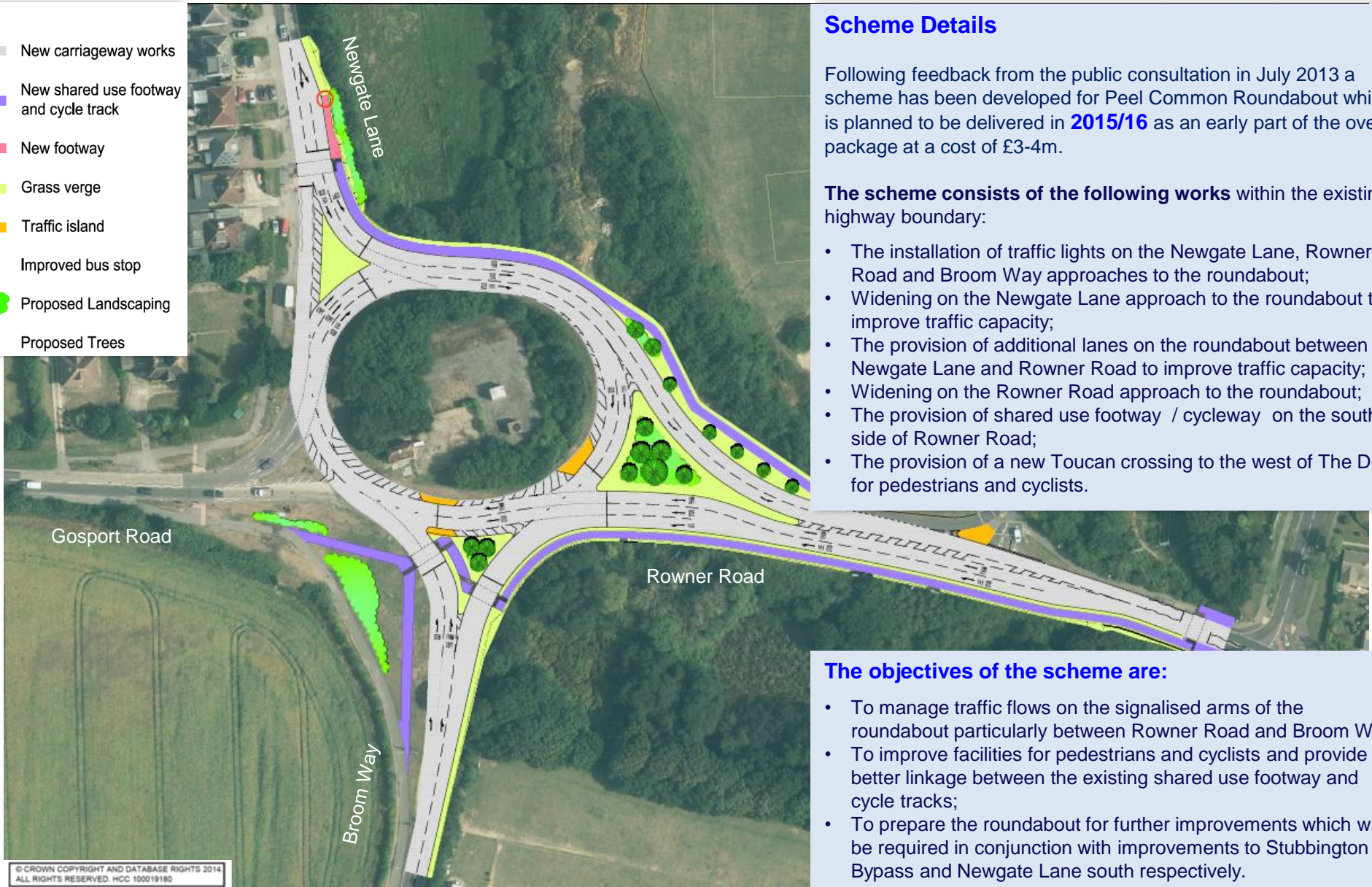


16. Peel Common Roundabout

Key

-  New carriageway works
-  New shared use footway and cycle track
-  New footway
-  Grass verge
-  Traffic island
-  Improved bus stop
-  Proposed Landscaping
-  Proposed Trees

Page 56



Scheme Details

Following feedback from the public consultation in July 2013 a scheme has been developed for Peel Common Roundabout which is planned to be delivered in **2015/16** as an early part of the overall package at a cost of £3-4m.

The scheme consists of the following works within the existing highway boundary:

- The installation of traffic lights on the Newgate Lane, Rowner Road and Broom Way approaches to the roundabout;
- Widening on the Newgate Lane approach to the roundabout to improve traffic capacity;
- The provision of additional lanes on the roundabout between Newgate Lane and Rowner Road to improve traffic capacity;
- Widening on the Rowner Road approach to the roundabout;
- The provision of shared use footway / cycleway on the south side of Rowner Road;
- The provision of a new Toucan crossing to the west of The Drive for pedestrians and cyclists.

The objectives of the scheme are:

- To manage traffic flows on the signalised arms of the roundabout particularly between Rowner Road and Broom Way;
- To improve facilities for pedestrians and cyclists and provide better linkage between the existing shared use footway and cycle tracks;
- To prepare the roundabout for further improvements which will be required in conjunction with improvements to Stubbington Bypass and Newgate Lane south respectively.

17. A27 Fareham to Segensworth

Scheme Details

The A27 is a critical east / west transport artery running parallel with the M27 and linking Southampton to Portsmouth and beyond. It is vital that this route operates effectively as a strategic and local route, both now and into the future. Improvements to the A27 form an essential part of the over-arching package to help improve access to Fareham and Gosport.

Improvements are needed to:

- help keep traffic moving along the A27;
- reduce delays at key junctions and congestion hot-spots, where dual carriageways feed into single carriageways; and to
- assist access on and off the Gosport peninsula.

Proposals Include:

- Junction improvements to increase traffic capacity; and
- Dualling single carriageway sections west of Titchfield Gyrotory

Key Priorities

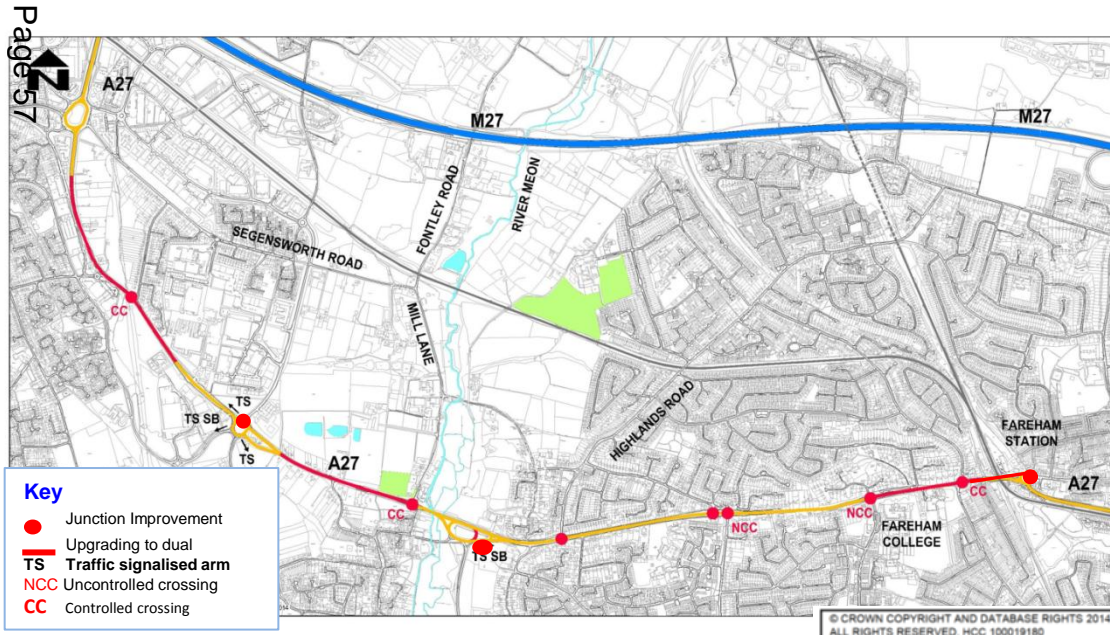
Early delivery of some parts of the A27 improvements could be possible subject to funding. Key schemes include:

St Margaret's Roundabout

It is proposed to install traffic signals at St Margaret's roundabout to improve traffic flows and better manage traffic. Improvements at Southampton Hill junction and the carriageway in-between will also be needed to ensure that the improvements at St Margaret's roundabout work effectively.



Subject to funding it is anticipated that these works could be implemented in **2015/16**.



A27 Station Roundabout and Gudge Heath Lane Junctions

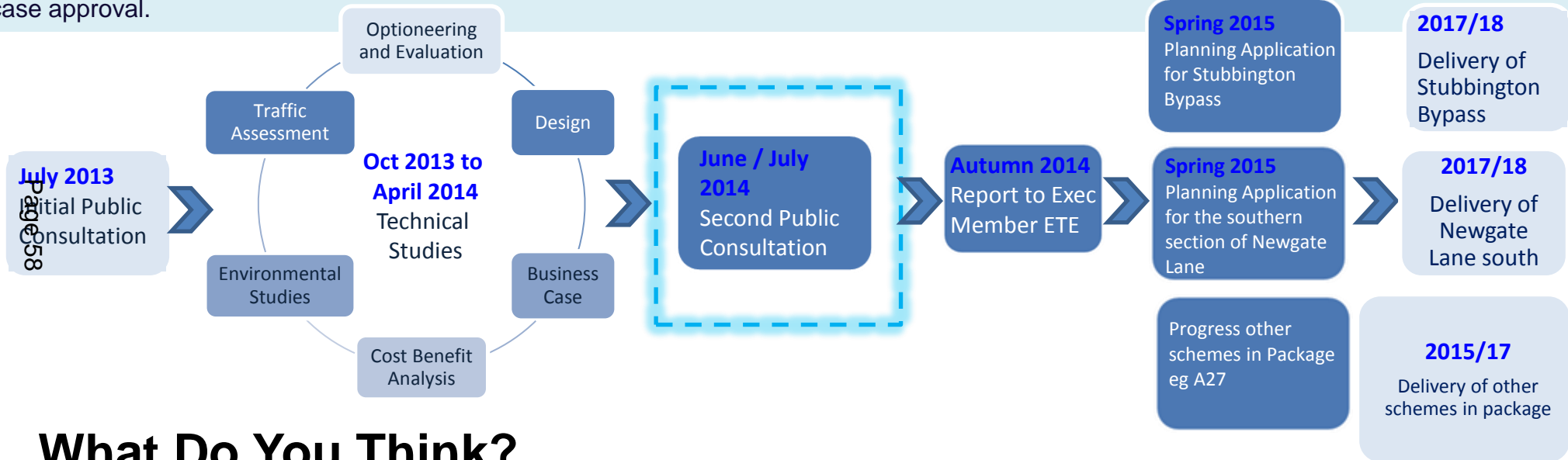
It is proposed to improve traffic capacity at the Station roundabout, to provide improvements for Bus Rapid Transit and also pedestrians and cyclists, particularly links between bus and rail, and the station and the college. An additional west-bound straight ahead lane and improved traffic signals could be provided at Gudge Heath Lane junction to provide improved traffic capacity.



The Local Transport Body has awarded £6.6m funding for this scheme, subject to a successful business case. If successful these schemes could be delivered in **2016/17**.

18. Where Next?

All comments received will be given full consideration. Feedback from the consultation will be reported to the Executive Member for Economy, Transport and Environment during the Autumn, where a decision will be made regarding whether or not the improvement schemes should be progressed, subject to funding. Planning Applications for Stubbington Bypass and the Southern Section of Newgate Lane are then currently expected to be submitted in Spring 2015, with other schemes in the package being progressed subject to appropriate funding and business case approval.



What Do You Think?

Your views are important . Feedback will help inform the way forward for the planned improvements which will help to improve access to Fareham and Gosport.

Please fill out a questionnaire to let us know what you think. Questionnaires are available at the Public Exhibitions, online and at the local libraries and need to be returned by Monday 4 August.

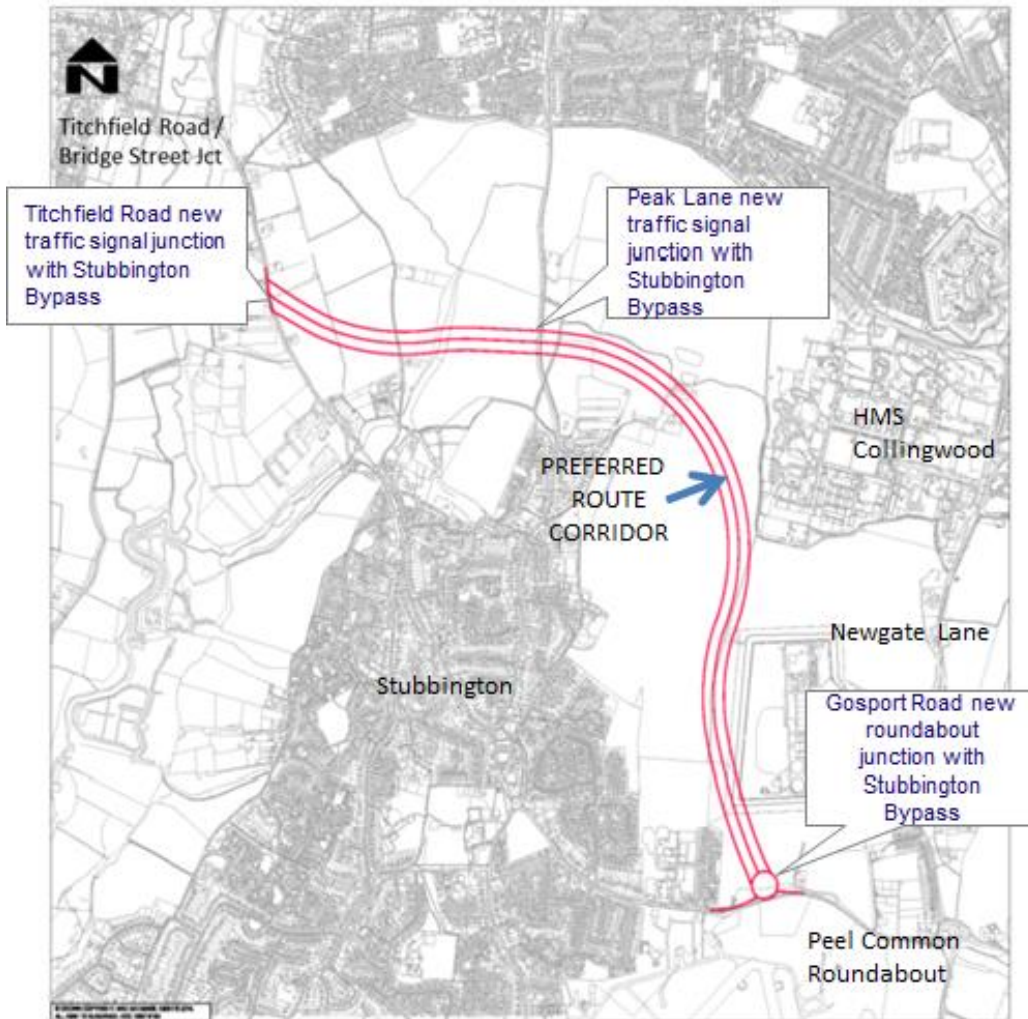
The exhibition display material is available to download at:
www.hants.gov.uk/stubbingtonbypass

Contact Details

Phone: 0845 603 5633 /01329 225393
 E-mail: accesstogospport@hants.gov.uk

Post: Strategic Transport
 Hampshire County Council
 The Castle
 Winchester
 Hampshire
 SO23 8UD





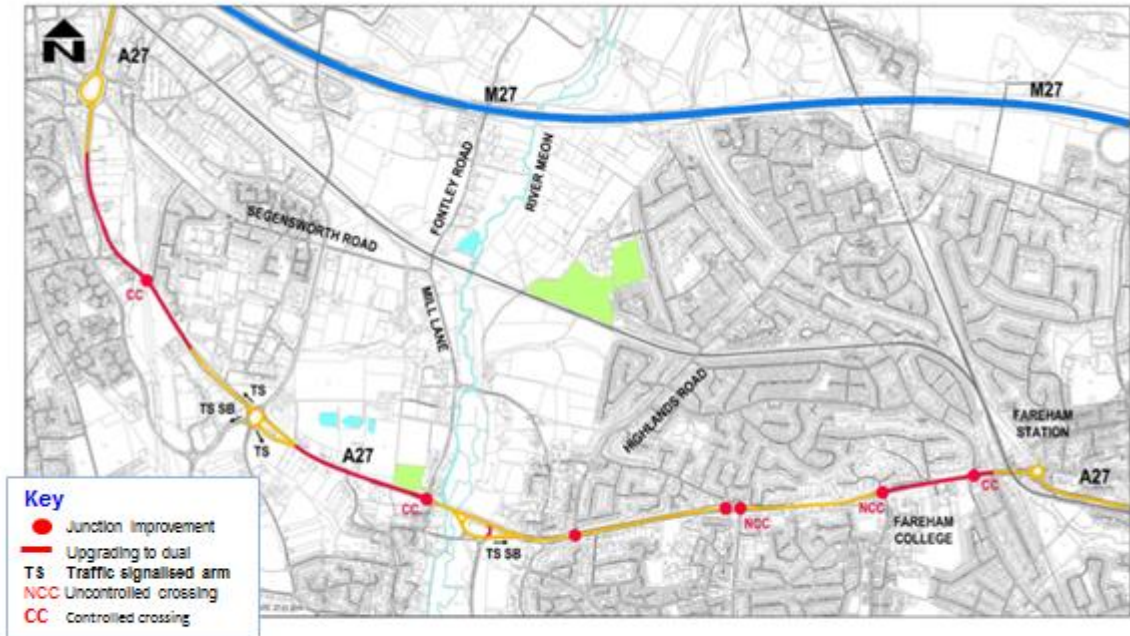
APPENDIX B: Stubbington Bypass – Preferred Route



APPENDIX C: Newgate Lane Southern Section – Preferred Route



APPENDIX D: Peel Common Roundabout



APPENDIX E: A27 Fareham to Segensworth

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio: Policy and Resources
Subject: **Welborne Infrastructure Funding Strategy**
Report of: Director of Finance and Resources
Strategy/Policy: Fareham Borough Council Local Plan

Corporate Objective: Maintain and extend prosperity
 Leisure for health and fun
 A balanced housing market
 Strong and inclusive communities
 Dynamic, prudent and progressive Council

Purpose:

To seek endorsement for the Infrastructure Funding Strategy for Welborne, prepared by the Council's consultants (GVA Financial Consulting) and to agree an update to the Council's position statement on Infrastructure Funding.

Executive summary:

The Welborne Infrastructure Funding Strategy (IFS) forms an important part of the Council's strategy for ensuring the successful delivery of the new community; when combined with the outcomes of work completed to prepare an Infrastructure Delivery Plan and economic viability appraisal it will help demonstrate the deliverability of the proposal.

Building on the Outline IFS completed in March 2013, the Council's consultants have prepared an IFS that includes a range of options available to the Council, the prospective developers and other parties to support the delivery of infrastructure for Welborne. The report includes modelling of the impact of some of these options on scheme viability and recommendations on which options should (or could) be progressed further as the details of the development emerge (at which stage it may be necessary to update this IFS). The IFS is now recommended to the Executive for approval, to be published to support the evidence base previously submitted to support the Welborne Plan at Examination.

Recommendation:

That the Executive:

- (a) notes the Infrastructure Funding Strategy report attached at Appendix A to this report and agrees that it be published to support the Council's overall strategy for the delivery of Welborne; and
- (b) agrees the update to the Council's position statement on infrastructure funding for Welborne attached at the Appendix B to this report.

Reason:

To provide further detail on the Council's overall strategy for the delivery of the Welborne new community.

Cost of proposals:

The costs of preparation of the IFS are covered within existing budgets.

Appendix A: Welborne Infrastructure Funding Strategy report
Appendix B: Welborne Infrastructure Funding Strategy Fareham
Borough Council Position Statement Update, June 2014

Background papers:

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Welborne Infrastructure Funding Strategy

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The proposed new community of approximately 6,000 homes and 20 hectares of land for employment development will require substantial new infrastructure including transport links to the M27, improvements to the motorway junction, green infrastructure, a secondary school, three primary schools, community and health facilities, waste and recycling facilities, and utilities and telecommunication infrastructure.
2. A comprehensive assessment of the infrastructure requirements and viability of the development are included in the documents published as evidence to support the Welborne Plan at Examination. The scale of infrastructure required inevitably presents challenges for overall viability and/or development cash-flow. On the basis of development viability work to date, the Council remains confident that a viable and deliverable development can be achieved. Nevertheless, the challenges of substantial early infrastructure costs and affordable housing requirements remain.
3. Therefore, the Council decided to supplement the work on infrastructure requirements with the preparation of an Infrastructure Funding Strategy, in particular to assess the options for public sector support for the provision of the Welborne infrastructure requirements (including affordable housing). GVA Financial Consulting has been retained to prepare the IFS, working closely with the consultants (GVA and AECOM) who undertook assessments of viability and infrastructure requirements. The first stage of IFS preparation was an outline IFS which was endorsed by the Executive in April 2013. This outline IFS included wide range of options for supporting infrastructure development and made a range of recommendations for further exploration of various options.
4. Following finalisation of the Welborne Infrastructure Delivery Plan and Viability Assessment a further, more focussed, IFS has been prepared by GVA Financial Consulting, which presents a robust and credible infrastructure funding strategy. In particular, the IFS quantifies the beneficial impacts of various options, including support through the LEP, Local Infrastructure Fund (LIF) and recycling of New Homes Bonus. Together with the Infrastructure Delivery Plan and economic viability appraisal it will

Contact: Name, Title

E-mail – EMail (Tel: 01329 Tel)

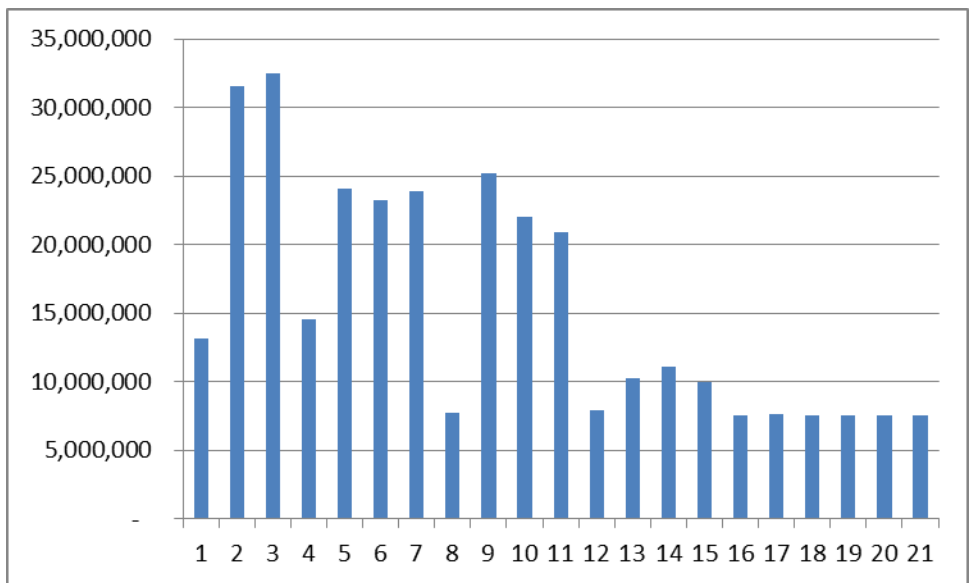
FileName

help demonstrate the deliverability of the development. It should be noted that at this stage the IFS has been prepared on the basis of the Council’s concept masterplan, estimate of infrastructure requirements and costs and phasing proposals for the development and may, therefore, need to be refreshed in future when details of the planning application(s) are known – in particular to support negotiations on section 106 agreements

INFRASTRUCTURE REQUIREMENTS

- Alongside preparation of the Welborne Plan, the infrastructure requirements for the development have been assessed. The initial estimate of the total infrastructure investment required is c.£323m (including contingency). The cost of infrastructure delivery, inevitably, is not spread evenly across the development period as the figure below shows. For example, the high level of infrastructure need in the first 10 years includes significant infrastructure items such as the utilities distribution network and off-site utilities reinforcement, Bus Rapid Transit and dedicated public transport corridors and substantial green infrastructure

Phasing of infrastructure costs/£’000s



- In addition, up to £240m will be required for affordable housing (depending on the total quantum of affordable housing to be delivered).

FUNDING OPTIONS

- It is important to re-iterate that the starting point for infrastructure funding will be developer funding; as the Council’s 2011 and January 2014 Infrastructure Funding Position Statements say:

“The Council is clear that the developer must pay its fair share of infrastructure costs either through direct provision or through planning obligations. The Council expects that together these will form the largest single contribution to infrastructure investment.”

- Nonetheless, as mentioned above, the scale and phasing of these requirements will inevitably present challenges for overall viability and/or development cash-flow. Those

Contact: Andrew Wannell, Director of Finance and Resources
 E-mail – awannell@fareham.gov.uk (Tel: 01329 824620)

xps-140707-r13-awa

challenges will need to be addressed in a number of ways including: prioritisation of infrastructure requirements; appropriate re-phasing infrastructure delivery; and (as recognised in the 2011 and January 2014 Position Statements) “a joint long term, innovative and more risk-tolerant approach to the delivery and funding of infrastructure, involving a range of partners.” The IFS further progresses this joint funding approach by analysing options and recommending approaches for the Council to consider at different stages of the planning and development process.

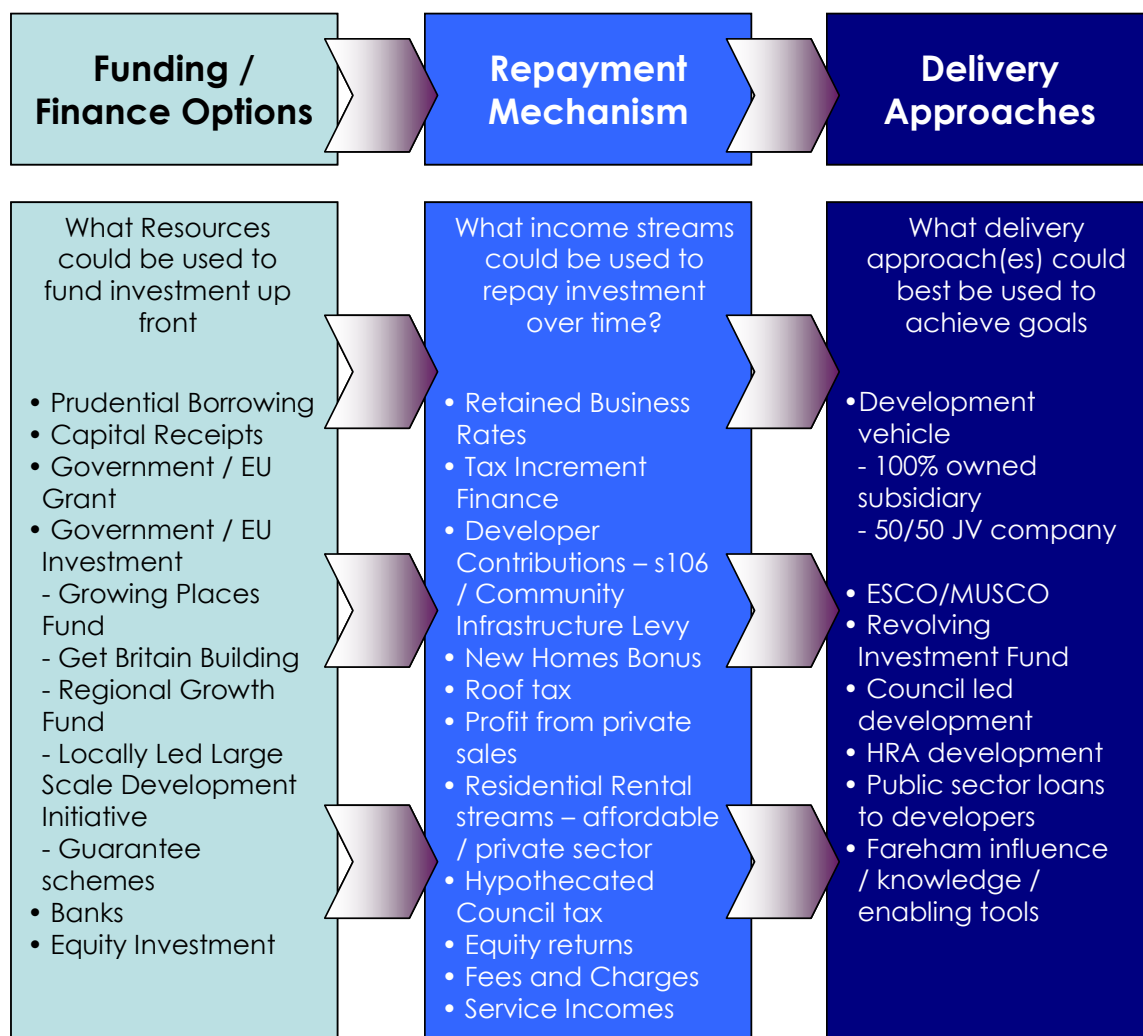
Grants/third party funding

9. The IFS analyses the impacts on development viability of applications already made to the LEP and LIF and shows that these applications, if successful, would have the following beneficial impacts on development viability:
 - The Hampshire County Council application to the Solent LEP for £41.2m in grant for highways improvements associated with J10 of the M27 would have a net beneficial impact on development viability (measured in terms of residual land value, at a fixed internal rate of return of 20%) of £31m.
 - The developer’s application to the Solent LEP for £24m support for utilities and highways improvements would have a net beneficial impact on development viability (measured in terms of residual land value, at a fixed internal rate of return of 20%) of £21m.
 - The developer’s application to the HCA for £45m (loan/equity) support for infrastructure improvements would have a net beneficial impact on development viability (measured in terms of residual land value, at a fixed internal rate of return of 20%) of £8m.
10. In addition, grant funding is likely to be available during the life of the development for certain infrastructure. Examples of the types of infrastructure which may attract support are public transport, Smarter Transport Choices and green infrastructure. At this stage it is not possible to predict what quantum of funding might be available or the timing of such funding and therefore only illustrative modelling is possible. However, for illustration, (a further £8m of successful grant funding shows a net beneficial impact on development viability (measured in terms of residual land value, at a fixed internal rate of return of 20%) of £2.5m.
11. As the economy (and public finances) recover in the coming years it will, as set out in the 2011 and January 2014 Position Statements, be important for the Council and its partners to ensure it is well placed to bid for any such opportunities if and when they arise.
12. The Council and the prospective developers are also recommended in the IFS to explore the potential for third party delivery of some infrastructure items including:
 - Offsite utilities reinforcement, which should be provided by utility companies through their 5-year investment planning cycle and regulatory controls.
 - Residential care/supported accommodation, for which the Council and County Council should explore the potential for self-funded private sector provision (for which new funding mechanisms are set to emerge as the market picks up).

- Schools, in partnership with the County Council.

Public sector and other investment options

13. Public sector support is increasingly being made available in the form of loans, guarantees (with appropriate security) or other forms of repayable public sector investment (such as equity or joint ventures). Such public sector support mechanisms tend to operate in two principal modes (often both at the same time): reducing the costs of securing private sector finance by reducing the risks associated with the development (and hence either bridging any viability gap or enabling the development to fund further down the prioritised list of infrastructure requirements); and/or enabling earlier provision of certain infrastructure items than the development would otherwise be able to support.
14. With any kind of investment (public or private) a strategy is required for repayment of the investment: i.e. one or more income streams from the development. Such sources could include: direct contributions from the developers (such as section 106); government sources (such as New Homes Bonus); locally retained business rates; and direct returns on the development (e.g. sales/rental of houses etc). This approach is summarised in the figure below (taken from the IFS):
15. In particular the IFS has modelled the impact of the Council's commitment to ring-fencing New Homes Bonus (NHB) from Welborne for use in supporting infrastructure provision associated with the development. The Council cannot provide this funding directly to the developers of the scheme and therefore any benefit should be used for Council direct investment in the area such as third party land acquisition, open space adoption, non-essential infrastructure or on-going maintenance of infrastructure adopted by the Council such as open space or leisure facilities. On this basis the modelling shows a net beneficial impact of NHB re-investment, on development viability (measured in terms of residual land value, at a fixed internal rate of return of 20%) of £5m.
16. The IFS also details various mechanisms for managing the risks associated with any Council investment in infrastructure for Welborne including governance structure or a revolving fund approach and charge over land mechanisms. At this stage there is no imperative to pursue these further but their use should be kept under review as the development progresses and circumstances change.
17. At this stage the IFS does not place any emphasis on ESCO/MUSCO options for energy/utilities infrastructure but recommends the Council keep an open mind on this and keep it under review. In addition, use of any retained business rates to support Welborne infrastructure is ruled out for the foreseeable future given the low likelihood that this would constitute a significant funding source for the Council.



Affordable Housing

18. Affordable housing is the single largest “infrastructure” cost at Welborne and, given the scale of affordable housing likely to be delivered, it is also likely that the Council and the developers will want to spread the risks associated with provision of affordable housing by adopting a range of different approaches to its delivery. The IFS describes and assesses a range of options (in addition to traditional approaches with registered providers) that could be available to the Council and/or the developers. These include:

- Local Housing Company options, including the Council’s Joint Venture with Eastleigh Borough Council, First Wessex and Radian Housing Association linked, as appropriate to options such as guaranteed purchases and/or charge over land supported guarantees, self-development by the Council on land provided by the developers through the section 106 agreement.
- Overage arrangements (where threshold land values trigger either payments of commuted sums or increased on-site delivery).
- Commuted sum arrangements for off-site provision of affordable housing, possibly linked to overage arrangements.

CONCLUSIONS

19. The IFS has assessed in more detail a number of opportunities and structures that could be used to delivery significant investment into the Welborne development. It has assessed both public and private sector intervention and draws on current best practice to ensure that delivery of the schemes is brought forward in a timely manner.
20. The IFS has worked up a base case using the Council's concept masterplan, estimate of infrastructure requirements and costs set out in the Council's Infrastructure Delivery Plan, and estimates of build costs and values. Using this as a basis, the IFS has demonstrated the impact that options and measures set out therein can achieve.
21. The overall cumulative beneficial impact of the options modelled in the IFS is estimated to be £67.5m. As negotiations are on-going with the developers, it is premature to determine the ultimate financial impact these mechanisms could have on development viability. However, the modelling results show a significant positive shift in financial viability and confirm that a combination of Council and third party support for Welborne has significant potential to support viability and achievement of the Council's wider objectives for the development.
22. The Executive is asked to endorse the IFS attached at Appendix A to this report for publication and to agree to publication of the associated updated Position Statement on Infrastructure Funding (Appendix B), which takes account of the IFS and changed circumstances since the last such statement was published in January 2014.

FINANCIAL IMPLICATIONS

The costs of preparation of the IFS are covered within existing budgets.

Reference Papers:



Report

GVA
10 Stratton Street
London
W1J 8QT

Welborne Infrastructure Funding Strategy

June 2014

Contents

1.	Executive Summary	3
2.	Introduction	4
3.	Selected sources of finance, funding and delivery models.....	9
4.	Conclusions	25
	<u>Appendix A – Public Sector Sources of Finance</u>	<u>27</u>

1. Executive Summary

1.1 Fareham Borough Council (the Council) has commissioned a study to examine innovative funding solutions to deliver the significant infrastructure requirements for the New Community North of Fareham development, now called Welborne.

1.2 The Council wishes to enable a development that is sustainable and where people want to live. It has consistently made clear its intention and willingness to work with the site promoters and other partners to support the implementation of infrastructure associated with Welborne, including affordable housing provision. Its objective in doing so are:

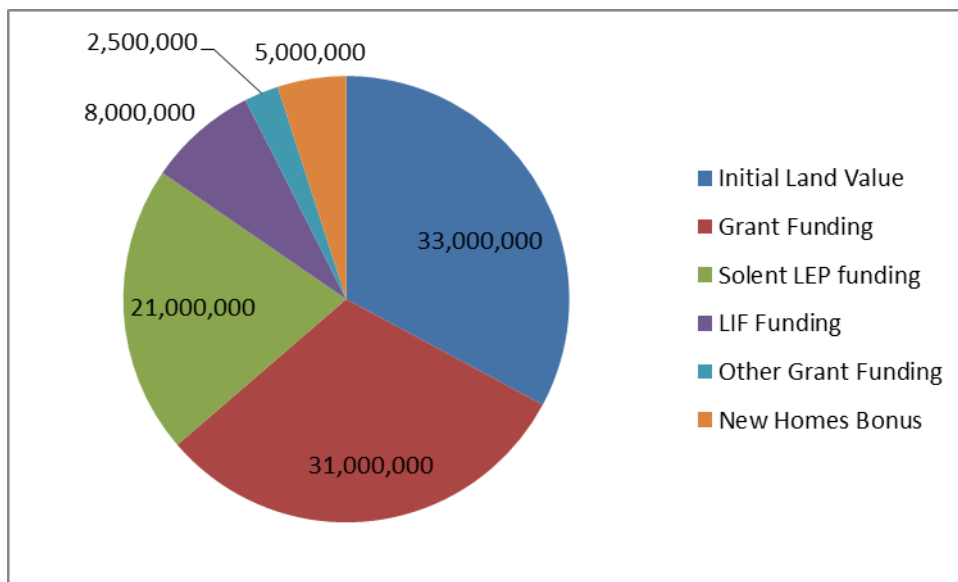
- To support the overall viability of the development and ensure maximum public benefit from it.
- To help smooth cash-flow requirements and ensure its timely delivery
- To ensure key infrastructure requirements are met in a timely fashion
- To add value by bringing forward infrastructure delivery and/or by enhancing the quality of the development.

1.3 Therefore the Council have supported various applications for funding for Welborne infrastructure and continue to work closely with the developers to bring the Welborne development to fruition. This Infrastructure Funding Strategy builds on the work undertaken to date and the Outline Infrastructure Funding Strategy published by the Council in March 2013. Importantly, it should be noted that the strategy models funding opportunities based on the Council's own concept master plan, and is not necessarily representative of the funding solution that will be used as the scheme is progressed by site promoters.

1.4 This paper explores various funding mechanisms and the financial impact expressed as an overall increase in land value (based on a 20% Internal Rate of Return to the developers) has been determined from the following mechanisms:

- A grant funding application by Hampshire County Council to the Solent Local Enterprise Partnership (LEP) of £41.2m
- A grant funding application by the landowners to the Solent Local Enterprise Partnership (LEP) of £24m
- A Local Infrastructure Fund (LIF) loan bid by the landowners via the Homes and Communities Agency (HCA) of £45m
- The application of a portion of the Council's New Homes Bonus.

1.5 The diagram below shows that the original land value of £33m can increase to approximately £100m from these funding sources. While this is only indicative of a proposed development, it shows that these funding sources have a significant positive impact on the overall viability of a development of this nature.



2. Introduction

2.1 GVA Financial Consulting (GVAFC) was commissioned by Fareham Borough Council (the Council) to examine innovative funding solutions to deliver the significant infrastructure requirements for the Welborne development (previously known as the New Community North of Fareham). An Outline Infrastructure Funding Strategy report (drawing on and updating work already completed for the Council by Almond Tree Strategic Consulting Limited) was provided to the Council in March 2013 since when there have been significant changes to the proposed development and progress in developing approaches to supporting the costs of infrastructure associated with it.

2.2 The proposed new community at Welborne is planned to include approximately 6,000 homes and employment of up to 97,255m². This will require substantial new infrastructure including transport links to the M27, improvements to the motorway junction, green infrastructure, a secondary school, three primary schools, community and health facilities, waste and recycling facilities, water supply, waste water treatment and sewerage, energy, heat generation and its distribution and its distribution and telecommunication infrastructure.

2.3 While there has been an increase in funding in the private sector, as the economy has improved, this funding is targeted at low risk projects and property portfolios. Funding

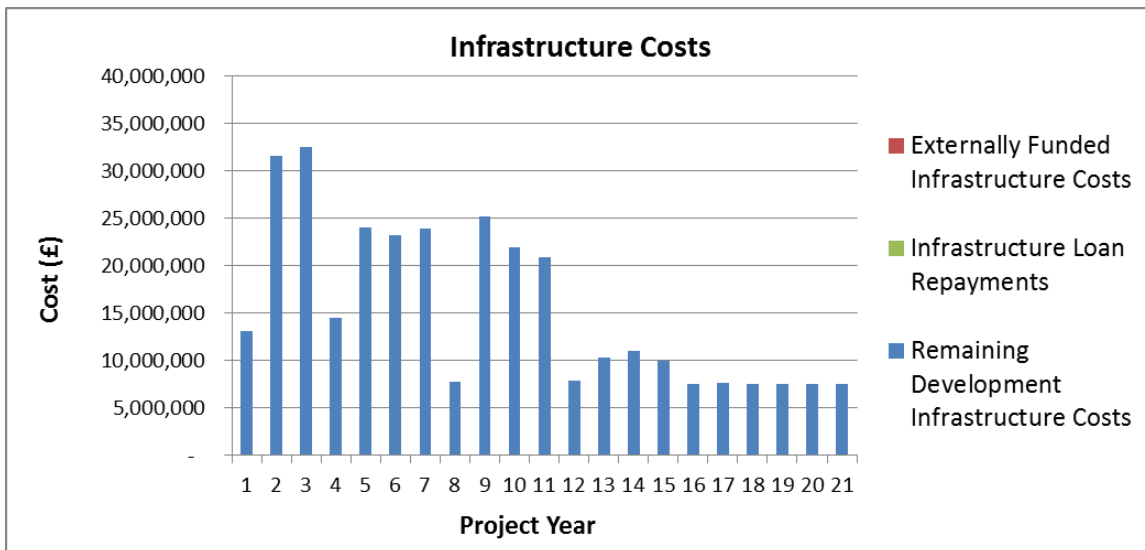
for infrastructure and development is still scarce and therefore government funding intervention is required to enable delivery of significant development opportunities such as Welborne.

- 2.4 A strategic approach to infrastructure funding is therefore essential to ensure delivery. An approach that shares risk and reward between appropriate parties and delivers a funding package that works for all parties and the Welborne development as a whole is essential.
- 2.5 In March 2013 GVAFC undertook a Funding Option Appraisal which included a number of funding alternatives that could be used and ranked these using a traffic light system, the output of this analysis is contained in Appendix A of this report. This Infrastructure Funding Strategy report primarily focusses on the funding alternatives highlighted in green (classified as funding sources that the Council and the developers should actively pursue to enable the development).

Infrastructure Requirements

- 2.6 Alongside preparation of the Welborne Plan, the infrastructure requirements for the development have been assessed and mapped against the following primary infrastructure categories.
- Social;
 - Green;
 - Transport; and
 - Utilities.
- 2.7 The initial estimate of the total infrastructure investment required is over £323M (including contingency).
- 2.8 The cost of infrastructure delivery, inevitably, is not spread evenly across the development period as the Figure 1.1 shows. For example, there is a high level of infrastructure need in the first 10 years, which includes significant infrastructure items such as the utilities distribution network and off-site utilities reinforcement, Bus Rapid Transit and dedicated public transport corridors and substantial green infrastructure. These high initial infrastructure costs have a negative impact on the development's viability.

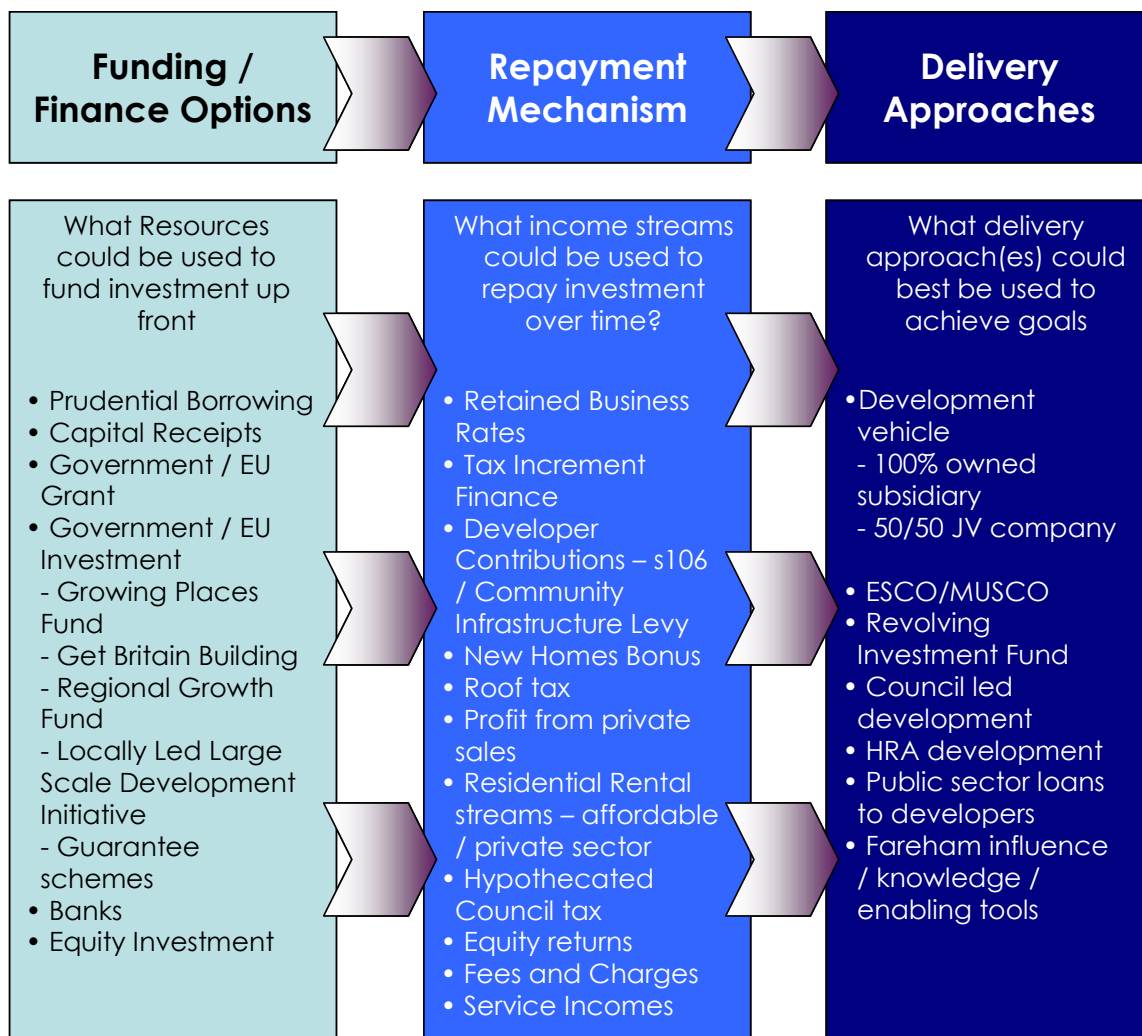
Figure 1.1 – Phasing of Infrastructure costs



Potential Funding Sources

- 2.9 The Outline Infrastructure Funding Strategy reviewed potential best practice, currently available and future sources of infrastructure funding and delivery opportunities that could help enable the Welborne development. That analysis has been updated in this report.
- 2.10 Figure 1.2 demonstrates those finance and funding mechanisms and their associated repayment and delivery approaches that could be used to enable the development.

Figure 1.2 – Overall assessment of approaches



2.11 In addition to those opportunities identified in Figure 1.2, affordable housing is the single largest “infrastructure” cost associated with the Welborne development.

2.12 Given the scale of affordable housing to be delivered, it is likely that the Council and the developers will want to spread the risks associated with the provision of affordable housing, by adopting a range of different approaches to its delivery, which are explored in greater detail later in this report. These include:

- Self-development by the Council on land provided by the developers through the section 106 agreement.
- A range of Local Housing Company options.
- Local authority guaranteed purchases and/or supported guarantees.

-
- Overage arrangements (where threshold land values trigger either payments of commuted sums or increased on-site delivery).
 - Joint Venture approaches with registered providers, developers and/or other local authorities.
 - Third party funding of affordable housing on land provided through the section 106 agreements.
 - Self-build or custom-build schemes.

Infrastructure Funding Strategy

2.13 The March 2013 Outline Infrastructure Funding Strategy report outlined several funding sources and funding mechanisms, of which it was recommended the following should be actively pursued to enable infrastructure and funding of the development.

- Grant funding;
- Locally led large scale housing delivery funding;
- LEP funding (including Growing Places Fund and Regional Growth Fund);
- New Homes Bonus;
- Community Infrastructure Levy;
- Engagement with utilities to ensure inclusion of off-site reinforcement in 5 year investment plans;
- Third party funding of schools: to be pursued with the County Council and LEP, including exploration of EU funding;
- Third party funding for residential care;
- Council (FBC and possibly HCC) investment;
- Local authority guaranteed housing purchase;
- Local Housing Company and possible joint venture(s) with other authorities and/or registered providers;
- MUSCO/ESCO;
- Self-development of affordable housing; and
- Revolving Infrastructure Fund(s).

2.14 Other options were recommended as potential options if required, and/or suitable (EU funding, Business Rates retention in respect of renewable energy and Overage

Payment) and others (general Business Rates retention and Joint Venture Development) were ruled out as being unsuitable for the time being. For completeness, some of these are briefly discussed further in this report.

3. Selected sources of finance, funding and delivery models

- 3.1 This section provides an overview of the funding opportunities outlined in section two and their individual impact on the overall financial viability. The financial viability is determined by a financial model created by GVAFC to determine the financial viability of the development. Without detailed proposals from the site promoters, it has been necessary for the purposes of the Welborne Plan, to construct a hypothetical development model based on the Council's concept master plan, to estimate the infrastructure requirements and costs as set out in the Council's Infrastructure Delivery Plan, and estimates of build costs and values. Using this as a basis, without external financial support the development viability analysis reflects a land value of c£33m based on a development Internal Rate of Return (IRR) of 20% (including inflation), this paper will refer to this position as the Base Case. At this level, comparable market intelligence would suggest that the scheme is unlikely to be brought forward, and requires external sources to funding to improve the viability of the scheme.
- 3.2 The analysis in this section looks at selected funding methods and evaluates them based on an increase in land value (positive impact) in comparison to the base case or a decrease in land value (negative impact). It also covers the state of progress in respect of each funding method. Where the impact has been shown graphically, the report uses project years to illustrate when infrastructure costs will be incurred in the lifecycle of development. In all cases, "year 1" is expected to be 2015/16.

Potential Funding Sources

Grant Funding

- 3.3 Funding is deemed as grant funding where there is little or no expectation of repayment of the funding to the provider. A submission has been made by Hampshire County Council (HCC) and Transport for South Hampshire & Isle of Wight (TfSHIoW) to the Solent LEP for £89.9m. Of this amount, £41.2m (as indicated in Figure 3.1 below) has been allocated to the Welborne project. While the nature of this funding has yet to be determined, as a working assumption it is not anticipated that the Welborne project will be required to repay this funding. While this application would provide a significant benefit to the project, this is an initial proposal to support a funding request

from the LEP. It is yet to be determined if the application has been successful or what the terms and conditions of such funding would be.

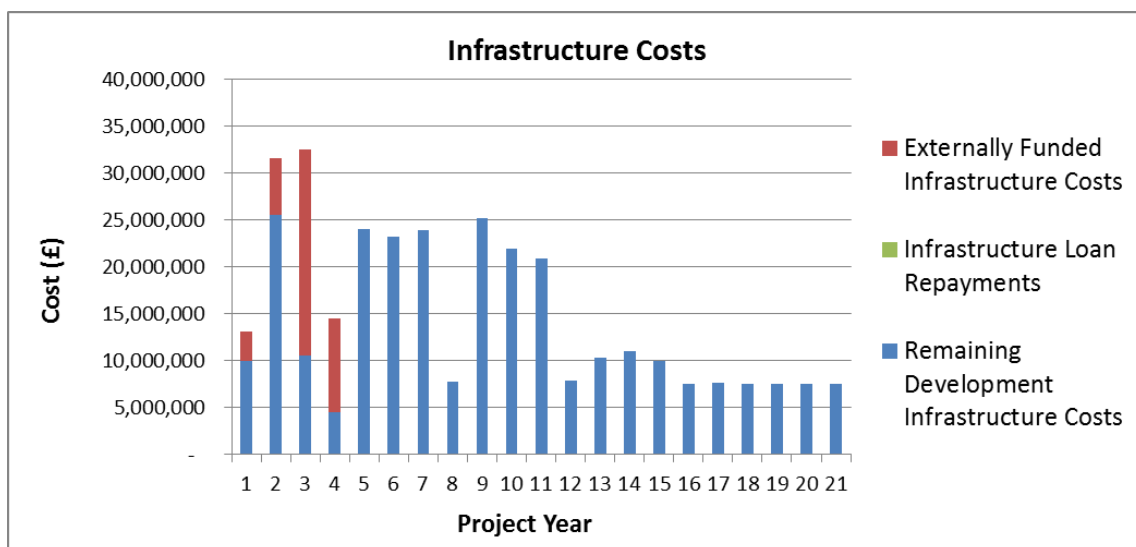
3.4 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) results in an increase in land value of £31m.

Figure 3.1 – TfSHIoW Welborne funding cash flow application to the Solent LEP

Total Capital Costs	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Welborne							
M27 Jct 10			3,000,000	22,000,000	10,000,000		35,000,000
Local road network		3,200,000	3,000,000				6,200,000
Total Capital Cost		3,200,000	6,000,000	22,000,000	10,000,000		£41,200,000

3.5 Figure 3.2 below shows how infrastructure costs have been re-profiled as a result, reducing costs in years 3/4/5 which has a positive impact on the overall financial viability.

Figure 3.2 – Updated Phasing of Infrastructure



Solent LEP

3.6 A direct application for funding from the developers to the Solent LEP has been made for £24m (as shown in Figure 3.3 below) for the funding of undergrounding of the power lines, a substation, water mains and the upgrading of the A32 between the M27 and Knowle Road. Following discussions with the LEP and their application to Government for funding, it is proposed that this funding will be considered as grant

funding. Again, this will depend on a successful allocation of funding to the LEP for grant funding.

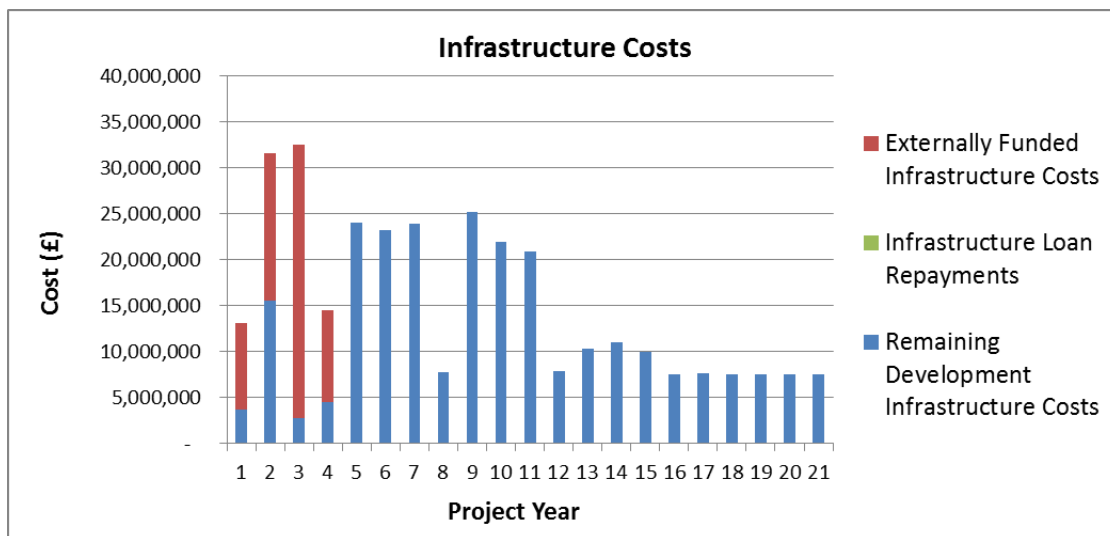
Figure 3.3 – Welborne Developer cashflow application to the Solent LEP

3.7

Total Capital Costs	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Undergrounding power lines	2,069,000	2,069,000	2,132,000				6,270,000
Primary substation		3,762,000	3,762,000				7,524,000
Diverting water mains	1,840,000	1,840,000	1,896,000				5,576,000
A32 Corridor	2,337,000	2,337,000					4,674,000
Total Capital Cost	6,246,000	10,008,000	7,790,000				24,044,000

3.8 The diagram below shows how infrastructure costs have been re-profiled as a result, reducing costs in the first 3/4 years which has a positive impact on the overall financial viability.

Figure 3.4 – Updated Phasing of Infrastructure



3.9 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) results in an increase in land value of £21m.

3.10 The Grant Funding application above and the developer application of funding from the Solent LEP will be subject initially to the allocation of funding from Government as a result of the Solent LEP Growth Plan. Each LEP is required to submit a Growth Plan which will be subject to Government scrutiny to determine how much each LEP will be allocated from the £2bn of funding to be allocated to LEPs. It is anticipated that a

mixture of both grant and loan funding will be available to LEPs and each LEP has been required to submit its future funding aspirations/requirements. The funding provided by the Solent LEP, therefore, is subject to this application and may be reduced depending on the allocation of funding to the Solent LEP.

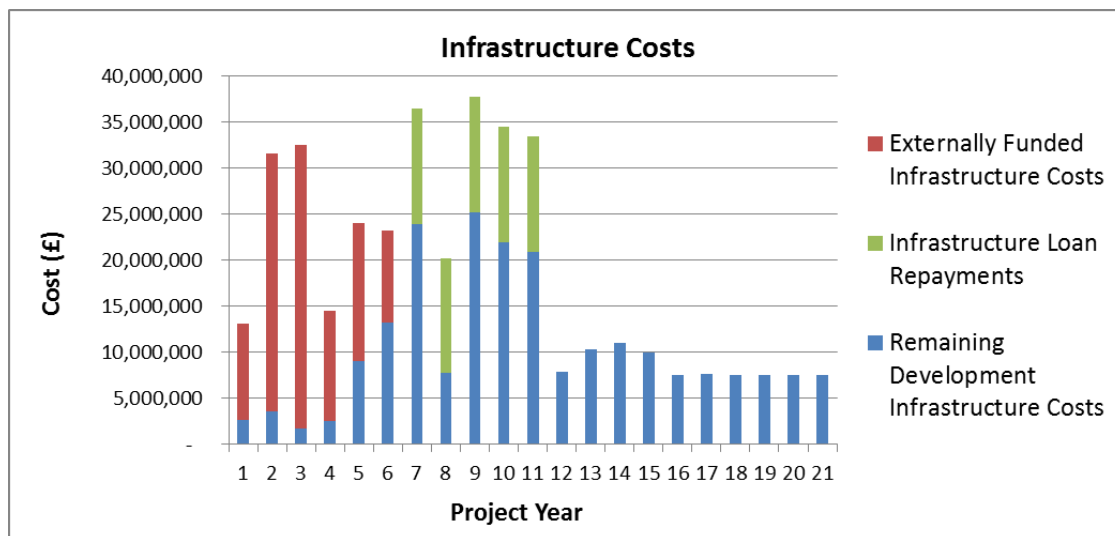
Local Infrastructure Fund (LIF)

- 3.11 The Local Infrastructure Fund is administered by the Homes and Communities Agency (HCA) and provides commercial loans or equity finance for infrastructure work on Enterprise Zone sites or developments for more than 1,500 homes.
- 3.12 Four projects have been allocated funding with 32 shortlisted and the Chancellor announced a £1bn extension to the fund in the Autumn Statement 2013.
- 3.13 The HCA is responsible for administering the fund and, through the Local Infrastructure Fund prospectus, sets out the criteria for bidding which include support for sites that:
- Are at least 1,500 units in size.
 - Have support from the relevant local authority (the Homes and Communities Agency will test this with the local authority).
 - Demonstrate how the infrastructure investment will lead to housing starts.
 - Have local support, demonstrated through having outline planning consent, or the site being designated for development in a Local Plan or via a Local Development Order.
- 3.14 The developers, with the support of the HCA have submitted an application for £45m to fund utilities infrastructure. This is based on loan funding and hence will need to be repaid to the Homes and Communities Agency (HCA).

The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) reflects an increase in land value of £8m.

Figure 3.5 below shows how, with the use of the LIF funding the up-front infrastructure impact is reduced, however peaks later when the loan is required to be repaid.

Figure 3.5 – Updated Phasing of Infrastructure



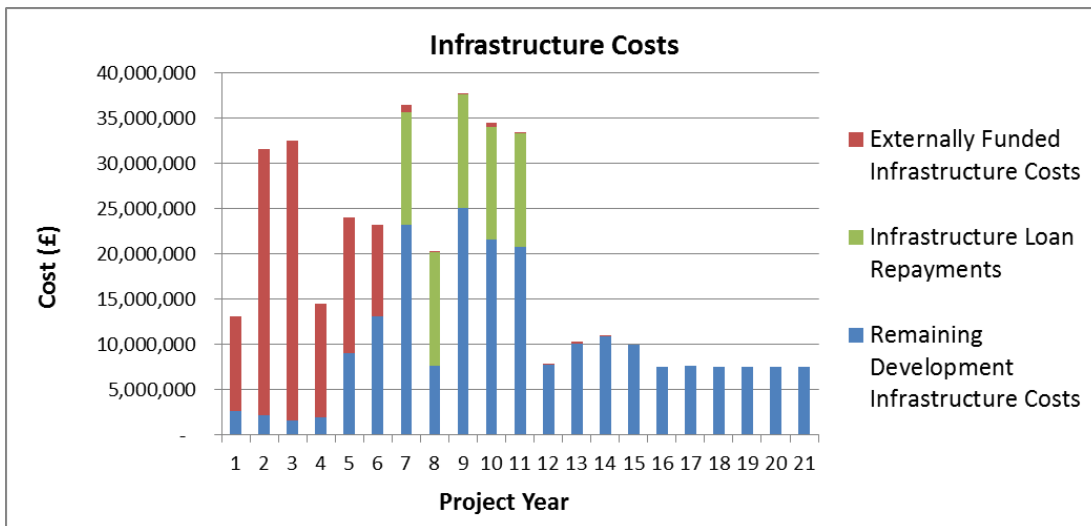
Other grant funding

3.15 In addition to the “live” funding applications analysed above, it is probable that other Government and non-Governmental sources of grant funding will be available for elements of infrastructure that further wider (Government) objectives. This is particularly likely to be the case for public transport (such as the proposed Bus Rapid Transit – BRT – connectivity to Welborne), Smarter Transport Choices and some green infrastructure requirements.

3.16 At this stage it is not possible to predict what quantum of funding might be available or the timing of such funding and therefore it has not been possible to model the impacts of such funding with any certainty. Nevertheless, to illustrate the possible impact of this type of grant funding we have selected a number of Welborne infrastructure requirements related to BRT and Smarter Choices totalling some £8m as an example and modelled the impact of grant funding being provided, on timescales consistent with the Infrastructure Delivery Plan) for 50% of the costs of these requirements. The impact of this funding on the project (expressed as an increase or decrease in land value – based on a 20% IRR) would result in an increase in land value of £2.5m.

Transport Project	Total estimated cost per IDP
On-site BRT network	1,000,000
Off-site BRT network	600,000
Bus Operational subsidy	2,850,000
Smarter choices	3,800,000
Total selected projects	8,250,000
50% thereof	4,125,000

Figure 3.6 – Updated Phasing of Infrastructure



New Homes Bonus

- 3.17 New Homes Bonus (NHB) is the government's flagship housing policy, aiming to start "... a local house building revolution where communities who go for growth by building new homes reap the benefits and at the same time deliver a much needed economic boost to their local area"¹
- 3.18 The New Homes Bonus is a grant paid by central government to local authorities for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It is based on the net amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.
- 3.19 New Homes Bonus is calculated using the average Council Tax in England, currently £1,456 (£8,736 per home), and an extra £350 (£10,836 per home) for affordable homes. The estimated NHB for Welborne is £56m, of which £45m is attributed to Fareham BC (the remainder to Hampshire County Council). This is shown below, and assumes the following:-

- The housing trajectory is realistic and delivered in full;

¹ <http://www.communities.gov.uk/news/corporate/1846706>

- The affordable housing element is delivered on a smooth 30% basis throughout the development;
- All units are rated “band D” for council tax purposes;
- Net housing provision across the rest of borough do not fall below zero at any point;
- The percentage shares between upper/lower tier councils remains unchanged;
- NHB remains payable in its current form over the delivery period;
- FBC do not withdraw the commitment in the light of any future financial constraints.

Figure 3.6 – Delivery of New Homes in Welborne

Approximate timing of new homes	In Period	Derived from period	Total Units
Phase 1 (2015 – 2019)	£1,148,896	£3,746,400	500
Phase 2 (2019 – 2022)	£4,345,824	£7,492,800	1,000
Phase 3 (2022 – 2026)	£9,565,808	£10,190,208	1,360
Phase 4 (2026 – 2030)	£10,190,208	£10,190,208	1,360
Phase 5 (2030 – 2036)	£14,511,056	£13,337,184	1,780
Residual (2036 – 2041)	£5,195,008		
Total Capital Cost	£44,956,800	£44,956,800	6,000

- 3.20 While the NHB will provide a significant impact to the development, it is only achieved once the homes are built, thus representing a significant risk to forward-funding any infrastructure.
- 3.21 It is therefore correct to allow one year after the homes are anticipated to be completed before calculating the receipt to the Council.
- 3.22 The Council cannot provide this funding directly to the developers of the scheme and therefore any benefit should be used for Council direct investment in the area, in order to promote the Council's broader objectives (for example, to better influence and improve the quality, scale or timing of infrastructure delivered). For this reason, the likely uses of NHB could be third party land acquisition, open space adoption, non-essential infrastructure, improving the quality of infrastructure, or on-going maintenance of infrastructure adopted by the Council such as open space or leisure facilities. The County Council could also consider investing its portion of the New Homes Bonus raised at Welborne (some £11m in total) in the new community.
- 3.23 The impact of this funding on the project (expressed as an increase or decrease in today's land value – based on a 20% IRR) is an increase in land value of £5m.

S106 Payments

- 3.24 Section 106 (S106) Planning Obligations are legally binding agreements entered into by persons with an interest in a piece of land (often a developer) secured by a legal agreement or deed.
- 3.25 Traditionally contributions to infrastructure requirements to mitigate the impact of a development have been sought through the S106 agreement; this includes the delivery of affordable housing units.
- 3.26 Significant resources will be realised through this route for the project. However, it is difficult to assess the level of this contribution until a detailed masterplan has been agreed and negotiations concluded with the developer.
- 3.27 The Council will continue to negotiate the level of s106 with the developer in the normal fashion, but as the detailed funding strategy is developed the Council must ensure any negotiations are made in light of the outcome of this Infrastructure Funding Strategy particularly in relation to New Homes Bonus funding and external grant funding through the LEP or other sources.
- 3.28 An alternative to s106 for securing funding from developer is the Community Infrastructure Levy (CIL). This option is not discussed further in this report because the recent published Welborne Planning Obligations SPD states that:

“The Council has received advice from GVA that the best way to secure infrastructure at Welborne is to maximise the use of S106/S278 and reduce the role of CIL to a nominal or zero rate². The Council intends to implement the advice received from GVA and maximise the use of s106/278 and reduce the role of CIL. Indications are that once the necessary s106/278 costs have been met, there will be insufficient headroom to support a CIL contribution on the Welborne site as well. This conclusion will be tested at the forthcoming CIL examination.”

Council Loans, Grants and Guarantees

- 3.29 The prudential capital finance system allows local authorities relative freedom to make their own borrowing, investment and lending decisions, governed by the Code,
-

² GVA, Welborne Stage 2 Viability Testing – GVA Approach, Assumptions & Results January 2014

which aims to ensure that capital investment plans are affordable, prudent and sustainable.

- 3.30 The Market Economy Investor Principle states the "If the State acts in a way that a private investor would in a market economy, for example in providing loans or capital on similar terms to that of a private investor, the funding will not be classified as State Aid"
- 3.31 Any loan the council decides to make to support infrastructure development in Welborne must, therefore, be on commercial terms. This will include the interest rates and collateral/security provided together with other requirements that a private lender would ordinarily include in the loan agreement. In addition, the "State" must ensure that fees and charges generally included as part of a normal commercial transaction are included in any financial assistance.
- 3.32 There are currently various sources of Government supported debt funding available particularly through LEPs and LIF. However, should this funding be deemed inadequate, the Local Authority sector may consider providing debt funding to support the Welborne development. As this funding will need to be repaid to the relevant Council the development will only benefit from the lower cost of funds (in comparison to developer equity funding). The developers have not, to date, approached the Borough or County Council for debt or equity funding.

Local Authority (Revolving) Funds

- 3.33 The creation of a local revolving fund by the Council (or a third party such as the LEP) would require a significant capital resource against which developers could secure capital funding in a similar way to normal commercial borrowing.
- 3.34 The fund would operate as a rolling fund to allow infrastructure projects to be forward funded by the Council and the developer would repay the infrastructure fund within an agreed timescale or on the basis of completed development.
- 3.35 This would allow developers to commit to the development and allow the developer flexibility to meet repayments to the infrastructure fund from future cash flows; improving the developers return on capital.
- 3.36 The risk to the Council would be significant, particularly in the current market, but that risk would have to be balanced against the potential benefits in stimulating the local development industry and the resultant economic and wider social benefits in providing essential housing, commercial and infrastructure facilities.

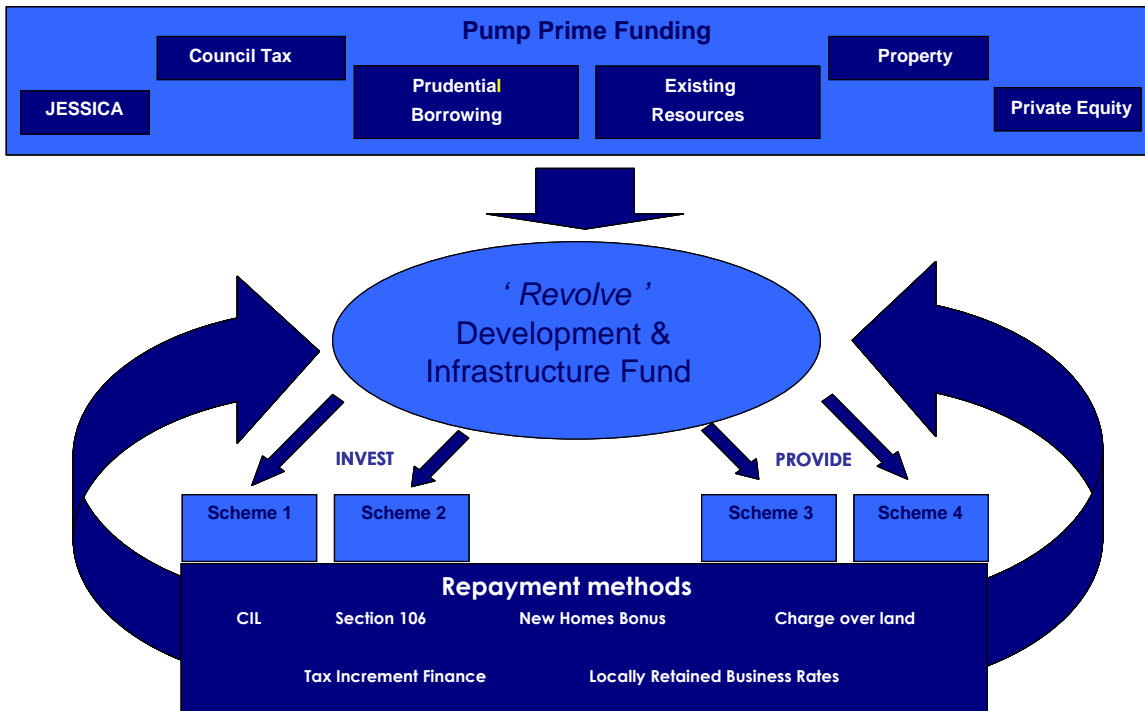
Revolving Fund Approach

- 3.37 If required, the Council could look to establish a form of revolving fund approach, possibly in partnership with other bodies, whereby the Council utilises its borrowing
-

powers, income base, assets and the strength of the local authority's covenant, to help provide the necessary financing for investment in the development, and the wider objectives of Fareham, either alone or through a fund, in return for contributions over time. The Council could also look at promoting a revolving fund mechanism with the developers to support the ongoing stewardship of the Welborne development.

- 3.38 As this Revolving Investment Fund is established, investments would then then made to finance infrastructure interventions which currently could be funded upfront by direct contributions from developers and the private sector. The interventions would be repaid from either future developer contributions unlocked or from loan repayments from developers.
- 3.39 This fund could be financed from a combination of the approaches appraised in this report including available finance routes, capital receipts, use of reserves, direct revenue contribution, unlocking the value in its assets, prudential borrowing, utilising future developer contributions, hypothecating council tax and/or business rates.
- 3.40 The fund would make strategic interventions where strategic infrastructure could be funded by direct contributions from developers and the private sector. However, this intervention will be based on criteria set by the Council and it is anticipated that only a relatively limited amount of the total infrastructure would be provided in this way.
- 3.41 A number of criteria would need to be developed by the Council to define this preferred solution, but would be likely to include the elements summarised below:
- Ability to generate revolving returns that fund multiple schemes over time;
 - Maximise the opportunity for investment from the private sector early in the establishment of any funding mechanism;
 - Ability to utilise the Council's powers, income streams and borrowing capacity to facilitate the delivery of the Fund's objectives, provided a clear business case can be established;
 - Ability to utilise the Council's assets to support a funding mechanism provided it is supported by a robust business case;
 - Maximise the potential investment of other public sector bodies, such as the local LEP, the County Council, European Investment Bank (EIB), and other grant investment approaches from the UK Government; and
 - Fast implementation of the chosen solution to ensure the funding mechanism can be put in place in the short term.

Revolving Fund Approach



3.42 At this stage, it does not appear necessary for the Council to pursue this approach but it should be kept under review in the light of changing circumstances, particularly if it becomes apparent that direct investment into Welborne by the Council will be necessary or desirable (e.g. to accelerate or increase affordable housing provision).

Charge over land mechanism

3.43 In this mechanism, the Council would enter into a funding agreement with the developers. A legal charge over the land would be taken by the Council on an agreed basis and at a level that promotes development. The Council would then lend into the vehicle the cash to pay for any enabling infrastructure that is agreed to be within scope. As this cash is loaned so the developers begin to accrue interest due to the Council.

3.44 The enabling of the infrastructure increases the value of the land and encourages development. As development is delivered and land is sold, receipts are used by the developers to repay the loan to the Council. The Council then releases its charge over the land.

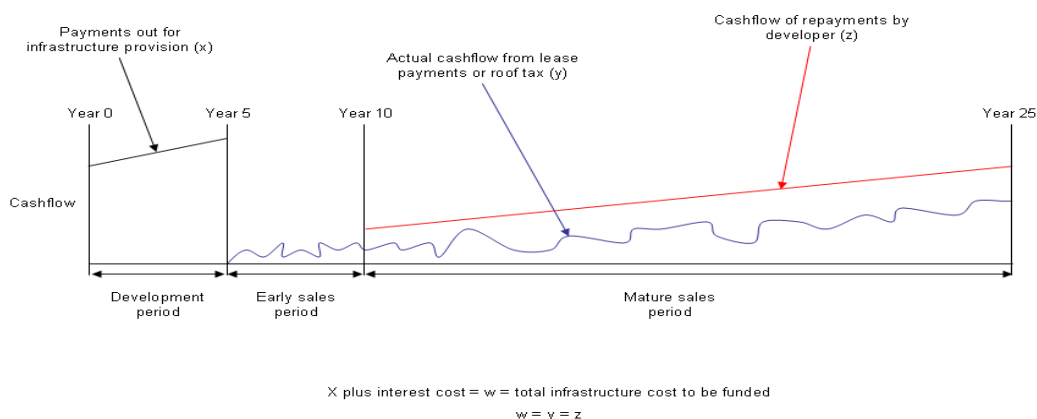
3.45 The charge would be set in a way that it mitigates some of the Council's risk in enabling the infrastructure and encourages the development of the land as the charge would be linked to inflation and increase over time. A payment break can be

agreed from development sales in early years to ensure that payments back to the Council can be smoothed.

- 3.46 The Council should keep under review the appropriateness of this approach to supporting the development of infrastructure associated with Welborne and explore it further with the developers should it appear necessary to do so to achieve the Council's objectives for Welborne.
- 3.47 The Graph below gives an indicative payment profile of this scheme.

Charge of Land Model

Cash flow profile



Affordable Housing Delivery

- 3.48 The Welborne Development is expected to deliver approximately 6,000 new houses, with 30% of these units being affordable.
- 3.49 The affordable housing provision presents a significant cost burden on the delivery of Welborne, particularly in the earlier years of development where the project cash-flow is most sensitive. An alternative to delivering a continuous 30% affordable housing across the entire scheme is to permit a lower level of affordable housing to be undertaken in the initial phases of development with a higher proportion in the latter phases to provide an overall affordable housing proportion of 30%.
- 3.50 The Council and developers of Welborne can utilise a variety of mechanisms and vehicles to enable the delivery of affordable housing, which include:

Local Housing Company

- 3.51 To improve the delivery of housing in Fareham, the Council has formed a new company in partnership with Eastleigh Borough Council, First Wessex and Radian

Housing Association, for the purposes of facilitating housing development in a sustainable manner.

3.52 The parties have entered into the joint venture to enable them to:-

- Meet housing need in their 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.

3.53 The purpose of the joint venture is primarily to 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 (SPVs) underneath the main structure.

3.54 The intention is 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.

3.55 The significance of this joint venture and the SPVs is that it can also be used to deliver affordable housing across the Welborne project in separate SPV on land purchased or allocated to affordable housing (i.e. the joint venture develops the affordable housing units) or purchase affordable housing units developed by the developers of Welborne.

Overage Provisions

3.56 Current land values may not support all the Council's policies and aspirations in terms of affordable housing and green infrastructure. However, as the development continues and Welborne becomes a success, land values will rise.

3.57 The Council may wish to forgo a portion of the affordable housing provision in the early years on the premise that they are delivered in full should land values rise above certain hurdle rates.

3.58 A number of Councils have agreed lower than policy levels of affordable units, with an overage payment to provide affordable housing in future years, subject to land values being met.

3.59 This option could have significant benefit in the earlier, less viable years of the development. This mechanism is based on a lower level of affordable housing initially but subject to an overage provision on the future land value. For example, should the land value exceed a specific value the developer will be required to either provide the remaining affordable housing on site to provide an average of 30% across the entire development, or to pay the Council an agreed percentage of the land value increase over the agreed threshold as a commuted sum (see below).

Commuted Sum – Off Site Provision

3.60 The Council could also investigate the possibility of taking a commuted sum in lieu of on-site affordable housing provision. By reducing the amount of affordable housing on the site the landowner would be able to increase the residual value of the land, thereby making the development more viable.

3.61 A number of Councils are looking at taking on the role of master developer on sites, both in the public and private ownership. Where Councils have land holdings, they are looking at opportunities to deliver the affordable element or a combination of the affordable and for sale units.

3.62 This commuted sum may be beneficial to the housing joint venture established by the Council as it could provide important capital to meet the objectives of the joint venture.

3.63 The benefits of the Council adopting this commuted sum approach could include:

- The delivery of more affordable housing units;
- The opportunity to increase the value of the remaining land holdings;
- The opportunity to secure an additional income stream (through housing rents);
and
- The delivery of other social infrastructure.

School Provision

3.64 As the Local Education Authority (LEA), Hampshire County Council has a statutory duty to plan the provision of school places and to secure an appropriate balance locally between supply and demand. It is the role of the County Council to plan, organise and commission places for all maintained schools in Hampshire.

3.65 The need for school places changes in response to population movements and birth rate variations and the development of new housing; such as that proposed in Welborne. Increases in demand can lead to the creation of a new school or the expansion of existing schools by adding permanent or temporary accommodation.

-
- 3.66 Traditionally, education provision is provided through a S106 agreement. However, in reviewing new schools requirements the County Council could reduce the impact through a commuted provision or reduce the on-site provision should school requirements change in the future.
- 3.67 Currently, there is a requirement within the Council's Infrastructure Delivery Plan for provision of three primary schools and a single secondary school to deal with the impact of the additional impact from Welborne.
- 3.68 Other similar developments, in line with the Government's guidance on renegotiating s106 agreements, have sought to deliver all or part of the education provision in partnership with the LEA.
- 3.69 The Council and landowners should continue to consult the LEA on school provision and the different opportunities available to ensure the needs of the Welborne are met.
- 3.70 This funding strategy has discounted the future role of Free Schools as a method of funding the delivery of school assets because, although this method is generally popular in city centres where there is an established demand and reputation, large regeneration projects seldom have the initial demand or reputational benefit.

Residential Care Home/Supported Accommodation

- 3.71 A number of Councils in the UK are currently looking at self-financing models for the delivery of high specification residential care homes or care communities.
- 3.72 The increased demand caused by an ageing population and the lack of affordable residential care places in general has resulted in a need for Councils to look at in-house provision rather than through private sector routes.
- 3.73 Income streams associated with the delivery of this service could be used to support the provision of care homes. Furthermore, funding from private sector equity funds has increased particularly regarding care homes and we expect to see the emergence of new funding methods for care homes in the near future.

Utilities infrastructure

- 3.74 For the purposes of this strategy, we have assumed that the significant costs associated with off-site utilities reinforcement provision will be met by the utilities in line with their 5 year investment plans (following the relevant public law precedents). Nevertheless, it remains important for the Council and the landowners to work with utility providers to plan ahead for water and energy infrastructure to support growth and meet local needs, in particular to ensure these needs are included in utilities' 5 year investment plans.

Energy and Multi Utility Service Companies (ESCO and MUSCO)

- 3.75 New developments such as the Welborne are looking at new and innovative ways to involve the community in both the delivery of and decision making for the delivery services and energy. There is a need to take responsibility for local land values to make sure that the future development needs of the town or city can be met and this is all linked to innovative forms of ownership of energy generation and supply to serve new communities. This is particularly linked to the revival of the Garden City concept around stewardship of the assets. In addition, organisations that provide a variety of utility services and can ensure strongly joined-up service infrastructure and a highly efficient customer interface.
- 3.76 ESCOs and MUSCOs are bodies that focus on the delivery of service or energy to communities. No standard organisational structure for ESCOs and MUSCOs has been developed in the UK, but guidance produced by the London Energy Partnership provides information on successful schemes. Few organisations have been set up with a range of structures, however these have not been of sufficient scale or duration to determine their effectiveness of financial soundness. The Council should, therefore, continue to approach such investments with caution, but with an open mind, given its duty to safeguard public funds and the potential to generate additional income.

Business Rates Retention

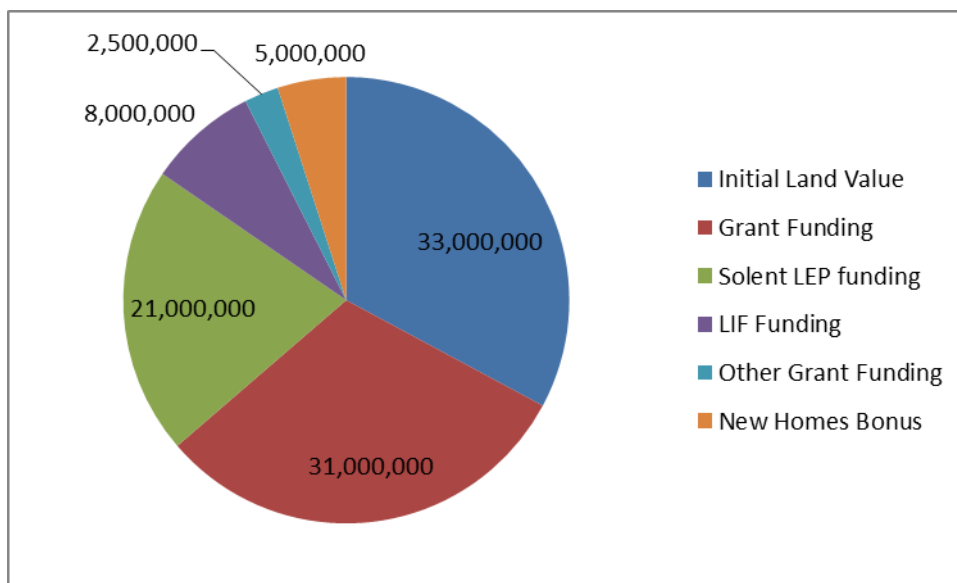
- 3.77 The Government has implemented proposals radically reforming the way local authorities are funded, providing an incentive for local authorities to encourage growth whilst ensuring they have adequate resources to provide services to local people. Subject to an initial top-up and tariff system, local authorities are now able to retain a proportion of Business Rates, if they achieve local growth in business rates, to act as a financial incentive.
- 3.78 The Welborne development is set to generate substantial employment land that will be liable for business rates. However, initial modelling suggests that as the Council currently receives a "safety net" payment from the Business Rates system, it is unlikely that any notable benefit will be realised from rate retention at least until the next reset in 2020. As such, any contribution from business rates will be insufficient to enable the Council to use it to borrow and forward fund infrastructure with certainty of repayment.
- 3.79 Additionally, special provision has been by Government made whereby all business rates collected from renewable energy facilities will be retained locally. Unfortunately a solar farm planned by one of the developers of Welborne falls outside the Council's area and therefore cannot provide benefit to the Council on the business rates received.

-
- 3.80 Given these two factors this report does not analyse further the potential impact of using retained business rates. This should be kept under review in the light of any future changes to Government policy in this regard.

4. Conclusions

- 4.1 This report has assessed in more detail a number of opportunities and structures that could be used to delivery significant investment in to the Welborne development. It has assessed both public and private sector intervention and draws on current best practice to ensure that delivery of the schemes is brought forward in a timely manner.
- 4.2 Figure 4.1 below shows the cumulative impact on the land value from the various mechanisms analysed in Section 3, where these impacts can now be quantified. As the table shows, the overall impact results in an increase in land value of £67m. As negotiations are ongoing with the developers it is premature to determine the ultimate financial impact these mechanism could have on the financial viability. However, the results show a significant shift if the financial viability when applied and confirm that a combination of Council and third party support for Welborne has significant potential to support viability and achievement of the Council's wider objectives for the development.

Figure 4.1 – Increase in Land Value



4.3 It is important to note from the financial scenarios and analysis undertaken that grant funding (i.e. not repaid back) has the greatest impact in increasing land value. Loan funding does provide a positive impact in the earlier years by reducing the initial impact however re-distributes the costs later in the cashflow. Grant and loan finance do however contribute to the overall financial viability as a result of a lower cost of funds in comparison to the developers funding cost.

4.4 Several funding initiatives have been identified and the Council should continue to support such funding applications for Welborne and explore other funding initiatives when these become available (likely as Government funding).

4.5 To support any future funding application or to progress the funding applications already submitted, the landowners/developers will need to provide the Council with its proposed development and feasibility study. This will also enable the Council to identify key costs which may benefit from financial intervention/funding.

4.6

Appendix A – Public Sector Sources of Finance

Table 8.1 – Assessment of opportunities for public support on the Welborne development taken from the March 2013 Outline Infrastructure Funding Strategy

	Advantages	Disadvantages	Next Steps
Grant Funding	<ul style="list-style-type: none"> • If any grant is available for the Development, the Council and its partners should ensure that the priorities of the scheme are flexible enough to meet its objectives. • There are currently grant allocations available for transport delivery. The Council and its partners should attempt to access this for development of the M27 Junction and delivery of any off-site road improvements. • EU funding can be in the form a grant where delivery of key pan-Europe objectives is achieved; however, this is less common. Previously, these have included job creation, renewable energy and areas affected by blight. 	<ul style="list-style-type: none"> • Grants are often prescriptive inflexible and often require significant alignment to the grant giving body. • Grants can be quite small and are usually given to enable development work rather than delivery, the exception being transport. 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> • Work with the Department for Transport and the Highways Agency to assess the availability of grant for transport infrastructure; • Assess EU Objectives where grant may be available e.g. Renewal and Green infrastructure; • Ensure that the funding strategy is continually updated to ensure that any grant available is accessed.
Locally led large scale housing	<ul style="list-style-type: none"> • Welborne meets the criteria of 1500+ and large scale commercial sites be outside of Enterprise Zone areas 	<ul style="list-style-type: none"> • Advice from Homes and Communities Agency has been unclear as to whether the 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> • Investigate if it is eligible

	Advantages	Disadvantages	Next Steps
delivery funding	<ul style="list-style-type: none"> • Welborne promotes economic activity; investing in large scale land and property projects, which have local support, to deliver the infrastructure required to unlock housing and commercial development • Any finance will be flexible in how it invests, enabling bespoke packages of support to be developed where needed • Finance can be used to fund land acquisitions from third parties where there is a need that relates to infrastructure delivery. • There is no upper limit to finance subject to it meeting the value for money criteria 	<p>Welborne development was sufficiently progressed to access funding in the first round</p> <ul style="list-style-type: none"> • Any bid to be submitted is expected to be led by the organisation with majority control of the land • This is not grant funding, funding will be provided on a recoverable basis (with funds returned to the Homes and Communities Agency), with an appropriate rate of return applied • Appropriate security is required to access the investment. 	<p>to proceed with an expression of interest at this time. If so, the landowners will need to consider whether a loan or equity investment is sought;</p> <ul style="list-style-type: none"> • Work with the HCA to assess the likelihood of bidding for Round 2 of this fund and ensure that it is positioned to bid; • Work with landowners, where appropriate to support any private sector bid.
Other LEP Funding including GPF	<ul style="list-style-type: none"> • Growth funds are aimed at unblocking stalled or difficult to deliver developments that will increase the economic activity within an area. Welborne should be seen as a key project in enabling these objectives; • Funding may be secured in the form of grant subject to the aims and objectives; • The GPF and GBB have aims and objectives that are directly met by this 	<ul style="list-style-type: none"> • Schemes currently being funded in this manner are in a shovel ready state. If Government priorities change over the coming years then the Development may not meet the criteria. • Funding is focused on unblocking and creating an environment for growth. As such other sources of finance are expected to be investigated first. • Funding is channelled through 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> • Assess the current funding streams and align, where applicable, its aims to meet their objectives. • Work closely with the LEP to ensure that the scheme is a high priority and considered for all funding that flows

	Advantages	Disadvantages	Next Steps
	<p>development;</p> <ul style="list-style-type: none"> • In the future JESSICA or JERIMIE funding may be available as they are specifically aimed at development. • Elements of the Development may align with funding sources currently being offered by the EU, e.g. employment or green infrastructure funding. 	<p>partnership agreements between the public and private sector; a suitable agreement would need to be in place.</p>	<p>through the LEP</p> <ul style="list-style-type: none"> • Where possible lobby Government to support the project. • Be flexible enough to access any future funding streams that may be pushed through the LEP
New Homes Bonus	<ul style="list-style-type: none"> • Approximately 6,590 of homes will be created as a result of the Welborne development realising a significant income stream. • It is estimated that income will be approximately £60M for Fareham Council and a further £15M for Hampshire County Council will be delivered from this scheme. • The Council has ring-fenced any NHB received from the Welborne Development to support the scheme. • Under current guidelines NHB would be given to the Council in line with development. This could be accessed to support the development through borrowing or through a pay 	<ul style="list-style-type: none"> • NHB is not ring-fenced to housing and the development would have to compete for funding with other services and priorities; • The Council may not be willing to take any funding risk on housing that has yet to be delivered, i.e. funding would only be received on the completion of houses • NHB is supplied in its current form as part of the latest CSR. This is due to run until 2015. There is no guarantee that NHB will be available for new units past this date. 	<p>The Council should:</p> <ul style="list-style-type: none"> • Engage with the County Council to assess the likelihood of this funding stream being ring-fenced and made available to support WELBORNE Development. • Support this conversation by formulating a detailed financial benefits plan of the housing delivery, ensuring that this links to the wider aims of the Council's; • Work with land owners

	Advantages	Disadvantages	Next Steps
	<p>as you earn mechanism.</p>		<p>to produce a detailed delivery plan to assess the quantum and timing of NHB that may be available to support infrastructure delivery;</p> <ul style="list-style-type: none"> Assess the opportunity to bring forward the delivery of affordable housing using this income stream to support delivery.
<p>Community Infrastructure Levy (CIL)</p>	<ul style="list-style-type: none"> Specifically, for the delivery of key strategic infrastructure within the authority. Strategic infrastructure is generally considered as items that benefit more than a single development e.g. transport, utilities etc. which matches some of the key Welborne requirements. CIL can be used to support borrowing. Prudential borrowing can be sourced from PWLB at significantly lower rates than private finance. Based on the Draft Charging Schedule the Council could expect to receive approximately £47M of CIL income as a result of the Welborne Development. This can be used to 	<ul style="list-style-type: none"> No Welborne infrastructure is currently included in the 25 year plan required for the CIL charging schedule; Not all infrastructure will form part of the strategic needs of the authority. The development will incur a CIL charge and as such any benefit would be offset by this payment. Generally, capital expenditure incurred by a local authority must create a tangible asset for the authority, i.e. this approach can generally only be used for infrastructure to be adopted by the Council. 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> Assess whether elements of this project should be included on their strategic CIL infrastructure plan. Subject to being included on the CIL Infrastructure Plan, assess the quantum and timing of income and the impact this could have on supporting the development.

	Advantages	Disadvantages	Next Steps
	support key strategic infrastructure.		
Utilities Re-enforcement	<ul style="list-style-type: none"> Utility firms operate a 5 year investment strategy that allows the Welborne to fit in with this timeframe. There is legal precedence for the delivery of this infrastructure by utility companies 	<ul style="list-style-type: none"> There is a risk that this approach will be resisted by the utility companies which could delay delivery. 	<ul style="list-style-type: none"> The Council and its partners should meet and lobby with utility providers to ensure that the key infrastructure requirements are included in their 5 year investment strategies.
School Provision	<ul style="list-style-type: none"> The County Council is better positioned to meet the needs of the community if the provision is in their control. The County Council is able to better manage the on-going costs of the school provision if it is in their control There may be opportunities to access EU Funding to deliver schools. 	<ul style="list-style-type: none"> By looking for external support the delivery of the development could be delayed. Any application for funding will have to be of sufficient size to attract EU funding. This is generally over £50M, which must be matched funded. EU Funding could take additional time to secure. 	<ul style="list-style-type: none"> The Council should work with local public sector partners including the County Council and LEP to assess the appetite of a joined up approach to the delivery of educational assets. The Council should review current EU funding, including discussion with the EIB, to assess the criteria to access EU Funding for the delivery of educational assets.
Residential Care Homes	<ul style="list-style-type: none"> The delivery of the residential care homes could produce an income stream to support capital costs or 	<ul style="list-style-type: none"> By looking for external support the delivery of the development could be delayed. 	<ul style="list-style-type: none"> The Council, County Council and landowners should

	Advantages	Disadvantages	Next Steps
	<p>other infrastructure priorities.</p> <ul style="list-style-type: none"> • An ageing population means that the need for residential care will increase. Public ownership of these units could reduce the costs to the public sector. • The delivery of residential care could form part of a wider housing company structure, providing income into the structure. 	<ul style="list-style-type: none"> • If the Public Sector took ownership of these assets any risks associated with occupation, income and M&M could impact on affordability. 	<p>assess the opportunity for third party delivery of these assets.</p> <ul style="list-style-type: none"> • If considered an appropriate opportunity, the Council and its partners should undertake a high level feasibility study to assess the affordability of this opportunity.
Upgrade to the M27	<ul style="list-style-type: none"> • There is the opportunity to secure grant funding for the upgrade of transport works, this could be through the pinch-point funding programme or the wider devolved major projects programme. • Early delivery of this item of infrastructure could attract current LEP and HCA funding e.g. LIF. • Cost associated with design and studies relating to impact assessment on the T-ENT network may be able to be picked up through EU grant funding. 	<ul style="list-style-type: none"> • By looking for external support the delivery of the development could be delayed. 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> • Assess the opportunity for early funding bids to bring forward this item of infrastructure at the start of the development; • Work with the Highways Agency to look at the opportunity for grant funding to support delivery. • Consider the benefit of early delivery through the public sector and its statement of intent to the land owners

	Advantages	Disadvantages	Next Steps
Council Investment	<ul style="list-style-type: none"> The Council can access debt at a cheaper rate than the private sector. In providing investment in to the scheme the Council could reduce the overall cost of funding. The Council could provide a State Aid compliant loan to landowners. This would enable the Council to make a financing gain, which could be reinvested into the scheme. The Council can secure any investment through a charge over the land model, which will protect the revenue account and provide suitable security for any investment; The investment can be tailored and flexible to meet the needs of the developer. 	<ul style="list-style-type: none"> The Council is exposing itself to additional risk of the development not proceeding. The Council will need to ensure that it is acting prudently in its assessment of any investment and supporting cashflows. Any investment will need to be State Aid compliant, including the inclusion of charges and fees to mirror terms offered by a commercial organisation. 	<p>The Council and County Council should:</p> <ul style="list-style-type: none"> Work with the landowners to assess the opportunities that the provision of cheaper finance may give. Assess whether there are any assets with an associated income that it could delivery and adopt. Work with the landowners to assess the possible impact of any Council investment on the overall viability of the scheme.
Local Authority Guarantee Take Up	<ul style="list-style-type: none"> The Council can increase its affordable housing supply by purchasing housing that is unsold. The developer is exposed to a reduced sales risk and therefore can attract better rates of finance. The Council can take the stock at a cost plus price, generally lower than the market value of the unit. 	<ul style="list-style-type: none"> The Council will have to manage an uncertain expenditure profile should the guarantee be called. The Council is exposing itself to the risk that significant stock may revert to public ownership. 	<ul style="list-style-type: none"> The Council should investigate this as a potential opportunity with the landowners and assess whether this would bring forward development in a more timely manner.
Local Housing	<ul style="list-style-type: none"> A LHC could command additional 	<ul style="list-style-type: none"> Council would lose an element of 	The Council and its partners

	Advantages	Disadvantages	Next Steps
Company	<p>financial capacity to fund affordable units.</p> <ul style="list-style-type: none"> The Council can use supported borrowing to lower costs. Ability of the LHC to address other opportunities e.g. ESCO The LHC can be wider than the Welborne development, thereby mitigating risk The LHC can take a longer term view based on rental incomes. The use of an LHC would allow the Council to deliver affordable housing outside the current constraints of the HRA debt cap. 	<p>control by entering a multi-party JV</p> <ul style="list-style-type: none"> LHC rely on the cross subsidy of affordable and private sales. By taking on additional sales risks the LHC's return and ability to deliver housing may be inhibited. The objectives of a wide public sector LHC may not be aligned with the specific needs of the Welborne development, thereby inhibiting its ability to deliver affordable housing in a timely manner. 	<p>should:</p> <ul style="list-style-type: none"> Assess the benefits and risks of using an external company to delivery its affordable housing needs. Ensure the objectives of any LHC are drawn wide enough to meet its needs and requirements in relation to the Welborne development. Working with the landowners, assess the impact a vehicle could have on improving viability or timing. Assess the opportunities of a wider more diverse company and the impact on the Welborne development.
MUSCO & ESCO	<ul style="list-style-type: none"> The organisations have the potential to generate significant income streams that can be used to support Council priorities They can be set up to more directly meet the needs of the local 	<ul style="list-style-type: none"> They are a relatively new and untested model There is a risk that the income stream may not be sufficient to meet the organisations 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> Investigate the merits of such a ESCO/MUSCO vehicle and assess possible funding routes

	Advantages	Disadvantages	Next Steps
	<p>community</p> <ul style="list-style-type: none"> • They can be flexible and more responsive to local conditions including being able to access grant funding. 	<p>requirements.</p> <ul style="list-style-type: none"> • Depending on the agreement, this could erode the authority's Council Tax base. 	<p>(including soft market testing);</p> <ul style="list-style-type: none"> • Assess the appetite of the landowners to participate in a Joint Venture approach utilising this structure; • Look at whether the ESCO/MUSCO structure could form part of a wider vehicle delivering a range of services e.g. Local Housing Company.
Self Development of affordable housing	<ul style="list-style-type: none"> • Can create a profit rent for the Council which can be used to support other priorities. • The Council can increase rents at RPI +0.5 (subject to the constraints of the Local Housing Allowance) whereas the repayment increases at RPI. • The Council is in control of all management aspects of the units. 	<ul style="list-style-type: none"> • Models require land in public ownership. • The local authority provide a rent guarantee that increases the risk to the Council 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> • Model the impact of the self-delivery model using the expected rental values available; • Investigate the feasibility of a S106 receipt in the form of a land transfer; • Assess the appetite of funders to deliver schemes such as this in the Welborne Development;

	Advantages	Disadvantages	Next Steps
			Discuss with landowners the benefits of this type of deliver on enabling the Development as a whole.
Local Authority Revolving Infrastructure Funds	<ul style="list-style-type: none"> The revolving fund allows the Council and its partners to spread risk around a number of developments therefore making investment more attractive through this route; Any profit made from the investment will generally flow back to the Council (as part of the agreement). This can be used to support other Council priorities; Funding can be flexibly structured to best meet the needs of the project. Infrastructure funds can be expanded to include multiple partners, with a range of interests and income streams. In doing this the risk can be further defrayed from a single body. 	<ul style="list-style-type: none"> A significant amount of work may be required in order to set this up; The Revolve fund will require a pay back at a State Aid compliant rate and therefore may not be as favourable as other routes; The size of the Revolving Fund will be dependent on the size of the Authority and its appetite for risk. By involving a number of partners the flexibility of the vehicle can be reduced. 	<p>The Council should:</p> <ul style="list-style-type: none"> Engage with its partners to determine the appetite for a similar development fund, as a single entity, in partnership or on a County/LEP wide basis
EU Funding	<ul style="list-style-type: none"> Significant funding can be secured through this route. Funding is cheaper than can be obtained through PWLB, with rates typically 20 bps above EU Gilts. Funding is focussed on key priorities that are included in the WELBORNE development. 	<ul style="list-style-type: none"> A significant amount of EU funding is required to be repaid; there is limited scope for straight grant. Match funding from the public/private sector is generally required under the majority of EU funding models. Bids must be made and passed 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> Investigate the opportunity for a regional fund that could deliver infrastructure across Hampshire;

	Advantages	Disadvantages	Next Steps
	<ul style="list-style-type: none"> • Elements may be secured to deliver SMART Transport solutions. • Funding could be used to support County or sub-regional priorities as part of a wider funding strategy e.g. schools delivery. 	<p>through an accountable body, which are generally required to produce regular returns.</p> <ul style="list-style-type: none"> • Bids are likely to be in excess of that required for the WELBORNE site and may require a regional approach. 	<ul style="list-style-type: none"> • Ensure that the priorities of the development are flexible enough to be adapted to attract any EU Funding; • Discuss with the LEP how EU funding could benefit the region as a whole, whilst supporting the Welborne Development.
Local Government Resource Review (LGRR) – Renewable Energy	<ul style="list-style-type: none"> • 100% of the business rates from renewable energy are kept locally • The emerging Welborne infrastructure requirements include a £12.7M renewable energy plant that will attract business rates for the Council • Business rates will not be ring-fenced and can be used for any Council priority. 	<ul style="list-style-type: none"> • There is the potential for the rates retention to be spilt across tiers meaning the total take is reduced. 	<p>The Council and its partners should assess:</p> <ul style="list-style-type: none"> • The significant scope for the Council on its own, or through an ESCO JV to provide support through LGRR. This support could be used to support the capital costs of the energy units or as working capital for the on-going maintenance. • Retained Rates, which will not be ring-fenced and should be used to support any infrastructure provision on the Welborne

	Advantages	Disadvantages	Next Steps
			Development
Overage Agreements	<ul style="list-style-type: none"> The Council can maintain a more policy compliant development. The viability of the scheme is improved in the early years by helping to develop a faster delivery programme. As land values increase, housing can be delivered through direct provision or a commuted sum. Agreements can be written to secure above policy outcomes, subject to developer super profits 	<ul style="list-style-type: none"> There is a risk that upon completion the level of affordable housing will be below a policy compliant level. The open book policy can be difficult to manage and may require additional monitoring. 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> Assess the impact of such an agreement on the overall viability of the scheme; Work with the landowners to assess how in practice this could be delivered; Assess the minimum level of affordable provision that could be delivered on the site, using this as a base for negotiation.
Local Government Resource Review (LGRR) – Business Rates Retention	<ul style="list-style-type: none"> Rates increase will be largely “additional” due to the unique nature of the Development and the suggested employment space. The inclusion of Public Sector money and the covenant that money brings will often encourage private sector lenders to invest in schemes that they previously would have avoided. The new powers will give the Council the ability to attract business by giving a reduced NNDR charge, thereby 	<ul style="list-style-type: none"> The Council is likely to find itself as a Top Up authority at least until the first rates reset. There may be elements of displacement that could impact on the overall business rate take by the Council. Generally, capital expenditure incurred by a local authority must create a tangible asset for the authority, i.e. this approach can generally only be used for 	<p>The Council and its partners should:</p> <ul style="list-style-type: none"> Assess the ability of the LGRR to support the development post the first rates reset in 2020. Assess the flexibilities available to encourage business growth by providing rates relief.

	Advantages	Disadvantages	Next Steps
	<p>encouraging business growth and pre-sales.</p> <ul style="list-style-type: none"> Under LGRR the local authority has the ability to set up a TIF type structure, ring-fencing all business rates to support the Development. 	<p>infrastructure to be adopted by the Council.</p> <ul style="list-style-type: none"> The Council must balance its borrowing requirement against other Council priorities in order to demonstrate value for money of any investment. Based on the current rules regarding Business Rate Retention it is unlikely that a TIF would be advantageous for this development. 	
Joint Ventures Development	<ul style="list-style-type: none"> The Council could take an equity stake in a JV development vehicle thereby sharing the risk on those elements it is most able to add value to; The PPP spreads the risk away from one party making it more attractive to both; The deal would offer a potential upside for the Council in exchange for the additional risk. 	<ul style="list-style-type: none"> The Council will be mindful of the risks associated with the project and may require security over and above that which is normal in such a transaction; The Council would have to look at which vehicle best allows them to invest in the project, this may differ from the most commercial advantageous. The success of this vehicle will be dependent on the value of the assets placed in the vehicle as the public sector equity stake. If the vehicle is not large enough the set up fees become prohibitive; 	<ul style="list-style-type: none"> Discussion should be used to inform the likelihood of this approach succeeding, however, initial discussions suggest that the landowners do not look favourable on this approach.

	Advantages	Disadvantages	Next Steps
		<ul style="list-style-type: none"> • Development partnerships can be costly to set up 	

**WELBORNE
INFRASTRUCTURE FUNDING STRATEGY**

**FAREHAM BOROUGH COUNCIL
POSITION STATEMENT UPDATE**

JUNE 2014

Summary

This statement sets out Fareham Borough Council's strategic position on options for funding infrastructure associated with the proposed Welborne development to the north of Fareham. It updates the Council's position from the statement made in April 2011 and previously updated in January 2014. It remains a statement of the Council's position at a point in time and is expected to continue to evolve.

The Council is clear that this large complex project, being developed in a volatile market and policy environment, requires a joint long term, innovative and more risk-tolerant approach to the delivery and funding of infrastructure, involving a range of partners including the Solent Local Enterprise Partnership (LEP) whose Solent Strategic Economic Plan places a high priority on the implementation of Welborne, the Homes and Communities Agency and the County Council. Initial modelling work undertaken in development of the Council's Infrastructure Funding Strategy for Welborne confirms that such an approach could make a significant beneficial impact on the viability of the Welborne development and hence its ultimate quality. The Council recognises, however, that a significant proportion of the required funding will be provided by developers. Continued effective community engagement will be essential throughout the project.

The expectation is that the site promoters will be focusing on the delivery of direct enabling infrastructure to unlock the development, such as access points and internal road networks, ensuring sufficient energy, water and waste capacity exists to serve the site, putting in place robust on-site drainage systems, and the delivery of the residential, commercial and retail development which will form the bulk of the new community and provide private funds for infrastructure outlined.

Evidence produced by the Council's consultants has indicated that financial viability is a key challenge for the Welborne project. This has highlighted some key areas where the Borough Council may go beyond its planning role and take the opportunity to lead on shaping the development of Welborne. In addition to its statutory role as Housing Authority and provider of public services, the Council has a wider remit in place making and providing community leadership. These areas include affordable housing, securing delivery and on-going maintenance of open space, and community infrastructure as they are directly related to the Council's interests.

The Council is working with partners (including the landowners) to explore further, innovative mechanisms for managing resources and financing investment in infrastructure including Funding and support mechanisms such as re-investment of New Homes Bonus, public sector grants and loans (including loans secured through charges over land), loan guarantees, overage arrangements or buy back arrangements (e.g. in conjunction with the Councils new Housing Joint Venture company). If appropriate the Council will also consider developing a flexible approach to investment and funding through the creation of a revolving "Infrastructure Fund".

The Council is working with its partners to ensure that a range of infrastructure projects are developed to enable a rapid response to funding opportunities as they arise. The Council expects the developers to make a substantial contribution to the costs of such preparatory work.

Introduction

1. The Core Strategy includes proposals for a new settlement to the north of Fareham (now named Welborne). Detailed plans for the development have been published and include approximately 6,000 new homes, supporting businesses, open space, public transport and highways, schools, shops, health and community facilities.

2. Welborne will require substantial infrastructure investment including:

- | | |
|--|---|
| • Affordable housing | • Energy supply infrastructure including potential renewable energy (and heat) generation |
| • Transport infrastructure (highways and public transport) | • Water supply and waste water infrastructure |
| • Education & pre-school facilities | • Waste management infrastructure |
| • Health and Care facilities | • Telecoms infrastructure |
| • Green and environmental infrastructure | • Workspace and business support facilities |
| • Sports and leisure facilities | |
| • Community facilities | |
| • Public realm investment | |

3. Recognising the scale of the Welborne proposals, complexity of market conditions and the Council's high aspirations for sustainability and quality, an innovative, long term, joint approach to infrastructure funding is required, led by the Council. This is likely to require a more risk-tolerant approach by the Council and its partners (including developers) to secure the necessary scale of investment. A range of financing mechanisms will be required to support the principal funding source (developer funding), many of which are either new or in development. The Council's key objectives in adopting a more proactive approach to infrastructure provision for Welborne are to:

- support the viability of the scheme overall to ensure that maximum public benefit is derived from it;
- help smooth or bridge cash-flow requirements for the development to support its timely delivery;
- ensure that key infrastructure requirements are met in a timely fashion; and
- add value by bringing forward infrastructure delivery and/or by enhancing the quality of the development.

4. **This statement sets out the Council's position on key aspects of such a joint approach, as at June 2014.** The Council expects its position to evolve in the light of: developing Government policy, further research (including specialist and technical advice) and through ongoing work with landowners, developers and other key partners.

Critical relationships

5. The Council is committed to maintaining proactive and positive engagement with the existing communities in and around the Borough of Fareham, and over time the emerging new community in Welborne, as detailed plans and associated infrastructure requirements are developed and implemented.

6. Furthermore, the Council recognises the critical importance of its relationships with public sector partners, the Solent LEP and the developers in ensuring effective, timely and coordinated delivery of the infrastructure necessary for Welborne. Of particular importance are Hampshire County Council (HCC), the Highways Agency, central Government and the Homes and Communities Agency. Relationships with neighbouring local authorities, PUSH and a wide range of other Government agencies are also very important.

A Flexible Approach

7. The Council recognises that the development itself will provide the most significant source of funding for infrastructure. However, the scale is such that innovation and flexibility through a multi-channel approach to funding infrastructure is required if Welborne is to be delivered to the required timescales, quality requirements and remain viable.

8. With a construction period of over 20 years, infrastructure requirements have been prioritised and phased through an Infrastructure Delivery Plan (IDP) and flexibility is required in the way that funding is applied over the course of the development. The Council is keen to make the most of the opportunities arising from the full range of funding channels and to develop innovative joint approaches with developers, without undermining more traditional funding sources. Future planning and development arrangements must, therefore, recognise the need for flexibility in how funds are applied, so these opportunities are not unduly constrained. If appropriate, therefore, the Council will explore how the use of a revolving Infrastructure Fund could be applied to the development.

9. While funding will be attributed to individual infrastructure needs (and some funding sources will be ring-fenced to specific projects and/or will have specified timescales), the application of funds will need to be flexible to have the maximum impact in supporting delivery. It is envisaged that such an approach would enable funding to be accumulated and applied to priority infrastructure needs, while at the same time being available to leverage additional funding streams as they arise. Strong governance arrangements will be required to ensure that sufficient funding is accumulated to meet long term demands and compliance with the requirements of specific funding sources. Our expectation is that the site promoters will (where public sector support cannot be secured) be focusing on the delivery of direct enabling infrastructure to unlock the development, such as access points and internal road networks, ensuring sufficient energy, water and waste capacity exists to serve the site, putting in place robust on-site drainage systems, and the delivery of the residential, commercial and retail development which will form the bulk of the new community and provide private funds for infrastructure outlined.

10. The Borough Council may go beyond its planning role and take the opportunity to lead on shaping the development of Welborne. In addition to its statutory role as Housing Authority and provider of public services, the Council has a wider remit in place making and providing community leadership. These areas include affordable housing, securing delivery and on-going maintenance of open space, and community infrastructure as they are directly related to the Council's interests.

Developer funding

11. The Council is clear that the developer must pay its fair share of infrastructure costs, either through direct provision or through planning obligations. The Council expects that together this will form the largest single contribution to infrastructure investment over the lifetime of the development. The Council has, through the IDP, defined and prioritised the infrastructure requirements based on its concept masterplan for the development. The prioritisation of the infrastructure requirements provides a guide to considering the infrastructure requirements of each phase of development and of the development as a whole.

12. The Council indicated in its Local Development Scheme and the Publication Draft Welborne Plan that the current CIL charge will be reviewed to reflect the viability evidence for Welborne. It has, therefore, recently prepared a draft Welborne Planning Obligations and Affordable Housing SPD. This states that:

“The Council intends to implement the advice received from GVA and maximise the use of s106/278 which provide greater flexibility than CIL in terms of setting trigger points for key infrastructure delivery required at Welborne and allow for the use of a deferral of contributions policy which is a key part of the approach to ensuring that the Welborne Plan can operate in a flexible way. Indications are that once the necessary s106/278 costs have been met, there will be insufficient headroom to support any CIL contribution on the Welborne site as well. This has resulted in a proposed ‘zero’ differential rate for Welborne which will be tested at the forthcoming CIL examination.”

13. Over the period of the whole development a flexible approach will be adopted to the application of developer funding to take account of changes in market conditions, any further changes in governing legislation, and funding secured from other sources (recognising that some third party funding sources will only be available for particular types of infrastructure).

14. The Council's position on funding arrangements for key types of infrastructure is set out below.

Public sector support

15. Central Government support for large scale developments continues to be available, often channelled through Local Enterprise Partnerships. This includes funding such as the Local Infrastructure Fund and Local Growth Fund and LEPs' Local Growth Deal proposals. In general the support available is in the form of loans or loan guarantees to reduce the costs of financing, although grant funding is sometimes available. The Council, the developers and other partners are actively exploring these options for larger scale infrastructure requirements such as transport infrastructure, with a view to incorporating such support into the overall package of funding for Welborne infrastructure.

16. The County Council has submitted a proposal to the Solent LEP for £41.2m of grant funding for critical access improvements associated with Welborne, namely improvements to junction 10 of the M27 and various other improvements to the local road network. The

developers have submitted a proposal to the Solent LEP for £24m of support associated with utilities and site access infrastructure for Welborne. In addition, the developer has submitted an application to the Homes and Communities Agency's Local Infrastructure Fund for £45m of support for infrastructure associated with Welborne.

17. It is further expected that proposals will be submitted in due course to other Government funding programmes for infrastructure associated with large scale developments such as the Large Sites Infrastructure and the Garden Cities Programmes.

18. Other options for public sector support for infrastructure funding include:

- direct investment by public sector actors through direct loans or equity stakes (e.g. through joint ventures);
- local housing companies or joint ventures with registered Providers including self-development options for affordable housing (see below);
- public sector guarantees, either for loans or through guaranteed housing but back schemes; and
- charge over land secured lending by local authorities or other public sector actors.

19. The Council is committed, subject to continuation of the policy at a national level, to ensure that New Homes Bonus receipts arising from dwellings completed in the new community at Welborne will be spent within the new community. The Council's intention is that this funding will be used to further the priority objectives of the Council and support delivery of a new community at Welborne in accordance with the framework set out in the Welborne Plan. This might include third party land acquisition, open space adoption, non-essential infrastructure or on-going maintenance of infrastructure adopted by the Council, such as open space or leisure facilities.

20. The scope for use of locally retained business rates to fund infrastructure projects or to support borrowing is limited due to the limited funding the Council expects to receive through this mechanism.

Affordable housing

21. Government policy and the scale of the Welborne development make it unlikely that significant Government funding will be available for affordable housing. The Council also expects that affordable housing in Welborne will be provided by a mix of Registered Providers and directly by the Council.

22. Therefore, beyond developer contributions, funding will mostly only be available from borrowing/capital investment by Registered Providers and/or local authorities. This is why the Council considers affordable housing to be a high priority for use of developer funding.

23. With limited borrowing headroom in the Council's Housing Revenue Account, the Council is exploring and developing innovative approaches to funding affordable housing, such as overage arrangements or commuted sums for off-site provision. The Council has already set up a Joint Venture with Eastleigh Borough Council and two Registered Providers

to enable direct investment in affordable housing as part of this approach. In addition, the Council will encourage private sector/third party investment in the delivery of affordable housing, and will therefore is exploring private sector landlord models emerging elsewhere in the UK. Other options, such as Community Land Trusts, self- or custom-build will also be explored for small scale, specialist projects.

Transport Infrastructure

24. Government grant funding for major transport infrastructure remains limited, although this may change over the development and construction period and, as outlined above, it is possible to secure funding for transport infrastructure associated with major development such as Welborne. The County Council and the developers have, as stated above, applied for such funding recently. In addition, there are other potential sources of funding for transport infrastructure but these too are limited in scale and therefore, the Council continues to place a high priority on transport infrastructure for use of developer funding.

25. Recognising the scale of investment required in transport infrastructure associated with Welborne, the Council, in partnership with Hampshire County Council, the Highways Agency and the developer, is proactively exploring the potential for securing funding through:

- Grant funding: including the applications for funding already made and describe above. In addition, the Council will seek grant funding (where available) to improve the quality of transport infrastructure over and above what may be necessary to facilitate the development and where that improvement has wider benefits. The Council expects that it will also be efficient to prioritise seeking funding for off-site infrastructure and specialist provision such as walking, cycling and public transport facilities. It will therefore seek to work with developers and other partners to ensure that as many schemes as possible are sufficiently developed to enable a rapid response to funding opportunities as they arise. The Council expects the developer to make a substantial contribution to the costs of such development work. In addition, EU funding on a wider scale (sub-regional) may be a possibility.
- Innovative funding mechanisms: e.g. loan guarantees or support (within State Aid rules), charge over land financing or other forms of borrowing to be financed or secured through new income streams arising from the construction of Welborne and associated infrastructure.

Education and pre-school facilities

26. A further high priority will be education and pre-school facilities. The Council will, nonetheless, explore proactively with its partners, including the developer and the County Council, options for combining school provision with other community facilities to maximise economies of scale. It will also explore the potential for realising investment capital from the rationalisation of other assets in Hampshire and/or other forms of public sector financing support.

Renewable energy and low carbon infrastructure

27. There are a number of mechanisms available to support investment in renewable energy and low carbon infrastructure in new and existing developments. These include

mechanisms for income generation and structural approaches such as Energy Service Companies (ESCOs) and Multi-Utility Service Companies (MUSCOs). The Council has an open mind at this stage on the merits of such investments given its duty to safeguard public funds and the potential to generate additional income. In addition, it may be possible to use locally retained of business rates to support borrowing for renewable energy provision.

Other infrastructure requirements

28. For other types of infrastructure there is likely to be more potential for securing funding from other sources to supplement developer funding. However, at this stage it is difficult to be specific about which sources have the greatest potential (or will even exist) beyond those currently available (such as those described above). The Council, therefore, favours an approach that includes:

- working with utilities companies to ensure only an appropriate proportion of the costs of off-site reinforcement of infrastructure fall to the Welborne development;
- ensuring that a range of projects across all types of infrastructure are developed in sufficient detail to enable a rapid response to opportunities for funding as they become available. The Council expects the developer to make a substantial contribution to such preparatory work;
- exploring the potential for community-based ownership and operation of community assets to open up new funding opportunities, reduce ongoing public sector liabilities for maintenance and operation and, importantly, to provide a potentially powerful mechanism for community engagement in the development of Welborne;
- working with the County Council to secure land within the development for provision of care home and similar provision, the construction and operation of which is expected to be financed from sources other than developer contributions; and
- investigating the potential for a more entrepreneurial, investment oriented approach to funding, e.g. where developer or council borrowing can be supported by new income streams generated from Welborne.

Key next steps

29. The Council considers that the key next steps in developing a detailed approach to funding infrastructure associated with Welborne are to:

- Pursue funding opportunities as and when they arise in the short term;
- Develop further the infrastructure funding work with key partners, in particular (but not limited to) Hampshire County Council, Solent LEP, the Homes and Communities Agency and the developers.
- Undertake initial soft-market testing of investment and support options with potential financiers.
- Keep the Infrastructure Funding work under review.

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Policy and Resources
Subject:	Efficiency Savings
Report of:	Director of Finance & Resources
Strategy/Policy:	Medium Term Financial Strategy
Corporate Objective:	All corporate priorities

Purpose:

The purpose of the report is to outline proposals for further efficiency savings to be captured during the 2014/15 financial year. The Council is required to realise approximately £800,000 of savings for a balanced budget for 2015/16.

Executive summary:

When considering the Council's Medium Term Financial Strategy in October 2013, the Executive recognised an approximate £800,000 gap in the Council's budget for 2015/16 and requested the Chief Executive Officer to prepare and bring forward a range of options to close the budget gap.

A report was presented to the Executive in March 2014, presenting proposals for £777,000 of efficiency savings. This report sets out proposals for further savings.

The 2013 Residents' Survey included a question asking residents to list the five services, which they regarded as the most important, and a further five services that they regarded as the least important. This report has used the results of this question and presents options to realise additional savings to close the gap between the savings required and the amount that has been identified to date.

Recommendations:

That the Executive agrees:

- (a) to reduce the annual budget for Community Grants to £80,000 a year;
- (b) that the annual funding for the Tourist Information Centre be removed, delivering a saving of £36,000 per annum; and
- (c) that the Council becomes a destination partner with Tourism South East at a cost of £1,500 per annum.

Reason:

To achieve the necessary savings in the 2014/15 financial year to deliver a balanced budget for the 2015/16 financial year.

Cost of proposals:

The proposals set out in this report will achieve annual savings of £55,800. The maximum anticipated cost of the proposals is £1,500, per annum. A breakdown of the savings and associated costs is presented in the main body of the report.

Appendices: None

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 7 July 2014

Subject: Efficiency Savings

Briefing by: Director of Finance & Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The purpose of the report is to outline proposals for further efficiency savings to be captured during the 2014/15 financial year. The Council is required to realise approximately £800,000 of savings for a balanced budget for 2015/16.

BACKGROUND

2. In March the Chief Executive Officer presented a report, which outlined proposals for £777,000 of efficiency savings by focusing on the following four-part model:
 - Procurement – identifying new and innovative methods of procuring services, producing more flexible contracts, smarter buying etc.;
 - Proceeds – identifying opportunities to generate new income streams;
 - People – reviewing staffing structures and reducing headcount where possible; and
 - Priorities – reviewing the priority of services with customer and, where necessary, considering a reduction in low priority services.
3. The March report outlined savings for Procurement, Proceeds and People. At the time further work was required for the Priorities category, based upon the feedback received from the 2013 Residents' Survey.

RESIDENTS' SURVEY

4. The 2013 Residents' Survey asked people to select the five Council services that are most important to them and the five that are least important. In looking to identify further savings the services that were identified as the least important have been investigated. To ensure a consistent approach, only those services with a significant negative rating, i.e. a much larger number of low important responses than high importance, have been investigated as part of this report. The table below lists the services ranked as being or low importance, based upon the results of the Residents' survey.

Council Service	High Importance responses	Low Importance responses	Difference	Rank
Providing grants to community groups and voluntary bodies	202	296	-94	20
Pest control and stray dogs	173	276	-103	21
Collecting your garden cuttings	288	398	-110	22
Providing advice to prevent homelessness	183	295	-112	23
Housing Benefit and Council Tax Benefit	219	455	-236	24
Westbury Manor Museum	92	407	-315	25
Providing allotments	131	505	-374	26
Tourist Information Centre	84	473	-389	27

DETAILED OPTIONS

Providing grants to community groups and voluntary bodies

5. Since the 2010/11 financial year the community funding budget has been underspent by at least £25,000, per annum. The fund is topped up each year to the budget of £101,300. Based upon the demand for community funding it is recommended that the budget be reduced to £80,000 per year. This would deliver a saving of £21,300 per annum and would still be in excess of any amount spent on record. It is not anticipated that this reduction in funds will have any impact on the local community.
6. Going forward it is recommended that the expenditure against the community funding budget be reviewed annually to ensure that the funds set aside are suitable for the level of demand that the Council is receiving.

Pest Control and stray dogs

7. Since 1 April 2014 the Environmental Health Partnership has been delivering a joint service for both Fareham Borough Council and Gosport Borough Council. The organisation of the Partnership now falls within a single team.
8. The Council has a statutory duty to keep its land free from rats and mice and enforce this requirement on all other land within the Borough. There is also a statutory duty to manage stray dogs that are brought into the Council's care. At present there are three full-time posts responsible for delivering the pest control and stray dog services. This represents a reduction of 50% in the number of staff that were previously undertaking these duties at Fareham Borough Council and Gosport Borough Council.
9. The review found that the Head of Environmental Health has worked to streamline both departments to ensure they work effectively. There are also plans for further service improvements, which will deliver savings, in the future.
10. On the basis of the findings of this review, it is not recommended that any savings be made in this service area, until the Environmental Health Partnership has had time to better establish itself.

Collecting your Garden Cuttings

11. A fortnightly Garden Waste collection service is available to all households in the Borough. A single Garden Waste sack is collected free of charge and residents can pay for additional disposable gardens bags to be collected, if required.
12. During 2012/13 approximately 3,800 tonnes of garden waste was collected, which contributed approximately 7% to the Council's overall recycling rate of 35%. Up to the end of January 2014, 3,399 tonnes of garden waste had been collected. This has had a similar impact on the Council's overall recycling rate.
13. The Garden Waste Service costs the Council approximately £300,000 per annum. A small amount of income, approximately £7,000, is generated by the sale of disposable garden bags. The service is carefully monitored, by the Refuse and Recycling team, to ensure that it responds to seasonal variations. The costs of the service are reduced by using older vehicles from the Council's fleet, rather than purchasing new ones.
14. On the basis of what has been found it is clear that the Garden Waste Service is being carefully managed to deliver a cost effective service. Without reducing the service, there is no apparent way of delivering savings to the Council.

Providing Advice to Prevent Homelessness

15. The Council has a statutory duty to provide a Housing Advice service. In 2013/14 £56,000 of funding was received from the Government to assist with Homelessness Prevention. The work the Council does to prevent Homelessness is split across a number of services, which cover other functions, so it is not possible to identify exactly what percentage of costs are covered by the grant.
16. The Housing Advice service is closely linked to the work of Benefits, which is currently the subject of a Vanguard Intervention. It is expected that Housing Advice will be reviewed once the Vanguard Intervention in Benefits has been completed. On the basis that a Vanguard Intervention will be undertaken in the foreseeable future, which is anticipated to substantially change the way the service is delivered, no savings are recommended at this time.

Housing Benefit and Council Tax Support

17. The Council has a statutory duty to deliver a benefits service. Following the replacement of Council Tax Benefit, with Council Tax Support, the Council now receives grants from the Government in different ways. All of the money the Council pays out in Housing Benefit is recovered in from the Government. The funding for Council Tax Support is based on a grant from the Government and is spent how the Council thinks best. Additional funding is received in the form of an Administration Grant, to help cover some of the costs of delivering the service. The total Administration Grant currently for 2013/14 was £467,000, which covered approximately 76% of the costs of delivering the service. However the Administration Grant has yet to be reviewed following the implementation of the Council Tax Support scheme, so there is the potential for the amount received to be reduced in the future.
18. The Benefits service is one of the first areas to undergo a Vanguard Intervention. This is a wholesale review of existing ways of working, which aims to improve customer service. Due to the fundamental review the Benefits service is currently undergoing, no savings are recommended at the current time.

Westbury Manor Museum

19. Westbury Manor Museum was ranked 25th, in terms of importance, in the 2013 Residents' Survey.
20. In March 2014 the Executive approved a report to reduce the Council's level of funding from £71,700 to £64,530, a reduction of 10%. The reduction in funding resulted in Westbury Manor having to reduce its opening hours by 7 hours per week.
21. Hampshire County Council is working to establish a charitable trust to be responsible for all of its cultural facilities. It is anticipated that this will be fully implemented over the next couple of years.
22. Westbury Manor Museum has indicated that further savings can only be achieved through reducing opening hours. Given that savings have already been achieved, for the current financial year, it is not recommended that further savings and a reduction in the service are pursued at this time.

Providing Allotments

23. The Borough is divided into three Allotment Associations, Fareham, Portchester and the Western Wards. Each association regulates itself, but regular meetings are held with the parks team.
24. The Council currently spends approximately £19,000 per annum meeting its obligations as a landlord. The Estates team are currently reviewing the Council's expenditure to identify whether there is any work that is being undertaken that is above and beyond the requirements set out in the agreements with the Allotment Associations. The findings of this work will be communicated, upon completion of the investigation.
25. The current agreements with the Allotment Associations are due to be renewed in April 2016. Until this time it is not possible to change the obligations that the Council is currently required to meet. Closer to the time of renewal there will be the opportunity to review what is expected of the Council and the Allotment Associations. If agreement can be reached it may be possible for the renewal to deliver some efficiency savings for the Council.
26. Given the work that is currently being undertaken by the Estates Team and the restriction on any significant changes not being possible until 2016, no savings have been identified for this service area.

Tourist Information Centre

27. Fareham Tourist Information Centre is currently located in Westbury Manor Museum. During the 2013/14 financial year the Council spent £36,000 on providing the service.
28. The 2013 Residents' Survey ranked the Tourist Information centre as the least important service, out of the forty services listed.
29. A review of the Tourist Information Centre was presented to the Executive in September 2013. At the time it was explained that any further budget reduction could only be achieved by reducing opening hours, which would make it difficult to maintain a viable service.

30. As an alternative to the Tourist Information Centre, Tourism South East is willing to provide a service, which would promote sites and attractions in the Borough, if the Council became a destination partner. This would cost £1,500 per annum and would provide a web based package, which would encourage and inform visitors to the Borough.
31. In light of the need to make further savings and potential alternative being available at a significantly reduced cost, it is recommended that the funding for the Tourist Information Centre be removed. It is also recommended that the Head of Leisure and Community pursue the option for the Council to become a destination partner with Tourism South East and that the Executive approves the expenditure required for this.

CONSULTATIONS

32. Discussions have been held with the Heads of Service responsible for each of the service areas discussed within this report, in order to ensure any proposals put forward can be practically implemented.

FINANCIAL IMPLICATIONS

33. The Finance Strategy for 2013/14 to 2017/18 was reported to the Executive in October 2013. The report outlined that the Council is expecting spending and funding pressures up to 2017/18. The savings that were anticipated to be needed by 2015/16 were around £800,000, but the total savings expected to be needed by 2017/18 were £3.1million.
34. Alongside the pressures anticipated by the Council, the return on investments remains low due to interest rates. The General Election also presents a risk in that a change of Government could result in policy changes that affect the Council. Last year £1.5million was used from the new homes bonus to help development within the Borough. This funding could disappear after the election.
35. The Efficiency Savings report from March 2014 outlined savings £777,000. The recommendations outlined within this report have identified annual savings of £55,800, after taking the anticipated costs into consideration. Adding the savings within this report to those already identified brings the total to over £800,000. The additional savings provide a contingency to cover any unforeseen circumstances or costs that may arise or can be used to assist with the savings that are anticipated to be required over the next four years.

CONCLUSION

36. The Council is required to deliver savings of approximately £800,000, for the 2015/16 financial year, in order to deliver a balanced budget. Following a report by the Chief Executive Officer in March, which outlined £777,000 of savings, this report has outlined further efficiency savings for the 2014/15 financial year, based upon a review into those services highlighted as a lower priority, by the 2013 Residents' Survey.

Reference Papers:

Executive Report - 2 September 2013 – Review of Tourist Information Centre
Executive Report - 3 March 2014 – Efficiency Savings
Executive Report - 3 March 2014 – Westbury Manor Museum – Hampshire Solent Cultural Trust Proposals

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

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

Purpose:

The purpose of this report is to update Members on progress with the Daedalus Investment project.

Executive summary:

In July 2013, the Executive supported a proposal to develop an Innovation Centre for new start up businesses at the Solent Enterprise Zone, undertake improvements to the airfield and develop new hangar space. In October 2013, the Executive agreed revised funding arrangements for the project and in November 2013 agreed a governance and decision-making structure and the establishment of a Member Working Group to oversee the project.

The project contained some very challenging timescales, principally the requirement to complete the Innovation Centre by the end of March 2015. This aspect of the project is progressing extremely well. Planning consent was granted on 26 March 2014 and site preparation works commenced on 12 May. Construction work on the site commenced on 2 June and the completion date is programmed for early March 2015. A procurement process is currently under way with a view to appointing an operator for the centre during the summer of 2014.

The work to improve the runway is still planned to commence during September 2014 and be complete by the end of November 2014. This will minimise disruption to planned airfield activities during the summer months. The specification for the works is intended to enable the airfield operator to obtain a CAA licence which will enhance its commercial potential.

Work has been ongoing with the Homes and Communities Agency (HCA) to identify a suitable location on the airfield for the development of new hangar space. This is dependent on agreement of an overall strategy for the airfield between the HCA, FBC and other interested parties including Hampshire County Council (HCC), the Solent Local Enterprise Partnership (SLEP) and the airfield operator. As a result it is now likely that new hangar space will be delivered during the latter half of 2015.

Recommendation:

That the Executive notes the progress made to date on the Daedalus Investment Project.

Reason:

To keep the Executive abreast of the progress on the Daedalus Investment project.

Cost of proposals:

The cost of the proposals can be met within the resources previously agreed by the Executive for the project.

Background papers:

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Daedalus Investment Project - Progress Report

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Daedalus Investment Project comprises three distinct but inter-related projects. A new Innovation Centre will provide office and workshop space for emerging small businesses and is being funded by a grant of £5.3m from the HCA. The other elements of the investment project are the provision of improvements to the airfield at an estimated cost of £1.5m and the provision of new hangar space, also costing an estimated £1.5m, both of which will be funded via borrowing by the Borough Council.
2. The following sections update Members on the progress of each individual element of the project.

INNOVATION CENTRE

3. Of the three elements, the Innovation Centre has the most challenging timescale as it is a condition of the funding agreement that it is completed by March 2015. Originally, businesses locating within an Enterprise Zone also needed to be in occupation by that date in order to qualify for Business Rate Relief for a period of 5 years. However, due to changes announced in the Budget in March 2014, this deadline has been extended until March 2018, thus increasing the attractiveness of the Centre.
4. Since the last report to the Executive, very good progress has been made. The Funding Agreement with the HCA for the grant of £5.3m was finally agreed at the end of March. Agreement was also reached with the HCA on the terms for the disposal of the land and the Borough Council acquired the site on a 999 year lease at the end of March.
5. The design of the Centre was finalised and planning consent was granted on 26 March 2014. As previous reports to the Executive indicated, the proposal is to develop a building with a range of flexible office and workshop accommodation in which new businesses can be supported to grow and thrive and to create an environment in which they will be proud to work and which will impress their clients. The building will comprise a two storey office element, including meeting rooms, circulation space to allow for informal networking and touch down space for businesses who have not rented physical office space. This is supplemented by three "fingers" which will provide workshop space, some of which could be converted to office space if the demand requires it.

6. Following planning consent, a process was then carried out by Leadbitter, the Design and Build contractor, whereby each element of the construction works was competitively procured from sub contractors. This led to the agreement of a final fixed contract price with Leadbitter, which enabled the project to be contained within the capital budget. As a result, the contractor was able to commence site preparation works on 12 May and construction work on 2 June 2014. Completion of the project is still programmed for early March 2015.
7. When complete, it is intended that the building will be managed by an operator with expertise and experience in the field. A procurement process is currently underway using the OJEU Negotiated Procedure with a view to appointing an operator during the summer of this year. This will enable the operator to develop and undertake a marketing strategy for the Centre and have as many potential tenants as possible signed up at the outset. It will also enable the operator to determine how best to fit out and use the internal spaces.
8. The Members Working Group, which has been meeting monthly, has been involved at every stage of the process. Amongst other things, it has signed off the final design of the project prior to the submission of the planning application, it has agreed the preferred route for the procurement process for an operator and the specification for the scope of work the operator will be asked to undertake and it has also signed off the final cost of the project.

AIRFIELD IMPROVEMENTS

9. A design brief and a detailed specification have now been prepared for the proposed improvements to the airfield. It is intended that the works will comprise resurfacing of and drainage improvements to the existing runway, repairs to existing taxiways and aprons to extend their life, the provision of a Runway End Safety Area and the installation of ducting to allow for the future provision of lighting. The latter will avoid having to disrupt the runway again if it is decided to install lighting at a later date. The work will also involve remedial measures to enable the secondary runway to be used for take-offs and landings whilst work to the main runway is being undertaken. Originally it was intended to provide an airfield refuelling facility to enable the provision of a consistent source of quality aviation fuel. In order to get the cost within budget, this has now been excluded from this specific project. However, the HCA will be providing and funding this facility direct in liaison with the airfield operator.
10. In order to avoid disrupting activities on the airfield during the busy summer months, particularly with a number of events planned during this time, it is proposed to commence the works during September 2014. The work should be complete by the end of November 2014. Hampshire County Council is undertaking the works on behalf of the Borough Council and will be seeking tenders for the work during July.
11. The proposed works have been signed off by the Members Working Group. When complete, they will enable the airfield operator to obtain a CAA licence at an appropriate level which will enhance the commercial viability and attractiveness of the airfield.

NEW HANGAR SPACE

12. The final element of the project is to develop a new hangar, the purpose of which would be to provide a catalyst to future commercial investment in the expansion of airfield activity.

13. Originally, it was intended that the location of the new hangar should be in a gateway position on Hangars West close to the northern entrance on Gosport Road. However discussions are currently underway to explore options to locate the Borough Council's hangar on either Hangars East or West, depending on the way that the airfield strategy develops.
14. Once a precise location has been identified, work will proceed to identify, if possible, a future tenant with whom the Council can work on a pre-let basis. A process to procure a Design and Build or "off the peg" solution to building the hangar can then be pursued.
15. As a result of these ongoing discussions, it is now likely that this part of the project will be delivered during the latter half of 2015.

RISK ASSESSMENT

16. An assessment of the risks of this large and complex project was outlined in the report to the Executive in July 2013 and these remain essentially the same.

FINANCIAL IMPLICATIONS

17. A capital budget of £8.35m has been agreed for the project, £5.35m of which is for the Innovation Centre. As mentioned in paragraph 7, a fixed price has now been agreed with the Design and Build contractor which will enable the total cost of the project to be contained within this sum. Members will also recall that, at its meeting on 12 May, the Executive agreed to allocate additional capital funding of £60,000 to enable the provision of Solar PV panels on the whole of the main roof and the larger south western "finger" of the building. The contractor will be asked to procure this work under a Variation Order.
18. A Risk Register for the project has also been compiled. This identifies a number of risks which may arise during the course of construction which will have a cost implication. These have not been included within the capital budget, but should any of them arise, there would be a small increase in cost. It is also possible that, following the appointment of an operator for the Innovation Centre, the Borough Council may request some minor changes to the internal layout of the building. If this happens, there is also likely to be a minor cost implication.
19. The figure of £1.5m in the capital budget for the airfield improvements has been confirmed as part of the Cost Plan developed by Hampshire County Council, but is, of course subject to tender.
20. The figure of £1.5m for the development of new hangar space is based on estimates for similar work carried out elsewhere and will need to be further tested as part of the design and procurement process.

CONSULTATIONS

21. The proposals for all three elements of the project have been the subject of close co-operation and consultation between the Borough Council and its partners, the HCA, the Solent LEP and Hampshire County Council.
22. The planning application for the Innovation Centre was subject to the normal consultation methods as part of the planning process and no objections were received. The plans, including a model of the Centre, were presented to the Crofton CAT meeting on 11 February and were warmly received.

23. The Members Working Group are keeping under review a Communications Plan for the project to ensure that potential new businesses and local residents are kept informed of progress.

Reference Papers:

Previous Executive reports:

July 2013: Daedalus Investment Opportunity

October 2013: Daedalus Investment Opportunity – Update

November 2013: Daedalus Investment Project – Project Appraisal and Governance Arrangements

March 2014: Daedalus Investment Project – Progress report

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio: Policy and Resources
Subject: **Actual General Fund Revenue Expenditure 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 the Executive with details of the actual revenue expenditure for 2013/14 and seeks approval for the completion, in 2014/15, of the 2013/14 expenditure programmes set out in the briefing paper contained in the report.

Executive summary:

The General Fund actual revenue expenditure for 2013/14 totals £8,928,749 which represents an overall saving of £894,551 compared to the revised budget.

With financing adjustments the overall saving for 2013/14 is £966,545. It has not been possible to complete a number of expenditure programmes in 2013/14 and approval is sought to complete these programmes, totalling £397,900, in the current year.

When the use of the saving in 2013/14 to complete these programmes is taken into account the net saving for the year is reduced to £568,645.

The revenue budget report to the Executive on 6 January 2014 highlighted that the Council's spending reserve should be 5% of gross expenditure budget for each financial year. On this basis, the minimum required balance on the reserve for 2014/15 is £2.274million. Any surplus over and above this figure will be dealt with as part of the medium term financial strategy during the budget setting process.

Full details are set out in the briefing paper contained in this report.

Recommendation:

- (a) that completion of the expenditure programmes contained in this report be approved; and
- (b) that the report be noted.

Reason:

To enable the completion of the expenditure programme for 2013/14.

Cost of proposals:

There are no additional costs relating to the recommendations.

Appendices: A: Summary of Actual Revenue Expenditure 2013/14

B: Actual Revenue Expenditure 2013/14 on individual services

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Actual General Fund Revenue Expenditure 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The General Fund actual revenue expenditure for 2013/14 totals £8,928,749 and this represents an overall saving of £894,551, compared with the revised budget approved by the Executive in February.
2. Later paragraphs of this report also set out details of a number of expenditure programmes that were not completed in 2013/14 and approval is sought for these programmes to be completed in the current year. If these proposals are approved, this will reduce the overall saving for the year to £486,645.
3. The following table summarises the position:-

	Revised Budget £000s	Actual Expenditure £000s	Variation £000s
Planning Committee	707	623	-84
Licensing & Reg Affairs Committee	400	359	-41
Executive - Portfolio Budgets			
- Leisure and Community	1,837	1,849	12
- Housing	1,445	1,559	114
- Planning and Environment	-182	-362	-180
- Policy and Resources	2,622	3,296	674
- Public Protection	2,745	2,443	-302
- Streetscene	4,293	4,444	151
Total Service Budgets	13,867	14,211	344
Less Other Budgets	-4,044	-5,282	-1,238
Net Budget	9,823	8,929	-894
Financing	-9,823	-9,895	-72
Net Total	0	-966	-966
Adjust for:			

Carry Forwards	0	398	398
Final Position	0	-568	-568

4. The overall position in the table is detailed in Appendix A and the detailed position on each service is set out in Appendix B. The main reasons for the variations are set out in the following paragraphs of this report.
5. Also in the report there are proposals to utilise the balance to fund one-off projects and also add additional fund to current projects.

EXPENDITURE ON CAPITAL GRANTS AND INTANGIBLE ASSETS

6. Local authorities must show within individual service revenue budgets the expenditure incurred on capital grants and intangible assets, such as computer software, even though this expenditure is included as part of the capital programme. Grants paid are shown in full, in the year in which they are made, but software costs are spread over their useful life.
7. These costs have been charged to individual services, but these are offset by an equivalent credit included in the overall revenue summary, so that there is no overall effect on the Council's net revenue expenditure.

EMPLOYEE EXPENDITURE 2013/14

8. The approved 'cost of employment' budget for 2013/14 was £15,472,400 which was revised to reflect authorised changes to the establishment leaving a final budget for the year of £15,146,200. The actual expenditure for 2013/14 was £15,761,358 giving an overspend for the year of £615,158 or 4.1% compared to the final budget.
9. An analysis of this overspend between corporate core, general fund services and housing revenue account services is shown the following table:-

		£
Corporate Core	Overspend	394,066
Housing Revenue Account	Saving	150,580
General Fund	Overspend	371,672
GRAND TOTAL	OVERSPEND	615,158

10. The overspend has arisen from severance payments that were agreed as part of the Efficiency Savings report that was approved by the Executive on 3 March 2014. The cost of this (£668,255) was partly offset by vacancies, which have then been partially offset by additional expenditure on agency staff. The vacancies resulted in an underspend of £810,405 including salary costs, overtime and employers contributions for superannuation and national insurance costs. The offset of agency costs reduced this figure by £345,581.
11. Other areas increasing the overspend include the IAS19 adjustment for the pension scheme of (£398,973) which is partially offset by a credit included in the Other Budgets heading.

SERVICE BUDGETS

12. A detailed analysis for the individual services is shown in Appendix B and the main reasons for the variations are set out in the following paragraphs of this report.

Planning Committee

13. The actual net expenditure of £622,747 will be reported to the Committee on 30 July 2014 and was £84,653 under the revised budget mainly due to an increase in planning fees as a large application was received prior to the end of the financial year.

Licensing and Regulatory Affairs Committee

14. The actual net expenditure of £358,954 will be reported to the Committee on 8 July 2014 and represents an underspending of £40,746 against the revised budget. The main area of underspend was related to the Election Services but some of the additional funds received for the Individual Electoral Registration are on the carry forward list detailed later in this report.

The Leisure and Community Portfolio

15. The actual net expenditure was £1,848,588 compared with the revised budget of £1,837,200 giving a small overspend of £11,388.
16. The main variations within this portfolio were due to revaluation of assets resulting in changes to the anticipated capital charges.
17. Significant variations in the capital budgets were showing as underspends for Ferneham Hall with an increase in charges for Outdoor Sport and Recreation.
18. There have been underspends on sports pavilions, community centres and also on Community Development where the budget was not spent during the year. These two items are included on the carry forward list detailed later in this report.
19. All the other service areas within this Portfolio had relatively small variances.

The Health and Housing Portfolio

20. The actual net expenditure was £1,559,029 compared with the revised budget of £1,444,800 giving an overspend of £114,229.
21. The saving of £54,000 on Private Sector Housing Renewal is due to the reduced number of grants reaching payment stage in the year. The budget will therefore be rolled forward to 2014/15, and more detail is contained in the capital outturn report elsewhere on the agenda.
22. Payments to Registered Social Landlords in respect of Enabling capital grants were £37,000 below budget, mainly due to scheme delays or alternative funding being secured.
23. The overspend of £115,540 on Homelessness reflects an increase in demand for the service during the year. The increase in the use of private sector properties has also seen a saving in bed and breakfast costs.
24. All the other service areas within this Portfolio had relatively small variances.

The Planning and Environment Portfolio

25. Actual net income was -£361,894 compared with the revised budget of -£181,700 which is showing an underspend of £180,194.
26. The main variation in this portfolio was the net income on Parking Services which was £113,000 more than anticipated. Parking usage has again reduced during the year due to a number of factors including the continued impact of the expanded Whiteley Shopping Centre. The income from parking charges for 2013/14 was almost £350,000 below the level of parking income from 2011/12 when income was at its highest. However, this was partly offset by drawing from the income protection bond that was put in place as part of the Tesco development and, based on current usage, it is anticipated that the bond will be fully used over the next 2-3 years.
27. The Individual Environment Projects budget is showing an underspend of over £145,000 which is mainly related to a reduction in capital cost that are adjusted for under other budgets.

The Policy and Resources Portfolio

28. Actual net expenditure was £3,295,974 compared to the revised budget of £2,621,900 which gives an overspend of £674,074 for the year.
29. There was an underspend on Housing Benefit of £400,270. The amount of benefits paid out was less than budget by £1,400,000 but this is partly offset by less grant being received. There was an increase in the debt raised against this service although there was an increase in the level of bad debts written off and in the provision for bad debts being over budget by £130,000.
30. The net income position on Commercial Estates was £23,000 less than budget which was mainly due to a reduction in rents received of approximately £140,000 particularly in relation to the shopping centre (£83,000) where there is an increase in empty units and traders have also been able to negotiate lower rents. There was an underspend in this area relating to work around resurfacing works around the borough that have been delayed and this has been added to the carry forward list.
31. Local Land Charges is showing an underspend of £36,000. This is mainly due to an increase in the income received during the year.
32. The underspend on Council Tax Collection of £345,000 was mainly due to a lower than anticipated demand on the hardship fund of £82,000 that has been added to the carry forward list as the protection offered in the first year of the new council tax support scheme has ended leading to some residents receiving higher bills in 2014/15. There was also additional grant received during the year to offset the cost of changes to the local support scheme.
33. Corporate management is showing an overspend of £149,000 which is mainly due to the severance costs reported in the employee expenditure 2013/14 section of the report.

The Public Protection Portfolio

34. Actual net expenditure was £2,443,473 compared with the revised budget of £2,745,100 giving an underspend of £301,627 for the year.
35. The main variation in this portfolio was in respect of Off-Street Parking where there were capital adjustments that have been offset by adjustments in the Other Budgets section of the budget.
36. The main variation in this portfolio was in respect of Community Safety where there was an underspend of £106,000. This was as a result of savings on the CCTV maintenance contract and reduced spend on community safety initiatives for which there is a carry forward items detailed later in the report.
37. All the other service areas within this Portfolio had relatively small budget variances.

The Streetscene Portfolio

38. Actual net expenditure was £4,443,788 compared to the revised budget of £4,292,600 showing an overspend of £151,188 for the financial year.
39. The main variation in the portfolio was for Cemeteries and Closed Churchyards where there was an underspend of £62,000. This was mainly due to building projects totalling £90,000 which were unable to be completed during the year and for which there is a carry forward item detailed later in the report. This was offset by a reduction in income received from fees and charges for burial charges and purchase of graves.
40. The underspend on Public Clocks and War Memorials of £29,000 is due to a delay in works which were unable to be completed during the year and for which there is a carry forward item detailed later in the report.
41. The net cost of waste collection was £114,000 more than anticipated. The main reason was due to increased capital charges of £74,000 for which there is an adjustment in the Other Budgets section of the report. There was also an increase in the cost of employees mainly due to increase use of agency staff.
42. The increased net expenditure on Community Parks & Open Spaces of £72,000 reflects increases in capital costs due to revaluations during the year.

OTHER BUDGETS

Capital Charges

43. The credit in respect of capital charges reflects additional depreciation charges made during the financial year and offsets all of the capital charges made to individual services (as referred to, above).

Use of Housing Capital Receipts

44. This budget reflects the financing for the capital expenditure on Private Sector Renewal and Home Energy Conservation work. As expenditure was higher than anticipated during the year, there is a corresponding increase in the use of housing capital receipts to finance the works.

Direct Revenue Funding

45. Each year, a contribution is made from the revenue budget, to help finance on-going capital programme works. These include vehicle replacement, ICT equipment, environmental improvements and a general contribution to the capital fund. The actual revenue position has ensured that these contributions could be made, as reflected in this budget heading.

Capital Adjustments

46. A number of schemes within the capital programme include costs that do not fall within the formal definition of capital expenditure and therefore these elements must be financed from within the revenue budget. This credit of £1,912,775 corresponds to the amounts charged to individual services relating to capital grants, non-capital repairs and intangible assets, such as computer software, referred to in the earlier sections of this report.

Interest on Balances

47. The actual income from investment interest in 2013/14 was £770,881 which is £181 more than the revised budget.

Provision for Retirement Benefits (IAS19 Adjustment)

48. This credit amount offsets all of the debits made to individual services for the difference between the notional pension costs relating to the service of employees in 2013/14 and the amount of employer's superannuation contributions actually paid over to Hampshire County Council during the year.

Portchester Crematorium

49. The Portchester Crematorium Joint Committee distributes a share of its operating surplus to the constituent authorities. This amounted to £150,000 in 2013/14 and is in line with the budget.

PROVISION FOR EXPENDITURE FUNDED FROM 2013/14 UNDERSPENDINGS

50. A proportion of the savings in 2013/14 have accrued because it was not possible to complete certain expenditure programmes last year.
51. In order to minimise the financial burden of this work on the budget for the current year, it is proposed that an equivalent sum from the 2013/14 underspend is brought forward into 2014/15 to allow for their completion.

Description of Goods/Service	Cost	Justification
Community Safety Initiatives	40,000	Special Expenditure budget not used in 2013/14
CCTV	24,000	Cameras to be purchased in 14/15 from 13/14 underspend
Individual Electoral Registration	17,100	Funds received in 13/14 to be used for IER implementation in 14/15
Local Development Plan Examination costs	55,000	Planning inspectorate costs delayed due to further consultation and studies required

War Memorials enhancements	30,000	Delay of work to be undertaken
Community Centre Building Maintenance	12,500	Delay in delivery of doors required as part of works
Outdoor Sports	5,700	Landscaping works delayed due to extreme weather
Youth Projects	8,000	Balance of budget for two projects -
Community Development	19,000	Play Ranger / Youth Activities
Health and Safety and resurfacing work	60,000	Projects to be undertaken during 2014/15
Fareham Leisure Centre	5,000	New fire exit completion delayed until April.
Defences against flooding	6,200	Delay of work undertaken due to adverse weather
Titchfield car parking review/survey	6,500	Delay of review until May/June
Young Homeless People	4,000	Top up funding for young person's gateway agency
Community Parks & Open Spaces	6,000	WWII Memorials
Public Conveniences	5,000	Premises work has commenced but not completed
Cash Office / Customer Service Centre	1,000	For uniform replacement in 2014/15
Local Welfare Assistance Grant	2,900	Balance of budget for LWA projects against £10k grant funding received in 13/14
Cemeteries	90,000	Separate out carry forward for Wickham wall / chapel works capital expenditure from other revenue projects
TOTAL CARRY FORWARDS	£397,900	

52. Taking account the carry forward proposals above this reduces the underspend figure to £486,645.

53. The Council faces a number of financial challenges over the next three years, and given the scale of these, it is proposed that the any unallocated underspend in 2013/14 is added to the General Fund balance pending the overall review of the Council's finance strategy in the autumn.

RISK ASSESSMENT

54. An assessment of the risks and opportunities associated with this decision has been carried out and it is considered that there are no significant risks associated with this report.

CONCLUSION

55. This report outlines the financial position during 2013/14, highlighting a saving of £966,545 against the revised budget. Taking into account the proposed spending items to be funded from this underspend, the contribution to the General Fund balance reduces to £568,645.
56. Members are asked to note the contents of the report, and approve the use of £397,900 to fund the projects set out in the above tables.

Reference Papers:

Executive Report – 3rd March 2014 – Efficiency Savings

APPENDIX A

ACTUAL REVENUE EXPENDITURE TO 31 MARCH 2014

	Base £	Revised £	Actual £	Variation £
Committees (Excluding capital accounting adjustments)				
Planning Committee	669,000	707,400	622,747	-84,653
Licensing and Regulatory Affairs Committee	395,800	399,700	358,954	-40,746
Executive - Portfolio Budgets				
- Leisure and Community	1,681,800	1,837,200	1,717,708	-119,492
- Health and Housing	1,369,400	1,444,800	1,559,029	114,229
- Planning and Environment	-234,100	-181,700	-455,129	-273,429
- Policy and Resources	2,113,000	2,621,900	1,728,014	-893,886
- Public Protection	2,435,700	2,745,100	2,486,175	-258,925
- Streetscene	4,281,600	4,292,600	4,450,624	158,024
SERVICE BUDGETS (before acc adjs)	12,712,200	13,867,000	12,468,123	-1,398,877
<u>Capital Accounting Adjustments in service portfolios</u>				
- Leisure and Community - Adjustments	0	0	130,880	130,880
- Planning and Environment - Adjs	0	0	93,235	93,235
- Policy and Resources - Adjustments	0	0	1,567,960	1,567,960
- Public Protection - Adjustments	0	0	-42,702	-42,702
- Streetscene - Adjustments	0	0	-6,836	-6,836
SERVICE BUDGETS (incl Acc adjs)	12,712,200	13,867,000	14,210,659	343,659
Capital Charges	-1,763,400	-2,152,200	-1,545,419	606,781
Capital Financing Costs				
- Use of Housing Capital Receipts	-415,600	-495,400	-763,094	-267,694
- Direct Revenue Funding	2,198,900	1,351,800	1,351,800	0
- Direct Revenue Funding NHB	0	912,100	1,107,019	194,919
Capital Adjustments	0	0	-1,658,058	-1,658,058
Interest on Balances	-874,500	-770,700	-770,881	-181
IAS 19 Adjustment	0	0	-269,442	-269,442
Portchester Crematorium	-150,000	-150,000	-150,000	0
New Homes Bonus	-1,092,700	-1,106,900	-1,107,019	-119
Contribution To/From Reserves	-791,600	-1,632,400	-1,476,816	155,584
OTHER BUDGETS	-2,888,900	-4,043,700	-5,281,910	-1,238,210
NET BUDGET	9,823,300	9,823,300	8,928,749	-894,551

FINANCING

Revenue Support Grant	-2,532,522	-2,532,522	-2,532,502	20
Non-Domestic Rates	-1,558,458	-1,558,458	-1,630,887	-72,429
Council Tax	-5,643,014	-5,643,014	-5,643,014	0
Council Tax Freeze Grant	-61,460	-61,460	-60,997	463
Addition to Collection Fund Balance	-27,846	-27,846	-27,894	-48
TOTAL	-9,823,300	-9,823,300	-9,895,294	-71,994
NET TOTAL	0	0	-966,545	-966,545
Carry Forwards				397,900
Overall Position after adjustments				-568,645

ACTUAL REVENUE EXPENDITURE TO 31 MARCH 2014

Including Capital Accounting Adjustments	Base 2013/14 £	Revised 2013/14 £	Actual 2013/14 £	Variation £
Planning Committee				
Planning Advice	240,600	287,500	282,013	-5,487
Enforcement of Planning Control	140,400	130,100	104,757	-25,343
Appeals	78,700	73,100	69,424	-3,676
Processing Applications	209,300	216,700	166,553	-50,147
	<u>669,000</u>	<u>707,400</u>	<u>622,747</u>	<u>-84,653</u>
Licensing & Regulatory Affairs Committee				
Hackney Carriage and Private Hire Vehicles	-3,800	-3,900	-5,603	-1,703
Licensing	-9,000	-6,800	4,735	11,535
Health and Safety Enforcement	157,900	146,400	173,149	26,749
Election Services	250,700	264,000	186,673	-77,327
	<u>395,800</u>	<u>399,700</u>	<u>358,954</u>	<u>-40,746</u>
Leisure & Community				
Fareham Leisure Centre	286,200	327,600	332,388	4,788
Ferneham Hall	390,800	390,000	285,555	-104,445
Community Development	107,900	180,600	169,767	-10,833
Community Centres	342,200	271,800	287,972	16,172
Allotments	27,800	22,200	23,470	1,270
Westbury Manor Museum	104,000	102,300	85,980	-16,320
Leisure Partnership	100	1,900	779	-1,121
Outdoor Sport and Recreation	367,400	488,500	610,845	122,345
Tourist Information Offices	51,000	48,300	47,626	-674
Meals on Wheels & Luncheon Clubs	4,400	4,000	4,206	206
	<u>1,681,800</u>	<u>1,837,200</u>	<u>1,848,588</u>	<u>11,388</u>

Including Capital Accounting Adjustments	Base 2013/14 £	Revised 2013/14 £	Actual 2013/14 £	Variation £
Health and Housing				
Private Sector Housing Renewal	536,500	629,900	575,616	-54,284
Homelessness	231,000	327,300	442,840	115,540
Other Council Property	-20,200	-39,100	-44,701	-5,601
Welfare Services - Private Sector alarms	-15,800	-26,200	-3,753	22,447
Housing Advice	319,100	294,000	315,589	21,589
Housing Strategy	109,200	94,800	125,983	31,183
Home Energy Conservation	44,500	22,400	19,927	-2,473
Registered Social Landlord	165,100	141,700	127,528	-14,172
	<u>1,369,400</u>	<u>1,444,800</u>	<u>1,559,029</u>	<u>114,229</u>
Planning and Environment				
Parking Strategy	-2,326,500	-2,281,700	-2,395,092	-113,392
Public Transport	72,400	65,700	55,711	-9,989
Coast Protection & Defences Against Flooding	151,500	124,100	132,896	8,796
Traffic Management	-5,400	-19,700	-14,734	4,966
Local Development Framework	1,229,500	1,349,300	1,364,255	14,955
Individual Environmental projects	343,300	297,200	151,578	-145,622
Protection of Trees	50,600	47,500	54,685	7,185
Conservation & Listed Building Policy	57,400	57,200	72,869	15,669
Countryside Recreation and Management	135,300	130,900	148,205	17,305
Sustainable development strategies	57,800	47,800	67,733	19,933
	<u>-234,100</u>	<u>-181,700</u>	<u>-361,894</u>	<u>-180,194</u>
Policy and Resources				
Housing Benefit Payments	0	0	-400,270	-400,270
Housing Benefit Administration	442,400	447,000	467,135	20,135
Democratic Representation and Management	1,133,300	1,150,400	1,256,039	105,639
Commercial Estates	-2,325,300	-2,104,500	-633,625	1,470,875
Henry Cort	139,000	136,000	86,597	-49,403
Neighbourhood Working	134,400	138,300	134,481	-3,819
Publicity and Promotion	229,200	242,100	238,128	-3,972
Grants & Contributions	318,300	362,600	276,742	-85,858
Unapportionable Central Overheads	183,500	177,600	8,786	-168,814
Corporate Management	785,500	862,200	1,011,655	149,455
Economic Development	135,300	317,700	339,437	21,737
Local Land Charges	-144,000	-165,600	-202,097	-36,497
Local Tax Collection	1,081,400	1,058,100	712,966	-345,134
	<u>2,113,000</u>	<u>2,621,900</u>	<u>3,295,974</u>	<u>674,074</u>

Including Capital Accounting Adjustments	Base 2013/14 £	Revised 2013/14 £	Actual 2013/14 £	Variation £
Public Protection				
Pest Control	38,550	39,250	38,759	-491
Food Safety	142,000	135,300	135,319	19
Dog Control	35,750	36,350	36,131	-219
Pollution Reduction	233,900	244,400	272,941	28,541
Emergency Planning	58,600	57,200	88,678	31,478
Clean Borough Enforcement	99,600	108,200	100,224	-7,976
Community Safety	483,300	468,200	361,847	-106,353
Building Regulations Services	89,600	101,000	130,389	29,389
Regulation Enforcement & Proc	50,900	55,100	48,693	-6,407
Other Building Control Work	70,600	69,500	62,859	-6,641
Traffic Management	97,400	89,000	84,409	-4,591
Off-Street Parking	979,200	1,299,600	1,058,245	-241,355
On-Street Parking	56,300	42,000	24,979	-17,021
	2,435,700	2,745,100	2,443,473	-301,627
Streetscene				
Cemeteries & Closed Churchyards	221,000	257,900	196,006	-61,894
Public Clocks & War Memorials	2,700	32,300	3,484	-28,816
Street Furniture	150,500	148,000	176,771	28,771
Street Cleansing	979,600	961,700	961,866	166
Public Conveniences	214,900	228,900	220,608	-8,292
Household Waste Collection	972,500	938,900	963,292	24,392
Trade Refuse	-60,400	-67,300	-6,584	60,716
Recycling	607,800	590,500	612,185	21,685
Garden Waste Collection	318,400	309,700	377,414	67,714
Community Parks and Open Spaces	913,500	991,900	1,064,219	72,319
Foreshore	-38,900	-99,900	-125,473	-25,573
	4,281,600	4,292,600	4,443,788	151,188
TOTAL	12,712,200	13,867,000	14,210,659	343,659

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Policy and Resources
Subject:	Actual Housing Revenue Account Expenditure and Financing 2013/14
Report of:	Director of Finance and Resources
Strategy/Policy:	
Corporate Objective:	A Balanced Housing market and A Dynamic, Prudent and Progressive Council

Purpose:

The purpose of this report is to provide the Executive with the details of the actual expenditure and income for 2013/14 in the Housing Revenue and Repairs Accounts.

Executive summary:

The final figures for 2013/14 show that, overall, the actual deficit on the Housing Revenue Account and Housing Repairs Account is £240,000 compared to a forecast surplus of £547,000. Of this, £852,900 relates to non-capitalised repairs from the capital programme. However, if the requested carry forward are agreed then the deficit will increase to £243,400.

Recommendation:

- (a) That the balance on the Housing Revenue and Repairs Accounts as at 31 March 2014 be carried over to 2014/15.
- (b) That the following budget be carried forward:
 - i. £3,400 Environmental Improvements.

Reason:

To ensure that the balances on the Housing Revenue and Repairs Accounts at 31 March 2014 will be available in future years and that 2014/15 budgets are sufficient to meet the level of work programmed.

Cost of proposals:

There are no additional costs relating to the recommendations.

Appendices: A: Housing Revenue and Repairs Accounts

Background papers: Report to the Executive Housing Revenue Account Spending Plans including the Capital Programme for 2014/15 dated 10 February 2014

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Actual Housing Revenue Account Expenditure and Financing 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. On the 10th February 2014, the Executive considered the revised budgets for the Housing Revenue Account (HRA) and Housing Repairs Account for the financial year 2013/14. At this time, the estimated surplus for the revenue account was £547,000.
2. The final figures for 2013/14 show that, overall, the actual deficit is £240,000 for the combined Housing Revenue and Repairs Accounts.
3. The actual position compared with the revised budget is detailed in Appendix A. The tables below summarise the position and indicates the effect of the year's activities on the overall position.

Housing Revenue Account	Revised Budget 2013/14 £000s	Actual 2013/14 £000s	Variance 2013/14 £000s
Income	(11,461)	(11,441)	(20)
Expenditure	6,989	7,810	(821)
(Surplus)/Deficit on HRA Services	(4,472)	(3,631)	(841)
Net interest	1,761	1,748	13
Revenue contribution to capital expenditure, Pension, etc	0	(57)	57
Transfer to Reserve	2,164	2,180	(16)
(Increase)/Decrease in HRA balances in year	(547)	240	(787)
Balance brought forward	(4,358)	(4,358)	0
Balance carried forward	(4,905)	(4,118)	(787)

Repairs Account	Revised Budget 2013/14 £000s	Actual 2013/14 £000s	Variance 2013/14 £000s
Contribution from HRA	(1,621)	(2,510)	889
Other Income	(60)	(95)	35
Expenditure	1,681	2,589	(908)
Transfer to/(from) Leaseholder (Increase)/Decrease in Repairs Account balance in year	<u>0</u>	<u>16</u>	<u>(16)</u>
Balance brought forward	(1,800)	(1,800)	0
Balance carried forward	<u>(1,800)</u>	<u>(1,800)</u>	<u>0</u>

Leaseholder Reserve Account

	2013/14 £000s
Transfer to/(from) Repairs Account	(16)
Opening Balance	<u>(166)</u>
Closing Balance	<u>(182)</u>

Capital Development Fund

	2013/14 £000s
Transfer from Housing Revenue Account	(2,164)
Opening Balance	<u>(2,164)</u>
Closing Balance	<u>(4,328)</u>

TOTAL BALANCE

(£10,428)

The following paragraphs examine the most significant variances in more detail:

HRA EXPENDITURE

- Contributions to the Repairs Account: The most significant variance of £889,000 related primarily to capital expenditure that for accounting reasons cannot be capitalised and therefore charged to Revenue.
- General Administration Expense: The variance of £72,000 can be partly attributed to the additional costs of debt recovery and severance payments following the recent Council restructure.

REPAIRS EXPENDITURE

- A total of £2,589,630 was spent on maintaining the housing stock during 2013/14 which included the following types of expenditure.
- Responsive repairs: £1,109,500 was spent on day-to-day responsive repairs compared to the revised estimate of £995,500. The largest over spend was on General Repairs of £142,400 with various other areas showing modest underspends.
- Other repairs: £1,172,300 was spent on repairs that had previously been budgeted within the capital programme compared with the revised estimate of £222,000. This

includes overspends of £80,900 on Disabled Modifications, £32,300 on Cavity Insulation and £852,900 that whilst originally charged to the Capital Programme did not add to the value of the properties on a like for like basis. Consequently, the part not adding value has been charged to the Repairs Account.

9. Cyclical repairs: £331,500 was spent on cyclical repairs compared with a revised budget of £452,100. The largest area of underspend relates to External Decoration.

CONCLUSION

10. The report sets out the actual expenditure and income for the HRA and Housing Repairs Account. The combined balance on the HRA, Repairs Account, Leaseholder Reserve and Capital Development Fund at 31 March 2014 is £10,428,000.
11. The Executive are asked to note the contents of the report and approve the carry forward balance and budgets, in order that agreed work can be completed in the current year.

Reference Papers:

10 February 2014 Executive report – Housing Revenue Account Spending Plans including the Capital Programme for 2014/15.

Appendix A

HOUSING REVENUE ACCOUNT

	Revised Budget 2013/14 £000s	Actual 2013/14 £000s	Variance 2013/14 £000s
Income			
Gross rental income:			
- Dwellings	10,360	10,344	(16)
- Other	245	248	3
Charges for services & facilities	508	502	(6)
Contributions towards expenditure	348	347	(1)
Total Income	11,461	11,441	(20)
Expenditure			
Contribution to Repairs Account	1,621	2,510	889
Supervision & Management	2,599	2,597	(2)
Rent, Rates & other Taxes	48	48	0
Depreciation & Impairment	2,476	2,444	(32)
Debt Management Costs	29	32	3
Increase/(Decrease) in HRA Bad Debt Provision	27	(5)	(32)
Bad Debts Written Off	30	38	8
HRA Share of Corporate & Democratic Core	159	146	(13)
Total Expenditure	6,989	7,810	821
Net Cost of HRA Services	(4,472)	(3,631)	841
Interest Payable	1,871	1,871	0
Pension interest costs and expected return on pension assets	0	305	305
Movement on Pension Reserve	0	241	241
Interest Receivable	(110)	(123)	(13)
(Surplus)/Deficit for the year on HRA Services	(2,711)	(1,337)	1,374
Additional amounts required to be debited/ (credited) to HRA balances for the year.			
Pension Reserve Contributions	0	(595)	(595)
Depreciation greater than Major Repairs Allowance	0	(1)	(1)
Difference between any other item of income or expenditure determined in accordance with The Code and determined in accordance with statutory requirements	0	(7)	(7)
Transfer to Reserves	2,164	2,180	16
(Increase)/Decrease in HRA balances for the year.	(547)	240	787
HRA Surplus brought forward	(4,358)	(4,358)	0
HRA Surplus carried forward	(4,905)	(4,118)	787

REPAIRS ACCOUNT

	Revised Budget 2013/14 £000s	Actual 2013/14 £000s	Variance 2013/14 £000s
Contribution from HRA	(1,621)	(2,510)	(889)
Other Income	(60)	(95)	(35)
Expenditure:			
-Day to day response repairs	996	1,109	113
-Previous capital works	222	1,172	950
-Cyclical repairs	452	331	(121)
-Administration and bad debts	11	(23)	(34)
Transfer to/(from) Leaseholder Reserve	<u>0</u>	<u>16</u>	<u>16</u>
(Increase)/Decrease in Repairs Account balance in year	0	0	0
Balance brought forward	<u>(1,800)</u>	<u>(1,800)</u>	<u>0</u>
Balance carried forward	<u><u>(1,800)</u></u>	<u><u>(1,800)</u></u>	<u><u>0</u></u>

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Policy and Resources
Subject:	Actual Capital Expenditure and Financing 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 the Executive with details of the actual capital expenditure for the 2013/14 Capital Programme and seeks approval for the proposed methods of financing the actual capital expenditure.

Executive summary:

Actual capital expenditure on housing and other services in 2013/14 was £10,796,182 compared with the revised capital programme of £13,430,300. The overall variance was £2,634,118 and a detailed analysis of the variations is given in Appendix A to the report.

Total savings of £467,346 were achieved, additional expenditure of £382,106 was incurred and a total of £2,548,878 will be carried forward into 2014/15.

Details of the various methods used to finance this expenditure are set out in Appendix B to the report.

Recommendation:

- (a) That the capital programme for 2013/14 be approved and financed as set out in Appendix B to this report;
- (b) That the individual expenditure incurred, amounting to £382,106 be financed retrospectively from the surplus capital resources; and
- (c) That the actual capital expenditure for 2013/14 be noted.

Reason:

To provide the Executive with details of the capital expenditure and financing in 2013/14.

Cost of proposals:

The necessary resources are available to finance the capital programme for 2013/14 including the additional expenditure of £382,106.

Appendices: **A:** Actual Capital Expenditure 2013/14
 B: Actual Capital Financing 2013/14

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Actual Capital Expenditure and Financing 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The capital programme for 2013/14, approved earlier this year for both the General Fund and Housing Revenue Account (HRA) services, was £13,430,300. The actual capital expenditure, detailed in Appendix A, was £10,796,182 giving an overall variation of £2,634,118, as summarised in the table below.

	Capital Programme	Actual Expenditure	Savings	Additional Expenditure	Carry over to 2014/15
	£	£	£	£	£
Public Protection	0	0	0	0	0
Streetscene	113,500	34,138	0	0	79,362
Planning & Development	341,300	298,239	6,765	0	36,296
Leisure & Community	1,417,800	454,887	22,582	454	940,785
Housing	1,545,400	1,429,756	18,338	0	97,306
Policy & Resources	5,736,000	5,349,328	0	0	386,672
General Fund	9,154,000	7,566,348	47,685	454	1,540,421
HRA	4,276,300	3,229,834	419,661	381,652	1,008,457
Total	13,430,300	10,796,182	467,346	382,106	2,548,878

SAVINGS

2. In the year, there were a number of schemes that were completed at a lower cost than originally anticipated. The savings for the year totalled £467,346 of which £47,685 related to the General Fund and £467,346 to the HRA.
3. The three areas of saving for the General Fund was £22,582 for the Mill Lane Tennis Court Refurbishment, £18,338 for Enabling and £6,765 for Environmental Improvement Works in the North West Section of West Street.
4. The main savings on the HRA were £151,228 for Central Heating and Boilers and £140,502 for Structural Repairs.

ADDITIONAL EXPENDITURE

5. The total additional expenditure was £382,106 which mainly relates to HRA capital schemes. £202,338 for Tenants Modernisations, £96,154 for External Works and £57,926 for Communal Lifts.

CARRY OVER TO 2014/15

6. There are a number of schemes still in progress and a total of £2,548,878 will be carried forward to 2014/15 as set out in the following paragraphs:

STREETSCENE PORTFOLIO SCHEMES

Public Convenience Improvement Programme

7. There was no expenditure on the Public Convenience Improvement Programme in 2013/14 so the £18,500 budget will be carried forward to 2014/15.

Glass Recycling - Replacement of Skips and Bins

8. The remaining budget of £3,937 will be carried forward to 2014/15 to replace the existing stock of skips and bins.

Street Lighting Maintenance

9. This scheme was approved at the 4 November 2013 Executive. The underspend will be carried forward to 2014/15 to fund the maintenance of the remaining street lights.

PLANNING AND DEVELOPMENT PORTFOLIO SCHEMES

Car Parks

10. The underspend of £11,575 for the Osborn Road 5 Year Programme will be carried forward to 2014/15.
11. The underspend of £4,721 on the rolling programme of Car Park Surface Improvements will be carried forward to 2014/15.

Environmental Improvements

12. The Flood Alleviation works budget of £20,000 will be carried forward to 2014/15.

LEISURE AND COMMUNITY PORTFOLIO SCHEMES

Buildings

13. There was no expenditure on the Ferneham Hall Major Repairs Programme, Review of Community Buildings or the Community Buildings Health and Safety Fund during 2013/14 so total budgets of £205,800 will be carried forward to 2014/15.
14. The underspend of £6,720 on the Western Wards Swimming Pool will be carried forward and added to the £7m budget for the new swimming pool at Coldeast which was approved at the 7 April 2014 Executive.
15. The final stage of works at Portchester Community Centre including the extension of the car park and landscaping has been delayed due to high rainfall during the winter months. Therefore the underspend of £148,689 will be carried

forward to 2014/15.

Play and Parks Schemes

16. Works at Abshot Road Youth Facility will take place in 2014/15 therefore the £80,000 budget will be carried forward.
17. At the Swanwick Lane Play Area there have been delays in fencing proposals, therefore the underspend of £8,183 will be carried forward to 2014/15.

Outdoor Recreation Schemes

18. Car park improvements at Wicor Recreation have been delayed due to the extreme weather. Therefore the underspend of £110,393 will be carried forward.
19. There has been no expenditure for the Sarisbury Green Cricket Protection as a low cost solution is being trailed for a full season. The unspent budget of £30,000 will be carried forward for alternative options if the trail is not a success.
20. The initial feasibility work at Coldeast Sports Pitch and Facilities was completed and then the scheme put on hold pending a decision on the location of the western wards pool. The underspend of £11,185 will now be carried forward to 2014/15.
21. The final stages of works to the Burrige Pitch Drainage System and the Bath Lane Cricket Square Replacement were delayed due to the exceptionally wet weather. Therefore the underspends of £8,169 and £9,346 respectively will be carried forward to 2014/15.
22. The tennis courts at Portchester Community Centre have been removed but the landscaping has been delayed due to the heavy rainfall. Therefore the £60,000 budget will be carried forward to 2014/15.

Other Community Schemes

23. There was no expenditure on Allotment and Footpath Improvements and therefore budgets totalling £49,800 will be carried forward to 2014/15.
24. Repair works at Salterns Promenade will now take place in 2014/15. The original budget of £212,500 will be carried forward and increased to £252,500 as approved at the 10 February Executive. £20,000 will be externally funded by a grant from Sustrans.

HOUSING PORTFOLIO SCHEMES

Home Improvement Schemes

25. Increases in demand for Disabled Facilities Grants (DFGs) has resulted in an overspend of £27,516. Conversely a drop in demand for Home Improvement Loans (HILs) has resulted in an underspend of £95,722. It is proposed that the net underspend of £68,206 is carried forward into 2014/15; £18,000 to fund HILs and £50,206 to supplement the DFGs programme.

Enabling

26. There was no expenditure for Feasibility Studies in 2013/14 so the budget of £29,100 will be carried forward to 2013/14.

POLICY AND RESOURCES PORTFOLIO SCHEMES

Town Centre Redevelopment

27. A total of £58,800 will be carried forward to 2014/15 for continuing works under this scheme. This budget is expected to be used to contribute to the cost of future proposals for the redevelopment of Fareham Town Centre and to meet the cost of refurbishing the Henry Cort play area.

Vehicles and Plant

28. A total of £8,530 will be carried forward to 2014/15 to fund the rolling programme of vehicles and plant purchases.

ICT Capital Budgets

The underspend of £97,775 will be carried forward and included in the proposed spending plans identified within the ICT development plan.

Depot Refurbishment Works

30. A total of £49,058 was spent against the budget of £76,900 in 2013/14. The remaining £27,842 will be carried forward to fund improvement works around the Depot including work to improve the meeting spaces.

Civic Offices 10 Year Improvement Plan

31. The carry forward of £9,141 will be used to fund improvement works in 2014/15 including roof repairs, plant room cladding and window replacement.

Other Schemes

32. The £14,000 budget for the Countywide Superfast Broadband scheme will be carried forward into 2014/15.
33. During 2013/14, the Council purchased three commercial properties as part of the commercial property investment acquisition programme. The overspend in the year will be offset against the budget for 2014/15.
34. The Council's investment project at Daedalus is progressing as planned. The underspend in 2013/14 will be carried forward into 2014/15.

HOUSING REVENUE ACCOUNT SCHEMES

Mobility Scooter Storage

35. The unspent Mobility Scooter Storage budget of £20,000 will be carried forward to fund schemes in 2014/15.

Central Heating and Boilers

36. There was an underspend of £351,228 for Central Heating and Boilers. £200,000 of this will be carried forward to 2014/15 to fund boiler replacements.

Windows and Doors Replacement

37. There was also an underspend of £194,321 for Windows and Doors Replacement which will be carried forward to 2014/15.

Other HRA Schemes

38. There is a carry forward of £738,099 to fund the major redevelopment at Collingwood Court in 2014/15.

39. Design and survey costs for Palmerston Avenue, Coldeast Sheltered Housing and Allotment Road Passivhaus Homes will be carried forward and offset against the budgets for 2014/15 as approved at the 7 April 2014 Executive.
40. The expenditure on stock repurchases will be carried forward and offset against the budget for 2014/15.

CAPITAL PROGRAMME 2013/14 TO 2017/18

41. The Capital Programme will be reviewed by officers in light of the slippage and re-phasing of works and an updated programme for 2014/15 to 2018/19 will be presented to the Executive as part of the Finance Strategy for 2015/16.

CAPITAL FINANCING

42. Details of the various methods used to finance the capital expenditure in 2013/14 are set out in Appendix B. External funding contributed to 12% of the Council's Capital Programme.
43. The overall capital expenditure and financing is summarised in the table below:

	General Fund £'000	HRA £'000	Total Programme £'000
Revised Budget	9,154	4,276	13,430
Actual Expenditure	7,566	3,230	10,796
Financed by:			
Revenue Resources	1,536	2,897	4,433
Capital Receipts	5,064	20	5,084
External Contributions	966	313	1,279
Total Financing	<u>7,566</u>	<u>3,230</u>	<u>10,796</u>

RISK ASSESSMENT

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

Reference Papers: None

APPENDIX A

ACTUAL CAPITAL EXPENDITURE 2013/14

	Capital Programme £	Actual Expenditure £	Savings £	Additional Expenditure £	Carry over to 2014/15 £
STREETSCENE					
Public Convenience Improvement Programme	18,500				18,500
Glass Recycling - Replacement Skips and Bins	10,000	6,063			3,937
Street Lighting Maintenance	85,000	28,075			56,925
STREETSCENE - TOTAL	113,500	34,138	0	0	79,362
PLANNING & DEVELOPMENT					
Car Parks					
Osborn Road 5 Year Programme	15,100	3,525			11,575
Car Park Surface Improvements	206,200	201,479			4,721
	221,300	205,004	0	0	16,296
Environmental Improvements					
Flooding Alleviation	20,000				20,000
West Street - North West Section	100,000	93,235	6,765		0
	120,000	93,235	6,765	0	20,000
PLANNING & DEVELOPMENT - TOTAL	341,300	298,239	6,765	0	36,296
LEISURE & COMMUNITY					
Buildings					
Ferneham Hall Repairs	50,000				50,000
Review of Community Buildings	146,500				146,500
Community Buildings Health & Safety Fund	9,300				9,300
Western Wards Swimming Pool	22,600	15,880			6,720
Portchester Community Centre	282,400	133,711			148,689
	510,800	149,591	0	0	361,209
Play and Parks Schemes					
Abshot Road Youth Facility	80,000				80,000
Swanwick Lane Play Area	53,000	44,817			8,183
	133,000	44,817	0	0	88,183
Outdoor Recreation Schemes					
Wicor Rec Sports Changing Facility	146,700	36,307			110,393
Sarisbury Green Cricket Protection	30,000				30,000
Coldeast Sports Pitch and Facilities	25,000	13,815			11,185
Burridge Pitch Drainage System	40,000	31,831			8,169
Bath Lane Replacement Cricket Square	40,000	30,654			9,346
Mill Lane Tennis Court Refurbishment	35,000	12,418	22,582		0
Locks Heath Tennis Court Refurbishment	20,000	20,454		454	0
Portchester Community Centre Tennis Courts	60,000				60,000
	396,700	145,479	22,582	454	229,093

	Capital Programme £	Actual Expenditure £	Savings £	Additional Expenditure £	Carry over to 2014/15 £
Grants to Community Groups					
Fareham Bowls Club Extension	25,000	25,000			0
Salmaikki Community Interest Company Multi-purpose sports rink	21,500	21,500			0
Sarisbury Community Centre - Heating and Hot Water Overhaul	7,500	7,500			0
Portchester Bowls Club - Artificial Outdoor Rink	22,500	22,500			0
Titchfield Bowls Club - Update Facilities	20,000	20,000			0
Fareham Hockey Club - Lighting	11,000	11,000			0
St Margaret Mary Church - External Play Area	7,500	7,500			0
	115,000	115,000	0	0	0
Other Community Schemes					
Allotment Improvements	14,000				14,000
Footpath Improvements	35,800				35,800
Salterns Promenade	212,500				212,500
	262,300	0	0	0	262,300
LEISURE & COMMUNITY - TOTAL	1,417,800	454,887	22,582	454	940,785
HOUSING					
Home Improvement Schemes					
Disabled Facilities Grants	549,000	576,516			(27,516)
Home Improvement Loans	124,800	29,078			95,722
	673,800	605,594	0	0	68,206
Enabling					
Coldeast Close & Bridge Road Acquisitions	800,000	781,662	18,338		0
Redevelopment of Broadlaw Walk	42,500	42,500			0
Feasibility Studies	29,100	0			29,100
	871,600	824,162	18,338	0	29,100
HOUSING - TOTAL	1,545,400	1,429,756	18,338	0	97,306
POLICY & RESOURCES					
Town Centre Redevelopment					
Land Acquisition	45,000				45,000
Henry Cort Millennium Scheme Works	13,000				13,000
	58,000	0	0	0	58,000
Rolling Programmes					
Vehicles & Plant	712,800	704,270			8,530
ICT	264,100	166,325			97,775
	976,900	870,595	0	0	106,305
Council Buildings					
Depot Refurbishment Works	76,900	49,058			27,842
Civic Offices 10 Year Improvement Plan	80,200	71,059			9,141
	157,100	120,117	0	0	36,983

	Capital Programme £	Actual Expenditure £	Savings £	Additional Expenditure £	Carry over to 2014/15 £
Other Schemes					
Countywide Superfast Broadband	14,000				14,000
Commerical Property Investment					
Acquisitions	3,000,000	3,889,673			(889,673)
Daedalus Development	1,530,000	468,943			1,061,057
	4,544,000	4,358,616	0	0	185,384
POLICY & RESOURCES - TOTAL	5,736,000	5,349,328	0	0	386,672
GENERAL FUND - TOTAL	9,154,000	7,566,348	47,685	454	1,540,421
HOUSING REVENUE ACCOUNT					
Improvement Work					
Electric Upgrading	243,400	215,690	27,710		0
Tenants Modernisations	950,000	1,152,338		202,338	0
Other Communal Works	50,000	19,135	30,865		0
Security Doors	50,000	12,405	37,595		0
Mobility Scooter Storage	20,000				20,000
Communal Lifts	0	57,926		57,926	0
	1,313,400	1,457,494	96,170	260,264	20,000
Energy Conservation					
Central Heating and Boilers	485,400	134,172	151,228		200,000
Windows and Doors Replacement	488,100	293,779			194,321
	973,500	427,951	151,228	0	394,321
Environmental Improvements					
Recycling Bin Stores	30,000	720	29,280		0
External Works	50,000	146,154		96,154	0
	80,000	146,874	29,280	96,154	0
Capitalised Repairs					
Structural Repairs	150,000	9,498	140,502		0
Re-roofing	20,000	26,937		6,937	0
Drain Replacement	20,000	17,519	2,481		0
TV Systems	0	1,405		1,405	0
	190,000	55,359	142,983	8,342	0
Other Schemes					
Collingwood Court	1,719,400	981,301			738,099
Palmerston Avenue	0	36,604			(36,604)
Coldeast Sheltered Housing	0	24,810			(24,810)
Allotment Road Passivhaus Homes	0	17,549			(17,549)
Stock Repurchase	0	65,000			(65,000)
New Builds	0	16,892		16,892	0
	1,719,400	1,142,156	0	16,892	594,136
HOUSING REVENUE ACCOUNT - TOTAL	4,276,300	3,229,834	419,661	381,652	1,008,457
OVERALL TOTAL	13,430,300	10,796,182	467,346	382,106	2,548,878

ACTUAL CAPITAL FINANCING 2013/14

	General Fund £	HRA £	Total £
Revenue Resources:			
Direct Revenue Funding	1,214,367	852,937	2,067,305
Capital Fund Account	206,665	0	206,665
Matched Funding Reserve	115,000	0	115,000
Major Repairs Reserve	0	2,044,897	2,044,897
Capital Receipts:			
Usable Capital Receipts	3,344,052	19,500	3,363,552
Capital Development Fund	1,720,660	0	1,720,660
External Contributions:			
Government Grants:			
- Disabled Facilities Grant	254,717	0	254,717
- HCA Grant	386,880	312,500	699,380
Other Contributions:			
- Hampshire County Council	133,711	0	133,711
- Leisure Developer Contributions	182,437	0	182,437
- Football Foundation Grant	7,858	0	7,858
	7,566,348	3,229,834	10,796,182

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Policy and Resources
Subject:	Treasury Management Annual 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:

The Annual Report on Treasury Management for 2013/14 has been prepared in order to comply with the reporting requirements of the Code of Practice for Treasury Management produced by the Chartered Institute of Public Finance and Accountancy and adopted by the Council.

Executive summary:

The financial year 2013/14 continued the challenging environment of previous years namely low investment returns although levels of counterparty risk had subdued somewhat.

Full details of investment and borrowing activity in 2013/14 are set out in the main body of this report. Investment activity in 2013/14 is summarised below:

	£m
Investments as at 1 April 2013	32.8
Investments made in 2013/14	146.8
Investments repaid in 2013/14	138.8
Investments as at 31 March 2014	40.8

Total investment interest receivable for the year was £431,414. The total of external interest paid on borrowing and other amounts invested with the Council was £1,404,759.

The net total of £973,346 has been allocated to the Council's funds as shown in the following table:

	£
Net amount credited to the General Fund	770,881
Net amount credited to the Whiteley Fund	3,260
Net amount debited to the Housing Revenue Account	(1,747,487)
Net Total	(973,346)

During 2013/14, the Council complied with its legislative and regulatory requirements of the Prudential Code.

Recommendation:

That the Treasury Management Annual Report for 2013/14 be noted.

Reason:

This report has been prepared in order to comply with the reporting requirements of the Code of Practice for Treasury Management.

Cost of proposals:

Not applicable.

Appendices:

A: Total Investment Activity 2013/14

B: Prudential and Treasury Indicators 2013/14

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Treasury Management Annual Report 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. During 2013/14 the minimum reporting requirements were that full Council should receive the following reports:
 - An annual treasury strategy at the start of the year (Council 22 February 2013);
 - A mid-year (minimum) treasury update report (Council 12 December 2013);
 - An annual report following the year describing the activity compared to the strategy (this report).
3. In addition, the Council has received quarterly treasury management update reports on 2 September 2013, 4 November 2013 and 10 February 2014 which were received by the Executive.
4. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
5. The Council also confirms that it has complied with the requirement under the Code to give scrutiny to treasury management activity, by the Audit and Governance Committee. Member training on treasury management issues was undertaken during the year on 25 November 2013 in order to support members' scrutiny role.

THE ECONOMY AND INTEREST RATES

6. The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015.
7. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during 2013/14. Consequently there was no additional quantitative easing and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.
8. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.
9. The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.
10. The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern

THE TREASURY MANAGEMENT STRATEGY FOR 2013/14

11. The expectation for interest rates within the Treasury Management Strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 2 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
12. The actual movement in gilt yields meant PWLB rates were on a sharply rising trend during 2013 as markets anticipated the start of tapering of asset purchases

by the Fed. However, volatility set in during the first quarter of 2014 as fears around emerging markets, various vulnerabilities in the Chinese economy, the increasing danger for the Eurozone to drop into a deflationary spiral, and the situation in the Ukraine, caused rates to dip down, reflecting a flight to quality into UK gilts.

THE BORROWING REQUIREMENT AND DEBT

13. The Council has £40m of fixed rate PWLB loans due to the abolishment of the housing subsidy system in March 2012, as shown below.

Principal	Interest Rate	Duration Remaining (years)
£4m	3.52%	38.5
£4m	3.51%	39.5
£4m	3.51%	40.5
£4m	3.51%	41.5
£4m	3.50%	42.5
£4m	3.50%	43.5
£4m	3.50%	44.5
£4m	3.49%	45.5
£4m	3.49%	46.5
£4m	3.48%	47.5

14. In addition to the fixed rate loans, the Council holds investments from Portchester Crematorium Joint Committee and the Cocks' Bequest Trust Fund which are treated as temporary loans.
15. Total interest payable by the Council in 2013/14 amounted to £1,404,759, as shown below:

	£
Interest payable to PWLB	1,400,400
Interest payable on investments with the Council	1,322
Other interest payable (e.g. HMRC, bonds)	3,037
Total	1,404,759

INVESTMENT RATES IN 2013/14

16. Bank Rate remained at its historic low of 0.5% throughout the year. It has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up at early 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.

INVESTMENT OUTTURN FOR 2013/14

17. The Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 22 February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit

rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

18. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
19. The Council maintained an average balance of £36m of internally managed funds earning an average rate of return of 0.86%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.34%.
20. The Council uses the external fund manager Tradition UK Ltd to invest up to £13m of the Council's cash balances. The use of the external fund manager is a chargeable arrangement and has been in place since 2000. The performance of the fund was 1.13% compared to the 7-day LIBID benchmark return of 0.34%.
21. The list of approved institutions for the investment of the Council's surplus funds has been reviewed on a regular basis, taking account of the grading system for investment institutions operated by the Council's treasury management advisors, Capita Asset Services.
22. The Council's investments were £32.8m on 1 April 2013, which increased to £40.8m on 31 March 2014. However, at times during the year the level of investment was higher, as shown in the following table:

The Overall Level of Investments	
Date	£m
1 April 2013	32.8
30 June 2013	41.6
30 September 2013	45.5
31 December 2013	47.7
31 March 2014	40.8

23. An analysis of internally and externally managed investment activity and call accounts used during the year is shown in the table below.

	Externally Managed £m	Internally Managed £m	Call Accounts £m	Total £m
Investments at 1 April 2013	10.0	12.0	10.8	32.8
New investments	10.0	18.0	118.8	146.8
Investments repaid	10.0	12.0	116.8	138.8
Investments at 31 March 2014	10.0	18.0	12.8	40.8

24. The level of investment activity with each authorised institution is set out in Appendix A.
25. As the base rate has remained unchanged at 0.5% since March 2009, this has had a major impact on the rate of return on the Council's investments as the longer-term investments have matured.
26. The following table shows the range of interest rates for the investment portfolio

at the end of the year compared with the position in the previous year:

At 31 Mar 2013 (£m)	Investments	At 31 March 2014	
		£m	%
17.8	Interest Rate between 0.51% and 1.00%	34.8	85
3.0	Interest Rate between 1.00% and 1.50%	6.0	15
0	Interest Rate between 1.51% and 2.00%	0	0
0	Interest Rate between 2.01% and 2.50%	0	0
10.0	Interest Rate between 2.51% and 3.00%	0	0
2.0	Interest Rate between 3.01% and 3.50%	0	0
32.8	Total	40.8	100

27. The total interest received in respect of the 2013/14 investment activity and other interest received from car loans and housing association loan payments is as follows:

	£
Investments	283,388
Call Accounts	139,791
Other	8,234
Total	431,413

COMMERCIAL PROPERTY INVESTMENT ACQUISITIONS

28. In January 2013, the Executive agreed £3m to fund a commercial property investment acquisition programme as a means to optimise returns on Council investments. A further £5m was agreed by the Executive in November 2013.
29. Three purchases were made during 2013/14 as follows:

	Premises Type	£
Clifton House, Segensworth	Industrial	1,700,000
122-134 Seaside, Eastbourne	Convenience Store	825,000
86-88 Mitcham Lane, Streatham	Convenience Store	1,300,000
Total		3,825,000

30. The three premises will generate additional rental income of £296,000 per annum at a weighted average return of 8%.

INTEREST ALLOCATION

31. The interest receivable by the Council of £431,413 is allocated between the General Fund and the Housing Revenue Account (HRA). Interest is also payable in respect of the balances on the Whiteley Fund.
32. The allocation of interest to the HRA is based on the average balance for the year on the HRA itself, the Housing Repairs Account and the Major Repairs Reserve, using the average interest rate earned on external investments. The interest credited to the other funds is calculated in a similar way:

	£
Total interest receivable	431,413
Less:	
Amount due to Housing Revenue Account	123,486
Amount due to Whiteley Fund	3,260
Balance credited to the General Fund	304,667

33. The interest payable by the Council of £1,404,759 is also allocated between the General Fund and the HRA. The amount payable by the HRA is made up of the interest payable on external PWLB loans, internal General Fund loan and the HRA capital financing requirement.
34. This calculation means that the amount payable by the HRA to the General Fund is actually greater than the amount payable by the General Fund, as shown in the following table:

	£
Total interest payable by the General Fund	1,404,759
Less:	
Amount chargeable to the HRA	1,870,973
Surplus accruing to the General Fund	(466,214)

35. The net balance credited to the General Fund of £770,881 is shown in the General Fund as "Interest on Balances" for which the revised budget was £770,000.

PRUDENTIAL AND TREASURY INDICATORS

36. During 2013/14, the Council complied with its legislative and regulatory requirements. Appendix B shows the actual prudential and treasury indicators for 2013/14. Detailed information on actual capital expenditure and how this was financed can be found in a separate report on this agenda.

SUMMARY

37. This report gives details of the treasury management activity in 2013/14 in accordance with the reporting requirements set out in the CIPFA Code of Practice for Treasury Management. Members of the Executive are asked to note the report.

RISK ASSESSMENT

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

Reference Papers: CIPFA Code of Practice for Treasury Management

Total Investment Activity 2013/14 with Each Approved Institution

	Externally Managed £	Internally Managed £	Call Accounts £	Total £
Clearing Banks				
RBS (incl Nat West)	3,000,000	3,000,000	115,600,000	121,600,000
Barclays Bank	2,000,000	6,000,000		8,000,000
Lloyds Bank	2,000,000	14,000,000		16,000,000
HSBC			6,000,000	6,000,000
Other Banks				
Santander UK	2,000,000		8,000,000	10,000,000
Building Societies				
Nationwide	6,000,000	3,000,000		9,000,000
Skipton	2,000,000			2,000,000
Principality	1,000,000	1,000,000		2,000,000
West Bromwich	2,000,000			2,000,000
Other				
Glasgow City Council		3,000,000		3,000,000
Total Investments	20,000,000	30,000,000	129,600,000	179,600,000

2013/14 Prudential and Treasury Indicators - Actual Performance

Indicator	Description	2013/14 Indicator	2013/14 Actual
<u>Aff.1</u>	Affordability Measure: Financing Costs as a percentage of net revenue stream		
	Overall Position	2%	5%
1a	General Fund	-14%	-9%
1b	Housing Revenue Account	15%	15%
<u>Aff.2</u>	Affordability Measure: Incremental impact of capital investment on Council Tax and Housing Rents		
2a	Council Tax increases, borrowing costs only	£1.15	£0.00
2b	Housing Rent increases, borrowing costs only	£0.65	£0.00
<u>Aff.3</u>	Affordability Measure: Capital Expenditure (£'000s)		
	General Fund	£3,081	£7,566
	Housing Revenue Account	£5,333	£3,230
	Total Capital Expenditure	£8,414	£10,796
<u>Aff.4</u>	Affordability Measure: External Debt Level (£'000s)		
	Authorised limit, comprising	£61,000	£42,311
	- borrowing	£57,000	£41,830
	- other long term liabilities	£4,000	£481
	Operational boundary, comprising	£49,000	£42,311
	- borrowing	£47,000	£41,830
	- other long term liabilities	£2,000	£481
<u>Aff.5</u>	Affordability Measure: Capital Financing Requirement (CFR) (£'000s)		
	General Fund CFR closing balance in the year	£51,051	£51,051
	HRA CFR closing balance in the year	-£2,754	-£2,754
		£53,805	£53,805
<u>Pru.1</u>	Prudence Measure: Gross Debt and Capital Financing Requirement (CFR) (£'000s)		
	Gross Debt	£42,271	£41,830
	CFR (for last, current and next 2 years)	£204,204	£204,204
	Has measure been achieved?	Achieved	Achieved
	Memorandum Item : Prudence margin	£161,933	£162,374
<u>Pru.2</u>	Prudence Measure: Adoption of the CIPFA Treasury Management Code of Practice		
	Has the Code been adopted in its entirety?	Yes	Yes
<u>Pru.3</u>	Prudence Measure: Upper Limits to fixed and variable interest rate exposure		
	Upper limit to variable interest rate exposures	25%	0%
	Upper limit to fixed interest rate exposures	100%	100%
<u>Pru.4</u>	Prudence Measure: Maturity structure of borrowing		
	Loans maturing within 1 year	Upper Limit 25%	£40m long term loans from PWLB
	Loans maturing within 1 - 2 years	25%	
	Loans maturing within 2 - 5 years	25%	
	Loans maturing within 5 - 10 years	50%	
	Loans maturing in over 10 years	100%	
<u>Pru.5</u>	Prudence Measure: Total Principal sums invested for periods of more than 364 days (£'000s)		
	Upper Investment Limit for the year	£16,000	£2,000

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 July 2014

Portfolio:	Policy and Resources
Subject:	Pulheim Twinning 30th Anniversary
Report of:	Director of Finance and Resources
Strategy/Policy:	N/A
Corporate Objective:	Strong and inclusive communities

Purpose:
To outline proposals for the commemoration of the 30th anniversary of the Fareham and Pulheim twinning arrangement.

Executive summary:
This year is the 30th anniversary of Fareham's twinning with Pulheim, which commenced in March 1984.

In his announcement at the Executive meeting held on 10 February, the Executive Leader requested that officers compile a proposal to mark the occasion, the details of which are within the body of this report.

Officers have now completed this task, and suggest that a Liquid Amber Tree is planted in Westbury Manor gardens to commemorate this special anniversary, and that a tree planting ceremony takes place on Friday 24 October, when a civic contingent from Pulheim are visiting Fareham.

It is suggested that the tree planting ceremony is attended by the Mayor of Fareham, councillors, members of the Fareham and Pulheim Twinning Association, and others who played a part in joining the two towns together by initiating the twinning arrangement.

Following the tree planting ceremony, it is proposed that a reception is held for all guests, and a commemorative scroll is presented to the Mayor of Pulheim.

Recommendation:

That the Executive agrees to:

- a) host a tree planting ceremony and reception with a contingent from Pulheim as guests of honour;
- b) plant a Liquid Amber tree, and erect a commemorative plaque in Westbury Manor garden; and
- c) present the Mayor of Pulheim with a commemorative scroll for the 30th anniversary of Fareham and Pulheim twinning.

Reason:

To provide a lasting memorial to commemorate the 30th anniversary of the Fareham and Pulheim twinning arrangement.

Cost of proposals:

The total cost of the event is estimated at £4,500, and can be met from current revenue budgets

Appendices:

- A:** Proposed site for tree within Westbury Manor Gardens
B: Liquid Amber tree

Background papers:

None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 07 July 2014

Subject: Pulheim Twinning 30th Anniversary

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. This year is the 30th anniversary of Fareham's twinning with Pulheim, which commenced in March 1984.
2. Members will recall that the Executive Leader, in his announcement on 10 February this year, asked for officers to compile a proposal to mark the occasion, the details of which are within this report.
3. Thought has now been applied to hosting a commemorative event on Friday 24 October 2014, when a delegation of Pulheim colleagues will visit Fareham.

BACKGROUND

4. As the 30th anniversary is a special occasion, it would seem appropriate that a lasting memorial of this time should be arranged, with preference being to plant a tree in Westbury Manor garden, marked by a tree planting ceremony, hosted by the Council.
5. The Council's Principal Tree Officer and Horticulture Development Officer have been consulted on the location and type of tree to be planted, and are in agreement that a location to the rear of the garden as indicated on appendix A would be an appropriate position. The type of tree considered suitable for this area and event is a Liquid Amber, which is shown at appendix B.
6. The size of the tree would need to be substantial at the point of planting, and can be purchased at an approximate height of 6 metres, with a spread of 2 metres.
7. A plaque to commemorate the event could be mounted on the wall of the garden, to the side of the tree, to provide information in commemoration of the event.
8. As an aside, the positioning of the tree will also provide a degree of screening from the bus station on the other side of the wall.

9. Guests to the tree planting ceremony would include the Mayor of Fareham, councillors, members of the Fareham/Pulheim twinning association and other appropriate persons connected with the Fareham and Pulheim twinning, both currently and when the twinning arrangement was established 30 years ago.
10. Following the tree planting ceremony, it is proposed that a reception be hosted for all guests, by the council, and a 30th anniversary commemorative scroll be presented to the Mayor of Pulheim.

COST OF PROPOSALS

11. The total cost of the event is estimated at £4,500, and can be met from existing resources. The breakdown of costs is as follows:

Purchase of tree and planting	£3000
Plaque and mounting	£500
Reception	£750
Commemorative scroll	£250

CONCLUSION

12. To commemorate the 30th anniversary of the Fareham and Pulheim twinning arrangement, it would seem appropriate to create a lasting memorial for the residents of Fareham to see and enjoy, by planting a Liquid Amber tree in Westbury Manor gardens. It is also suggested that a commemorative plaque is unveiled by the Mayor of Pulheim and the Mayor of Fareham, and a reception is hosted, where the Mayor of Pulheim will be presented with a commemorative scroll.

Reference Papers:

None

Artist's impression of tree position in Westbury Manor Gardens





Liquid Amber tree

