

# FAREHAM

BOROUGH COUNCIL

## AGENDA FOR THE EXECUTIVE

**Date:** Monday, 6 October 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 - 8)**

To confirm as a correct record the minutes of the meeting of Executive held on 1<sup>st</sup> September 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. Health and Housing**

**Key Decision Notice**

- (1) **Award of Contract for the Construciton of 16 Flats at Palmerston Avenue**  
(Pages 9 - 12)

A report by the Director of Community.

**9. Planning and Development**

**Non-Key Decision**

- (1) **Welborne Financial Update** (Pages 13 - 18)

A report by the Director of Planning and Development.

**10. Policy and Resources**

**Key Decision Notice**

- (1) **Annual Review of the Council's Finance Strategy** (Pages 19 - 50)

A report by the Director of Finance and Resources.

**(2) Future Arrangements for Land Ownership at Daedalus** (Pages 51 - 66)

A report by the Director of Finance and Resources.

**Non-Key Decision**

**(3) Vanguard Update** (Pages 67 - 88)

A report by the Director of Finance and Resources.

**(4) Matched Funding - Quarterly Report** (Pages 89 - 96)

A report by the Director of Finance and Resources.

P GRIMWOOD  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)

26 September 2014

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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Executive

**(to be confirmed at the next meeting)**

**Date:** Monday, 1 September 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 P M Bryant, Chairman of Licensing and Regulatory Affairs Committee  
P J Davies, Chairman of Housing Tenancy Board  
Mrs M E Ellerton, Chairman of Health and Housing Policy Development and Review  
Panel  
M J Ford, JP, Chairman of Appeals Committee  
T G Knight, Chairman of Audit and Governance Committee; for item 9(1)  
A Mandry, Chairman of Planning and Development Policy Development and Review  
Panel; for item 8(2)  
Mrs K Mandry, Chairman of Public Protection Policy Development and Review Panel  
Mrs K K Trott, for items 8(2), 9(1) and 9(3)  
C J Wood, for items 9(1) and 9(7)





## 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 7 July 2014 be confirmed and signed as a correct record.

## 3. EXECUTIVE LEADER'S ANNOUNCEMENTS

### Recording Meetings

The Executive Leader advised that in accordance with recently set legislation, members of the public and press would be able to audio and video record all public meetings held by Fareham Borough Council.

He confirmed that there had been a request to film parts of this meeting of the Executive and reminded members of the public to respect the wishes of other members of the public present who did not wish to be filmed.

### Progress on Solent Enterprise Zone

The Executive Leader gave an update on the work taking place on the Solent Enterprise Zone at Daedalus, where major investment has been made to create new employment and training opportunities and attract new businesses to the site.

Fareham Borough Council is working with Gosport Borough Council, Hampshire County Council, the Solent Local Enterprise Partnership (LEP) and the Homes and Communities Agency (HCA) on long-term plans to transform the former airbase into a business destination with the potential to create 3,500 new jobs.

Progress being made on key developments includes:

- The completion of Fareham College's £12m Centre for Engineering and Manufacturing Advanced Skills Training (CEMAST), which opens its doors to nearly 900 students in early September.
- The development of a new £5.3m innovation centre near the college site. When complete in April next year, it will contain office space and workshop facilities for new businesses, with a focus on advanced engineering. The project aims to create around 150 new jobs.
- £1.5m runway resurfacing works, funded by Fareham Borough Council, are due to take place in October and November.
- £1.5m allocated to the development of new hangar space.
- Delivering more than £7m in government investment to enable a comprehensive redevelopment of the Waterfront area of the enterprise zone to create a vibrant new complex of commercial and leisure businesses and new homes. The HCA will shortly be marketing a 55 acre plot on the Waterfront for an employment led, mixed use development.

The Executive Leader stated that the future of the Solent Enterprise Zone is a high priority for the Council, especially as the Homes and Communities Agency are now at a stage where they are starting to consider what the longer

term arrangements for the site should be. A range of options are being considered and one of these is for a major part of the site to transfer from the HCA to Fareham Borough Council. Although there is some way to go with discussions around these options a transfer would represent a very exciting opportunity should it come to fruition. The details are still being worked on for these options and more information will be made available in due course.

#### **4. DECLARATIONS OF INTEREST**

There were no interests declared at this meeting.

#### **5. PETITIONS**

There were no petitions submitted at this meeting.

#### **6. DEPUTATIONS**

The Executive received a deputation from Mrs C Worwood in relation to item 9(5) - Land Adjoining 268 Brook Lane and she was thanked accordingly.

The Executive received a deputation from Mr S Whitewood in relation to item 9(5) - Land Adjoining 268 Brook Lane and he was thanked accordingly.

The Executive received a deputation from Mr P O'Dell and Mr A Slee on behalf of Fareham Beach Hut Association in relation to item 9(1) - Proposed Beach Hut Site Rent Increase and they were thanked accordingly.

The Executive Leader agreed to bring these items for consideration forward on the agenda.

#### **7. MINUTES / REFERENCES FROM OTHER COMMITTEES**

(1) Minutes of meeting Monday, 28 July 2014 of Housing Tenancy Board

RESOLVED that the Executive received the minutes of the Housing Tenancy Board held on 28 July 2014 and noted the work programme.

#### **8. PLANNING AND DEVELOPMENT**

(1) Local Development Scheme Review

RESOLVED that the Executive approves:

- (a) the revised Local Development Scheme, as set out in Appendix A to the report;
- (b) that the Director of Planning and Development, in consultation with the Executive Member for Planning and Development, be authorised to make any necessary minor amendments to the document;



- (c) that the revised Local Development Scheme shall take effect from 19 September 2014; and
  - (d) the indicative timetable for the review of the Local Plan following a review of the South Hampshire Strategy.
- (2) Parking Charges - Fareham Town Centre Thursday Late Night Shopping

At the invitation of the Executive Leader, Councillors A Mandry and Mrs K K Trott addressed the Executive on this item.

RESOLVED that the Executive:

- (a) notes the contents of the report describing the potential benefits and costs associated with the removal of parking charges after 5pm on Thursdays in Osborn Road and Fareham Shopping Centre multi storey car parks and Market Quay car park;
- (b) approves the recommendation to reduce parking charges for Thursday evening shoppers between 5pm and 6pm at Market Quay Car Park, Osborn Road and Fareham Shopping Centre Multi Storey Car Parks, subject to there being no adverse comments received from the Planning and Development Policy Development and Review Panel; and
- (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 Fareham Shopping Centre in respect of this proposal and proceed with implementation.

## **9. POLICY AND RESOURCES**

- (1) Proposed Beach Hut Site Rent Increase

The comments of the deputies were taken into account in determining this item.

At the invitation of the Executive Leader, Councillors T G Knight, C J Wood and Mrs K K Trott addressed the Executive on this item.

RESOLVED that the Executive agrees:

- (a) to implement the recommended increase, as set out in paragraph 7 of the report, to be phased in over a three year period, commencing from 1 April 2015; and
- (b) that a review of beach hut site agreements be carried out by officers in consultation with beach hut owners.

- (2) Lease of Part of Floor 5, Civic Offices

RESOLVED that the Executive approves

- (a) the heads of terms, as provisionally agreed with Public Health England and shown at Confidential Appendix A; and
  - (b) that delegated authority be given to the Director of Finance & Resources, in consultation with the Executive Leader to agree the final terms.
- (3) Annual Review of the Corporate Strategy 2011-2017

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

RESOLVED that the Executive recommends to Council the amendments to the strategy document, as set out in paragraph 12 of the report, along with the amendment of the wording in the first paragraph on page 3 of the strategy document to show as "Development at Welborne, a new community to the north of Fareham, is *planned* to start in 2016".

- (4) Annual Update - Local service Agreements

RESOLVED that the Council's performance be noted by the Executive.

- (5) Land Adjoining 268 Brook Lane

The comments of the deputies were taken into account in determining this item.

RESOLVED that the Executive approves that:

- (a) the decision made by the Executive on 4 November 2013, to approve the compromise agreement, is reconfirmed and progressed, subject to:
  - i. the parties are given until 30 September 2014 to confirm in writing their acceptance of the main terms of sale as set out in the confidential Appendix E; or
  - ii. by 29 September 2014 both parties can confirm an alternative compromise agreement which sees the entire land disposed of with no adverse financial impact on the Council;
- (b) if either party is not prepared to agree to the terms of sale without further negotiation or condition the Council will withdraw its offer and will reserve the right to dispose of the land to the other party on the terms set out in the confidential Appendix E or as it sees fit; and
- (c) the Solicitor to the Council be given delegated authority to take all ancillary actions to give effect to this resolution.

- (6) Quarterly Financial Monitoring Report 2014/2015

RESOLVED that the report on revenue and capital budget monitoring be noted.

- (7) Treasury Management Monitoring Report 2014/15

At the invitation of the Executive Leader, Councillor C J Wood addressed the Executive on this item.

RESOLVED that the treasury management monitoring report be noted and that the minimum credit ratings for counterparties in the Treasury Management Strategy 2014/15 are updated in light of anticipated regulatory changes in the bank sector.

## **10. 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.

## **11. POLICY AND RESOURCES**

### **(1) Council Housing Responsive Repairs Service**

RESOLVED that the Executive agrees:

- (a) to approve option 2, as set out in paragraphs 22 – 26 of the confidential report;
- (b) subject to the approval of (a), that the Chief Executive Officer is authorised to undertake all ancillary acts including those that may be needed under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to give effect to this decision;
- (c) to establish a procedure for undertaking electrical testing every 10 years, unless there is a recommendation for less than this, using the criteria set out in paragraphs 57 and 58 of this report; and
- (d) that the frequency of testing for emergency lighting be changed to quarterly.

(The meeting started at 6.00 pm  
and ended at 7.48 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

<b>Portfolio:</b>	Health and Housing
<b>Subject:</b>	<b>Award of contract for the construction of 16 flats at Palmerston Avenue</b>
<b>Report of:</b>	Director of Community
<b>Strategy/Policy:</b>	Housing Strategy
<b>Corporate Objective:</b>	A Balanced Housing Market

**Purpose:**

This report seeks approval to enter into contract with a selected developer for the construction of a new affordable housing scheme in Fareham Town Centre.

**Executive summary:**

The Council has a corporate objective to enable the delivery of 500 new affordable homes by 2017.

The Council owns a car park at the bottom of Palmerston Avenue for which planning permission has been secured to construct 16 new 1 bedroom flats for rent. The Council applied for and has secured a grant of £320,000 towards the build cost from the Homes and Communities Agency.

A building contractor has been selected on a competitive basis via the 'Hampshire IESE' framework to construct the flats.

Approval is sought to enter into contract with the selected building contractor and to accept the grant from the Homes and Communities Agency.

**Recommendation/Recommended Option:**

That the Executive:

- (a) approves a revised budget of £1,950,000;
- (b) notes the level of grant funding secured from the Homes & Communities Agency (HCA) to support delivery of the project;
- (c) delegates authority to the Director of Community, in consultation with the Executive Member for Health and Housing, to accept the grant conditions and enter into contract with HCA; and

(d) delegates authority to the Director of Community, in consultation with the Executive Member for Health and Housing, to enter into contract with Brymor Contractors Ltd to construct the proposed development.

**Reason:**

To enable new affordable homes to be built at a highly sustainable location, which will meet local housing needs and contribute to the corporate objective of enabling 500 new affordable homes by 2017.

**Cost of proposals:**

The confirmed budget required for the development is £ 1,950,000. This will cover the cost of construction and all on-costs.

The contract sum for the cost of construction is £1,797,767. This will be met from the Housing Revenue Account and funding secured from the HCA.

**Background papers:**

- Report to the Executive for Decision 7<sup>th</sup> April 2014 – Proposed Affordable Housing Programme 2015 – 2018
- Report to the Executive for Decision 10<sup>th</sup> June 2013 – Development of land at Palmerston Avenue

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 06 October 2014

**Subject:** Award of contract for the construction of 16 flats at Palmerston Avenue

**Briefing by:** Director of Community

**Portfolio:** Health and Housing

#### INTRODUCTION

1. The Council owns a small parcel of land adjoining the shopping centre at the bottom of Palmerston Avenue, which is currently used as a private car park.
2. The land is an allocated housing site in the Council's Local Plan. Full planning permission was secured in July of this year for the construction of 16 x 1 bedroom flats with associated landscaping and car parking.
3. The planning permission was secured in partnership with Brymor Contractors Ltd, who were appointed by the Council following a competitive tender through the Hampshire iESE framework.
4. A fee for the construction work has been negotiated with Brymor Contractors Ltd and tested by the Council's appointed surveyors. The fee represents a reasonable cost for undertaking the work and approval is now sought to enter into contract to get the development underway.

#### THE PROPOSAL

5. Over the past 18 months officers have been working on proposals for the development of 16 x 1 bedroom (2-person) flats at Palmerston Avenue. The proposed development shall be built to Lifetime Homes, Secured by Design, and Code for Sustainable Homes level 4 standards. This will result in a building which is adaptable to meet different individual needs, safe and secure, and efficient to run.
6. Each of the flats will benefit from its own private terrace or balcony, with shared parking and bicycle storage facilities. One unit shall be built to full wheelchair design standards and benefits from larger living spaces, a level access shower, and allocated disabled parking bay.
7. It is intended that all of the flats will be let to existing tenants seeking to downsize and other residents from the Council's Housing Waiting List.

## **THE TENDER PROCESS**

8. To achieve this development the Council opted to procure contractor services via the Hampshire iESE framework. Through this framework a single contractor is selected before the planning application stage, to provide pre-construction advice and work with the design team to secure planning permission. Once permission has been secured the contractor and client agree a fixed price contract for the construction work.
9. Brymor Contractors Ltd was the successful tenderer. Once selected they were tasked with achieving a suitable design for the scheme and securing planning permission. It was agreed by both parties that once this stage was completed, a fixed price for the construction work would be negotiated, but there was no obligation on either side to proceed with the development should the terms prove unfavourable.
10. Full planning permission was secured in July 2014 and officers have since been working with the selected contractor to determine an appropriate fee for completing the construction work.

## **FINANICAL IMPLICATIONS**

12. The proposed contract sum for the construction of the development is £1,797,767. This has been tested and negotiated by our selected firm of quantity surveyors to ensure it is a suitable and competitive sum. The price is considered to be a fair reflection of inner urban development costs in the current climate and also reflects materials and labour shortages experienced over the last year, which is inflating prices. Combined with on-costs this brings the expected total capital development costs to £1,950,000.
13. A provisional budget of £1,850,000 was agreed by the Executive in April of this year to cover the total capital development costs. Since this time the Council has successfully secured £320,000 towards the development in the form of Affordable Housing Grant from the Homes and Communities Agency (HCA). Approval is therefore sought to increase the overall budget to £1,950,000 to enable the development to go ahead.
14. If construction commences onsite prior to the end of March 2015, 75% of the HCA grant can be claimed 'up front' with the rest paid upon practical completion. The remainder of the development costs will be met from the Housing Revenue Account.

## **TIMETABLE FOR DELIVERY**

12. Upon entering into contract the selected contractor will start all pre-commencement work including seeking to discharge any outstanding planning conditions. It is forecast that start on site will be achieved in January 2015 with the programme for construction to last 13 months. On this basis it is anticipated that the flats will be ready for occupation by April 2016.

### **Reference Papers:**

None



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

**Portfolio:** Planning and Development  
**Subject:** **Welborne Financial Update**  
**Report of:** Director of Planning and Development  
**Strategy/Policy:** Fareham Local Plan

**Corporate Objective:** To protect and enhance the environment  
Maintain and extend prosperity  
Leisure for health and fun  
A balanced housing market  
Strong and Inclusive Communities  
Dynamic, prudent and progressive Council

**Purpose:**

To advise the Executive on the updated costs for the preparation of the Welborne Plan.

**Executive summary:**

This report sets out the latest projected and incurred expenditure relating to the development of the Welborne Plan.

The Council has received significant Large Sites Capacity Funding from the Department of Communities and Local Government (DCLG) to assist with the planning and delivery of Welborne. The Council is in continued dialogue with DCLG in relation to opportunities for further capacity funding for 2014/15.

**Recommendation:**

That the Executive notes the update on the financial costs of producing the Welborne Plan.

**Reason:**

To set out the updated expenditure and funding involved in the preparation of the Welborne Plan.

**Cost of proposals:**

To be met within existing resources and predominately funded from the Housing and Planning Delivery Grant reserve, Capacity Funding secured from Department for Communities and Local Government and New Homes Bonus.

**Appendices:** None

**Background papers:** Report to Executive on 7 April 2014 – Welborne Quarterly Financial Update

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 06 October 2014

**Subject:** Welborne Financial Update

**Briefing by:** Director of Planning and Development

**Portfolio:** Planning and Development

#### INTRODUCTION

1. A report to the Executive on 7 April 2014 set out a financial update report on the projected and incurred expenditure relating to the development of a Local Plan for Welborne. These figures are set out in the table below.

<b>WELBORNE PROJECT COSTS – APRIL 2014</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	£	£	£	£	£
Staff and running costs	27,402	128,526	199,683	252,800	257,900
Evidence base and supporting costs	82,034	194,611	319,649	554,704	78,600
<b>Total Costs</b>	<b>109,436</b>	<b>323,137</b>	<b>519,332</b>	<b>807,504</b>	<b>336,500</b>
<b>Total Overall Project costs at end of 2014/15</b>					<b>2,095,909</b>

#### PROGRESSION OF WELBORNE PLAN AND ASSOCIATED COSTS

2. Since the last financial report the evidence base has been finalised for the submission of the Welborne Plan. This has also included additional work to support the production of associated documents, such as the Welborne Planning Obligations and Affordable Housing and Design Guidance Supplementary Planning Documents.
3. The Publication Draft Welborne Plan has now been submitted to the Secretary of State. Arrangements for an independent Examination have now been made, including the production of various document for the hearings sessions.
4. Since the finalisation of the figures for 2013/14 and progress of the project since then, there have been a number of changes to the project costs.

5. The projected **Staff and Running Costs** for 2014/15 have reduced significantly, in line with a reduction in the number of staff working on the project.
6. The reduction in staff has led to the resource being met by the use of **Consultancy staff support**. This expenditure was anticipated and reported in the April 2014 Update, and has been set out separately in the table below for clarity.
7. The April 2014 update noted that the consultancy costs for 2014/15 would increase, and that it would only be possible to quantify any likely increase in costs until after the period of representations on the draft Welborne Plan. Since then, the Welborne Plan has been submitted for Examination and the Council now has estimated costs for additional items such as the Planning Inspectorate and the Examination Programme Officer. This has led to an increase in the **Evidence Base and Supporting Costs**. In addition, some expenditure on this had been deferred from 2013/14, leading to a decrease in the actual spend in that year and an increase in 2014/15.
8. The full updated costs for the Welborne Plan are set out in the table below. Overall, the impact of the various updates on the total overall project costs has been relatively small, with an increase of around £11,500.

<b>UPDATED WELBORNE PROJECT COSTS – OCTOBER 2014</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	£	£	£	£	£
Staff and running costs	27,402	128,526	199,683	257,247	153,100
Evidence base and supporting costs	82,034	194,611	319,649	465,712	214,800
Consultancy (staff support)	0	0	0	0	64,700
<b>Total Costs</b>	<b>109,436</b>	<b>323,137</b>	<b>519,332</b>	<b>722,959</b>	<b>432,600</b>
<b>Total Overall Project costs at end of 2014/15</b>					<b>2,107,454</b>

9. Since the last update the Council has further dialogue with the Department of Communities and Local Government about securing additional capacity funding and other support during 2014/15. The results of these discussions will be reported in future financial updates.
10. The updated figures for funding streams relating to the development of the Welborne Plan are set out in the table below.

<b>WELBORNE PLAN FUNDING STREAMS – OCTOBER 2014</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	£	£	£	£	£
Eco Town Funding	100,000	-	-	-	-
Planning/Housing Delivery Grant	9,436	143,137	519,332	237,959	258,800
Homes and Communities Agency (HCA)	-	150,000	-	-	-
Partnership for Urban South Hampshire (PUSH)	-	30,000	-	-	-
Capacity Funding				485,000	-
New Homes Bonus	-	-	-		173,800
<b>Total Costs</b>	<b>109,436</b>	<b>323,137</b>	<b>519,332</b>	<b>722,959</b>	<b>432,600</b>
<b>Total Overall Project funding at end of 2014/15</b>					<b>2,107,454</b>

11. Funding for the Welborne project is met first through the Housing and Planning Delivery Grant previously received by the Council. The balance will be met by New Homes Bonus previously received from the Government.
12. As noted previously, the Council has received significant Large Sites Capacity Funding from the Department of Communities and Local Government (DCLG) to assist with the planning and delivery of Welborne. The Council is in continued dialogue with DCLG in relation to opportunities for further capacity funding for 2014/15.
13. There are no significant risk considerations in relation to this report.

### **FINANCIAL IMPLICATIONS**

14. The costs of the Welborne Plan have been predominantly funded from the Housing and Planning Delivery Grant reserve which has been set aside for studies relating to the project and other Action Plan projects, with the remainder being funded by the DCLG Capacity Fund. If a further allocation of DCLG Capacity Funding is received this will reduce the amount of funding required to be met from the Housing and Planning Delivery Grant and would remove the need to call on funding from the New Homes Bonus.

### **CONCLUSION**

15. It is recommended that the Executive notes the proposed expenditure relating to the production of the Welborne Plan providing planning policy to guide the development of the new community. The adoption of the Welborne Plan will provide the means of ensuring that the Council achieves its ambitions for the new community including the timely provision of infrastructure and provision of housing to meet local housing needs.

**Reference Papers:** None



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Annual Review of the Council's Finance Strategy</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report reviews the Council's finance strategy in the light of the Council's current financial position, the agreed objectives and priorities and the budgetary and other pressures that the Council will face in the current and future years.

**Executive summary:**

The strategy document, attached to this report as Appendix A, sets out the broad principles on which the management of the Council's finances are based and provides background information regarding the level of resources, the revenue budget and capital programme.

The document also focuses on the various issues that will impact on the Council's financial position, now and in the future.

In the light of these issues, the current financial position has been reviewed and the projected position in future years, up to 2018/19, examined.

To summarise the overall capital position, the programme for services other than housing, up to 2018/19, has been updated and now totals £36.308 million. Resources of £36.328 million are available now to finance the programme and between 2014/15 and 2018/19 resources of £9.4 million are anticipated from direct revenue funding, capital grants and capital receipts.

However, the spending reductions likely to be required in 2015/16 onwards may well mean that the revenue contributions to capital have to be significantly reduced in future years.

At the same time, maintenance and improvement programmes for the Council's asset base indicate significant sums need to be spent over the next 10 years, which exceed the resources currently available. The Strategy therefore strengthens the need to identify new resources to provide for the works.

Based on existing spending plans and taking account of the known variations and revenue spending pressures in future years, the projected revenue budget for 2015/16 would indicate a significant increase in the amount payable by the council tax payers, if mitigating action was not taken.

The extent of the financial pressures to be faced as the Government tackles the budget deficit will inevitably mean reductions in the breadth of services that the Council is able to provide.

Much of the Strategy will be dependent outcomes of the future Resource Reviews but the Strategy explains the measures currently underway, and further steps that are planned during the strategy period, to ensure that council tax increases are maintained within acceptable limits and in accordance with the Council's corporate priorities.

Members are reminded that the inclusion of any growth items would lead to a more significant increase with extra revenue expenditure of, say, £60,000 increasing the council tax by a further 1%. The projections of expenditure and funding for 2015/16 and later years indicate that the budgetary pressure will continue.

The Council's main priorities are to produce sustainable spending plans, maintain adequate reserves and to continue to minimise increases in the net revenue budget, such that increases in Fareham's proportion of the council tax does not exceed the prevailing inflation rate. Consequently, strict budget guidelines must be maintained.

The Scrutiny Board will consider the various issues at its meeting on 25 September 2014 and the Board's views will be reported to the meeting.

**Recommendation/Recommended Option:**

That the Executive agrees:

- (a) the Council's finance strategy and the budget guidelines for 2015/16, as set out in the finance strategy document attached to the report; and
- (b) to submit the updated Pay Policy, annexed to the Medium Term Finance Strategy, to Council for approval.

**Reason:**

It is appropriate that strict budget guidelines remain in force, spending levels are tightly controlled and no new spending plans – capital or revenue – are implemented until the necessary finance has been identified and secured.

**Cost of proposals:**

The cost of the proposed capital and revenue schemes are set out in the attached finance strategy document.

**Appendices:** A: [Draft Finance Strategy – 2014/15 to 2018/19](#)

**Background papers:** None



**FAREHAM**  
BOROUGH COUNCIL

**FINANCE**  
**STRATEGY**

**2014/15**  
**To**  
**2018/19**  
**(DRAFT)**  
**October 2014**

## CONTENTS

Background

Fareham's Vision and Objectives

Financial Management

Fundamental Principles

- Resources
- Capital Expenditure
- Revenue Expenditure
- Consultation and Openness
- Partnership Working

Corporate, Service and Financial Planning

Development of the Capital Programme

Current General Fund Capital Programme

Existing Capital Resources

Overall Capital Position

Availability of New Capital Resources

External Funding

Impact of Capital Expenditure on the Revenue Budget

Revenue Budget and Council Tax for 2014/15

Overall Revenue Position

Government Support

The Spending Reserve

The Anticipated Revenue Position 2014/15

Future Spending Pressures

Future Funding Pressures

Projected Council Tax for 2015/16

The Need for Efficiency Initiatives

Overall Revenue Position

Sensitivity Analysis

Risk Assessment

Budget Setting Principles for 2015/16

Conclusion

Appendix A - Budget Responsibilities

Appendix B - Pay Policy

## **BACKGROUND**

1. The Borough of Fareham has a population of some 112,800 and it covers almost 30 square miles of southern Hampshire, bordering the northern side of Portsmouth Harbour in the east and the River Hamble in the west. From south to north, it reaches from the Solent coastline at Hill Head northwards into rural Hampshire towards Wickham.
2. The Borough has many reminders of its long history, such as the ruins of Portchester Castle, and the old market town of Fareham. This is now a flourishing commercial centre and there are several local centres based on the former villages. Although these have been surrounded by new developments, they have retained a unique identity. The Borough has grown steadily with the development of extensive new areas of housing, shops and industry. More new developments are proposed, particularly in the town centre and to the west and north of the Borough.

## **FAREHAM'S VISION AND OBJECTIVES**

3. Fareham is a 'prosperous, safe and attractive place to live and work'. This has not happened by accident but by careful management and development, and constant attention to the environment and the needs of our communities. The vision for Fareham's future is based upon the assumption that residents want to preserve all that is good about Fareham, whilst increasing prosperity and making it an even more inclusive and attractive place to live and work.
4. After an extensive consultation process, the Council approved a new Corporate Strategy in June 2011, reaffirming the vision and values of the Council, and setting out the corporate priorities over the strategy period 2011 - 2017. The strategy was most recently reviewed in September 2014, and seventeen priority actions for improvement have been identified, based around the corporate priority areas, which will influence the plans for resource allocation within this Strategy document.

## **FINANCIAL MANAGEMENT**

5. Fareham has a long history of prudent financial management which has been the subject of favourable comments from the Council's external auditors over many years.
6. The main focus of prudent financial management is the Council's medium term finance strategy, the overall objective of which is to structure and manage the Council's financial resources, revenue and capital, to ensure that they match and support the direction of the Council's objectives.
7. At the same time the strategy must ensure that the requirement to set a balanced budget is fully met and that the Council is able to respond to year-on-year changes and short-term service delivery issues.
8. This can be difficult to achieve when faced with changes to government funding, an increasing population, increasing aspirations of residents, and more recently the turbulent economic conditions in which the Council

operates.

9. To overcome these difficulties the finance strategy is supported by a strategic and long term approach to corporate planning that is delivered through an integrated and co-ordinated service and financial planning process set out in a later section of this document, the production of an Asset Management Plan, sophisticated budget monitoring and reporting (also set out in a later section) of the financial issues facing the Council.
10. Most importantly though, there are a number of fundamental principles that are followed by the Council and which form the basis of the finance strategy and which are key to the Council's approach to financial management.

### **THE FUNDAMENTAL PRINCIPLES**

11. The principles cover five areas – resources, capital expenditure, revenue expenditure, consultation and openness, and partnership working.

#### **Resources**

12. A minimum balance of £1million is retained in the Major Repairs and Renewals Fund to cover major emergency capital expenditure in relation to the Council's assets.
13. A working balance of £1.4 million is retained to cover variations in cash flow.
14. A spending reserve equivalent to 5% of gross revenue expenditure (currently £2.274 million) is retained to cover unforeseen changes in revenue expenditure or income.
15. Any deficits arising from services provided on behalf of other agencies (such as the on-street parking service), may be held on the Council's balance sheet but should be fully offset by an equivalent contribution to the spending reserve, to protect the Council's long term finances.
16. The need to increase the minimum balance on the Major Repairs and Renewals Fund, the working balance and the spending reserve is considered by the Executive at the end of each financial year and as part of the annual finance strategy review.
17. Reserves are not used to meet on-going, unsustainable levels of revenue expenditure.
18. "Windfall" or one-off revenue resources will only be used to increase capital resources or to meet one-off revenue expenditure.
19. Capital receipts from the sale of assets will be used to meet future corporate priorities rather than be retained for use on the service that has relinquished the asset.
20. Resources allocated to particular capital projects but subsequently not required are returned to meet future corporate priorities rather than be retained for use by that service.

21. All decisions regarding the use of significant reserves take account of the effect on the revenue budget from a reduction in investment interest.

### **Capital Expenditure**

22. All new potential capital schemes are subject to the process for the prioritisation of new capital schemes, as set out in the Council's Financial Regulations.
23. New schemes will only be considered if they make a clear contribution to the Council's objectives and priority actions and support the Council's Asset Management Plan.
24. When new potential capital schemes are considered for inclusion in the capital programme during the year, this is only agreed in principle with the final decision being made at the time of council tax setting except in exceptional circumstances where a delay could jeopardise the achievement of an important priority.
25. No new capital schemes are included in the capital programme without the necessary resources to meet the full capital costs and the on-going revenue costs being in place.
26. Every effort will be made to secure external (non-borrowing) sources of funding capital schemes. Internal capital resources will only be released to fund schemes once external sources of funding (such as developers contributions, lottery grants, etc) have been explored and rejected.
27. Capital schemes will normally be financed by internal resources or external contributions. Borrowing will only be considered where government support is available to meet, at least in part, the capital financing costs, or where there is a sound economic business case (e.g. for spend to save schemes) whereby borrowing costs are wholly offset by long term revenue income or savings.

### **Revenue Expenditure**

28. The Council has adopted as a corporate priority the need to save money, raise income and work in partnership with others to achieve more for less while continuing to minimise council tax increases.
29. Strict budget guidelines are maintained and are approved by the Executive each year.
30. New revenue spending plans will only be considered if they make a clear contribution to the Council's objectives and priority actions or to meet new statutory responsibilities.
31. When any significant new revenue spending plans are considered for inclusion in the revenue budget during the year, this is only agreed in principle with the final decision being made at the time of council tax setting.
32. All significant new revenue spending plans are considered together for inclusion at the time of council tax setting and are subject to a prioritisation process.

33. No new revenue spending plans are included in the revenue budget without the necessary resources to meet the full capital costs and the on-going revenue costs being in place. This is particularly important because of the implications for the council tax of even modest increases in expenditure.
34. As part of the Localism Act 2011 the Council is required to prepare and publish a pay policy statement. The policy for 2014/15 was approved by The Executive as part of the Medium Term Financial Strategy in October 2013. The Pay Policy Statement for 2015/16 is attached at Appendix B.

### **Consultation and Openness**

35. Consultation is used as a powerful tool for improving the quality and cost effectiveness of services. The Council has a community engagement strategy to ensure consultations are undertaken within the corporate framework and are aimed at the correct audience to ensure valid outcomes.
36. It is Council policy to be transparent in the decision making process and provision of information about the Council's activities through the website. To this end, budgetary plans and historical spending information (including payments to third party suppliers) is published in a variety of formats on the Council's transparency portal, accessible through its website.

### **Partnership Working**

37. The Council will seek to work with partners to achieve more for less and actively pursue the achievement of the Council's priorities. The following key partnerships have been identified:
  - Portchester Crematorium Joint Committee (with Gosport BC, Havant BC and Portsmouth CC)
  - Fareham & Gosport Building Control Partnership
  - Fareham Community Safety Partnership (with Police and Crime Commissioner for Hampshire, Probation Service and Hampshire CC)
  - Project Integra (with other Hampshire authorities)
  - Fareham and Gosport CCTV Partnership
  - Partnership for Urban South Hampshire (PUSH)
  - Solent Local Enterprise Partnership
38. Other important shared working arrangements have also been developed in support of the Council's corporate priorities and these include:
  - Environmental Health Services Partnership (with Gosport BC)
  - Legal Services Partnership (with Southampton CC)
  - Eastern Solent Coastal Partnership (with Gosport BC, Havant BC and Portsmouth CC)

### **CORPORATE, SERVICE AND FINANCIAL PLANNING**

39. An integrated and co-ordinated service and financial planning process supports the preparation of this finance strategy and gives the necessary flexibility to allow the Council to consider corporate objectives and priorities, as well as the maintenance of service standards and the scope for improvements where necessary, but at the same time seeking to minimise

the increase in the overall net budget.

40. The timetable for the financial planning and budget process is:

<b>Stage</b>	<b>Detail</b>	
1	Consultation with residents and business representatives (incl. Chambers of Commerce, Federation of Small Businesses, the Institute of Directors, Business Solent and Solent Local Enterprise Partnership)	Continual
2	Member approval review of corporate objectives and priority action plan	June 2011 (reviewed September 2014)
3	Member review of Medium Term Finance Strategy	October
4	Member consideration of revenue budgets, the capital programme and fees and charges	November/ December
5	Member consideration of new capital schemes and revenue growth items Member review of Finance Strategy Member confirmation of capital programme Member confirmation of overall revenue budget	January
6	Member approval of the council tax	February

41. This process is reviewed and scrutinised at each key stage by the Scrutiny Board. Budget responsibilities are detailed in Appendix A.
42. Quarterly reports to monitor progress against the revenue budget and capital programme are submitted to the Executive with additional reports on other finance issues as and when necessary during the year.

### **THE DEVELOPMENT OF THE CAPITAL PROGRAMME**

43. The Council has adopted as a corporate priority the need to maximise the value gained from assets that are owned by the Council. The finance strategy demonstrates how the Council's capital programme supports its corporate priorities and sets the framework for developing the capital investment programme to deliver these priorities.
44. In relation to capital expenditure, the finance strategy is designed:
- To ensure capital expenditure is aligned with the Council's priorities;
  - To ensure the Strategy is aligned with the Asset Management Plan;
  - To maximise the value gained from assets;
  - To provide a clear framework for decisions relating to capital expenditure;
  - To ensure that revenue, capital and whole life costs are fully considered;
  - To encourage the consideration and use of a wide range of funding sources.

## THE CURRENT GENERAL FUND CAPITAL PROGRAMME

45. The Council agrees a rolling five-year programme each year consistent with the finance strategy and the resources available.
46. Each review of the Council's finance strategy includes a review of the capital programme for non-housing services, the latest being by the Executive on 10 February 2014 when the programme for the years 2013/14 to 2017/18 was approved.
47. New capital schemes should only be considered for inclusion in the capital programme in January when they can be prioritised against the available resources and the impact on the revenue budget and council tax can be fully considered, except in exceptional circumstances where a delay could jeopardise the achievement of an important priority.
48. A number of amendments have been made to the programme to include new schemes approved since February 2014 and re-phasing of existing schemes. It also includes the Executive decision to carry forward slippage from 2013/14 of £1.54m and the inclusion of the rolling programme schemes for 2018/19. The updated programme for 2014/15 to 2018/19 is now £36.3m and is summarised in the following tables:

<b>Portfolio</b>	<b>£000s</b>
Public Protection	429
Streetscene	628
Leisure and Community	12,513
Health and Housing	5,828
Planning and Development	941
Policy and Resources	15,969
<b>TOTAL</b>	<b>36,308</b>

49. The phasing of the programme is now:

<b>Year</b>	<b>£000s</b>
2014/15	18,670
2015/16	7,848
2016/17	2,821
2017/18	1,053
2018/19	1,020
Un-phased	4,896
<b>TOTAL</b>	<b>36,308</b>

50. Certain spending plans within the programme have been earmarked for a particular purpose, but have not been allocated to a specific year. These are referred to as "un-phased" schemes within the capital programme, which are drawn upon as specific schemes are committed against the approved funding. The un-phased schemes are:



<b>Un-phased schemes</b>	<b>£000s</b>
Enabling (Affordable Homes)	3,150
Car Park Surface Improvements	489
CCTV	429
Play Area Safety Surface Replacement	350
Environmental Improvements	300
Empty Homes Strategy	100
Matched Funding	78
<b>TOTAL</b>	<b>4,896</b>

51. The phasing of the detailed programme will be considered in detail during the budget process to ensure that it realistically reflects the latest forecast for capital expenditure.

### **EXISTING CAPITAL RESOURCES**

52. The Council's financial resources that are available as at 1 April 2014 to finance the capital programme are summarised in the following table:

<b>Current Resources</b>	<b>£000s</b>
Capital Fund Account	7,352
Right-to-Buy receipts for housing schemes	3,984
External Contributions	3,067
Capital Receipts	2,617
Major Repairs and Renewals Reserve	1,302
Community Infrastructure Levy	248
Matched Funding Reserve	133
Revenue Contributions to Capital Schemes	60
<b>TOTAL</b>	<b>17,763</b>

53. In addition, the following resources are estimated to be available between 2014/15 and 2018/19:

<b>Future Resources</b>	<b>£000s</b>
External Contributions	4,703
Borrowing	4,465
Revenue Contributions to Capital Schemes	3,918
Contribution to Capital Fund	2,500
Capital Receipts	1,635
Government Grants	1,344
<b>TOTAL</b>	<b>18,565</b>

### **THE OVERALL CAPITAL POSITION**

54. Resources of £36.328 million are estimated to be available over the life of the updated capital programme and therefore there should be a small surplus of resources of approximately £20,000 in 2018/19.
55. The forecast surplus of resources is very limited and relies partly on resources that have not yet been secured (such as future capital receipts as well as continued revenue contributions towards capital investment), totalling

£6.4m. In the event that these resources do not materialise, other funding options will need to be investigated including borrowing, or the programme scaled back. Longer term, the increasing need to use New Homes Bonus to support revenue costs will make it more difficult to continue relying upon revenue sources to fund the capital programme.

56. It must also be borne in mind that the implications of some of the Council's priority actions and emerging capital spending pressures have not yet been quantified. Costs associated with approved schemes also remain provisional until tenders have been received.
57. Spending pressures in this respect include repair and refurbishment or replacement works to Council assets (for example, community and leisure facilities, car parks, etc.) that have yet to be added to the capital programme.

### **AVAILABILITY OF NEW CAPITAL RESOURCES**

58. If the increasing pressure on the revenue budget means that the financing of capital expenditure directly from the revenue budget has to be reduced, the use of alternative funding sources would need to be explored. This may include consideration of unsupported and prudential borrowing, together with external funding streams (for example from Government, EU and other public and private grants, or private sector investment). Each of these options could have a role to play in the continued investment in public assets in the borough, but the future consequences, including on-going revenue commitments, would be a key consideration in determining their suitability.
59. The Council will also consider how disposal of existing assets and reinvestment of sale proceeds could be used to secure delivery of corporate priorities. Again, a cautious approach should be taken in this regard, as significant asset sales could adversely affect service delivery and would prejudice future income streams. It follows, therefore, that the proceeds from future asset sales will be limited.

### **EXTERNAL FUNDING**

60. The limited availability of capital resources from internal sources means that every effort must be made to obtain external funding for future capital priorities. Detailed consideration of external funding must be the first stage when consideration is given to the development of potential future priorities.
61. It is equally important that the availability of external funding is fully explored in relation to existing capital schemes. Any external funding obtained for these schemes will avoid the use of existing capital resources which can then be used for future priorities.
62. It is important to stress that no scheme should be put forward for consideration simply because external funding is available. Schemes should only be considered if they meet, or at least contribute towards, a corporate priority.

## **THE IMPACT OF CAPITAL EXPENDITURE ON THE REVENUE BUDGET**

63. Quite apart from the ability to finance new capital schemes, it is important to recognise that capital expenditure can have a significant impact on the revenue budget in a number of ways.
64. When decisions are made concerning the inclusion of new schemes in the capital programme, these factors need to be considered:
- The on-going operational costs associated with the scheme
  - The whole life costing implications of the scheme
  - The cost of servicing the debt if the scheme is financed by borrowing
  - The loss of investment interest if internal resources are used and therefore no longer available for investment.
65. In the light of these factors, it is inappropriate to consider the inclusion of non-priority schemes in the capital programme.

## **REVENUE BUDGET AND COUNCIL TAX FOR 2014/15**

66. The revenue budgets for providing services in 2014/15 were considered by the Executive for each portfolio (and non-Executive services) on 2 December 2013.
67. The overall budget position was reviewed by the Executive on 6 January 2014. The final proposed net budget of £9,454,675 was approved by the Executive on 10 February 2014 (taking account of council tax freeze grant received).
68. With a net budget for 2014/15 of £9,454,675 and government support of £3,709,301, the Executive recommended to Council that the council tax for 2014/15 remain at the 2013/14 level of £140.22 and this recommendation was approved by the full Council on 21 February 2014.
69. Since the budget was approved in February, a number of issues that will impact on the revenue budget for this year, and on the revenue budget and council tax for 2014/15 and later years, have arisen.

## **THE OVERALL REVENUE POSITION**

70. The Council has been committed to minimising increases in the overall net budget and council tax increases. This has proven successful in restricting the proportion of gross expenditure on general fund services that has to be met by council tax payers, currently 13%.
71. Because the proportion is so low, the Fareham element of the council tax is very sensitive to even minor increases in expenditure. An increase in gross

expenditure of 1% (approximately £1½m) would result in an increase in the amount to be met by council taxpayers of 8.8%.

72. There are a number of issues that will have a significant impact on the Council's overall position in the current and future years and these are listed below:

Government Support  
The Spending Reserve  
The Anticipated Revenue Position in 2014/15  
Future Spending Pressures  
Future Funding Considerations

73. These issues are examined in the following sections of this report.

### **GOVERNMENT SUPPORT**

74. The Local Government Finance Report 2014 set out the Government's spending plans for Local Government for the period 2014/15 to 2015/16 and took into account the 10% reduction in grant funding announced at Budget 2013.
75. The 2013 update indicated that the further 10% real-terms cut in funding would apply for Local Government with effect from 2015/16 including business rates, RSG and New Homes Bonus.

#### **Formula Grant**

76. The way in which local authorities now receive their funding commenced in 2013/14 and placed increased financial risk on Councils rather than central government. In the first year, Fareham's share of the local business rate fell below the level deemed adequate by the government and as a result Fareham received a safety net payment from central government.
77. The RSG element of funding will see reductions in every year with the biggest reductions being in 2014/15 and 2015/16 where levels will reduce to £1.991million and £1.378million respectively.
78. What remains clear is that although reductions in Central Government support will slow up towards the later years of the strategy funding will still be some £1/2 million below the figure that will be received at the beginning of the strategy period.

#### **Specific Grants**

79. These grants are distributed outside the main settlement and are usually to fund particular services that are a national priority. For example, Fareham receives a specific grant towards the cost of housing benefit payments and administration which is a "ring-fenced" grant that cannot be used for other services.

#### **Grant to Freeze Council Tax**

80. Council Tax Freeze Grant was introduced in 2011 as an incentive for Councils to freeze council tax from the April in the following financial year. Over the years the scheme has changed including where some of the grant

is now built into the core funding received by Central Government. The Council supported this policy by freezing council tax in all years, representing the sixth year where council tax has remained unchanged including a freeze in council tax before the grant was introduced.

81. The freeze grant related to 2014/15 will be paid to participating authorities in 2014/15 and also 2015/16 and will be equivalent to a 1% increase in Council Tax.
82. Council Tax decisions subsequently taken by authorities in respect of 2015/16 will fall under the terms of the 2015/16 scheme details of which will be released later this year.

### **THE SPENDING RESERVE**

83. It is Council policy to maintain the spending reserve at 5% of gross expenditure and the current balance of £2,892,000 exceeds the minimum threshold for 2014/15 which, based on the estimated gross expenditure of £45.4 million, should be £2,273,700. Proposals to use the surplus of £618,300 will be developed during the autumn, for consideration in January, alongside the consolidated draft budget for 2015/16.

### **THE ANTICIPATED REVENUE POSITION IN 2014/15**

84. Based on the income and expenditure patterns observed in the first six months of the year, it is anticipated that there will be a modest underspend in this current year. This has arisen from vacancies within the Council's establishment structure.
85. Conversely, there remain a number of service areas which are experiencing a reduction in income flows, and also experiencing a much greater demand for their services. These services, such as homelessness, benefits, planning, car parking and commercial properties may require additional resources in order to meet the demand and maintain service quality, which will erode the net underspends in other areas.
86. The overall impact of these variations will be presented in the revised budget later this year.

### **FUTURE SPENDING PRESSURES**

87. The risk profile of the Council's finances has increased in recent years, and is set to increase further in the future as the demand for increased expenditure presents itself, the fundamental change in the way local government services are funded and the general reduction in the quantum of funding available.
88. To manage the financial risks effectively, the Council maintains a profile of the spending pressures it faces. This is reviewed periodically and updated as part of the budget process. This section of the strategy gives provides an outline of the impact that these pressures may have on the Council's budgetary position over the period 2015/16 to 2018/19.

89. The individual pressures are listed below and represent an increase in expenditure of nearly £0.5m per year. This is a "best estimate" as there are many unknown aspects to this, and consequently, the levels of expenditure (and losses of income) could be greater, particularly in the later years. (All figures quoted in the table below reflect movements against the 2014/15 base budget).

<b>SPENDING PRESSURES</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
FBC Elections	0	100	0	100
Movements in the cost of employment (excl efficiency plans)	150	300	450	600
Other Contractual Inflation	80	145	225	265
Fuel and Energy Price movements	50	100	150	200
Increased pension costs	60	125	145	307
Reduction in Parking income	50	50	155	280
Reduction in Commercial Rent income	100	100	50	50
Homelessness service	100	100	100	100
Land Charges service	250	250	250	250
<b>TOTAL</b>	<b>840</b>	<b>1,270</b>	<b>1,525</b>	<b>2,152</b>

90. FBC Elections - The elections of Council members takes place every 2 years with elected members serving a 4 year term of office. The last elections took place in May 2014.
91. Movements in the cost of employment - The rising cost of employment in future years reflects the cost of an assumed pay award and other pay movements.
92. Fuel and Energy Price Movements – There is a long term trend of price increases relating to fuel and energy, so an allowance for this is assumed in the forecast for 2015/16, and is also likely to be the case in future years.
93. Increased Pension Costs – The Council makes fixed payments to the pension fund for retired employees along with a variable payment linked to current serving employees. During 2013, the triennial pension fund valuations took place and concluded that the fixed element of the contributions needed to increase so that the fund liabilities could be met.
94. Reduction in Parking Income - The income from parking fees has been gradually declining over recent years, mainly due to the economic downturn and to specific factors, such as the new shopping complex at Whiteley, and store parking spaces at Tesco. While a development bond arrangement has provided some protection to the Council, it is anticipated that the full impact will affect the budget from 2017/18.
95. Reduction in Commercial Rent Income - As with car parking income the level of commercial rent has steadily declined, mainly in relation to the Council's interest in the shopping centre at Fareham. As a result, this places pressure on the income budgets within the commercial property portfolio.

96. Homelessness – The council is observing an increase in the number of customers seeking housing advice and those needing assistance for housing. This is putting pressure on the homelessness budgets as demand for accommodation increases.
97. Land Charges – As part of the Queen’s speech in June it was announced that the land charges function would be centralised and run by the Land Registry in order to support the delivery of digital services. The timetable for this is not clear but would result in a significant loss of income for the Council.
98. In addition to the spending pressures listed above and the changing local government environment mean that other areas of spending pressures could be identified which could give rise to increased costs. Costs will be drawn up when these pressures are known.

## **FUTURE FUNDING CONSIDERATIONS**

### **Interest on Balances**

99. The budget for 2014/15 is £677,000 and covers the General Fund share of interest on investments together with the notional interest payable by the Housing Revenue Account to the General Fund.
100. No base rate increases are anticipated in the current financial year and although interest rates are likely to rise during 2015/16 there remains uncertainty as to when these rises will happen and therefore achieving the budget for interest on investments remains challenging.
101. Equally, the amount of money invested will reduce as the capital programme is implemented, which will impact on the amount of investment income received in future years.

### **Commercial Property Investment Acquisition Strategy**

102. At the meetings on 7 January 2013 and 4 November 2013 the Executive approved the Commercial Property Investment Acquisition Strategy which is designed to increase the Council's return on investments due to the low returns being received from treasury related investments. The reports agreed to allow £8 million of investment in commercial property to achieve returns of up to £300,000 per annum to assist in reducing funding pressures.
103. It is likely that the full £8 million will be spent prior to the beginning of the 2015/16 financial year meaning that income from the properties will be realised during that year.

### **New Homes Bonus**

104. The New Homes Bonus was introduced to encourage Councils to promote housing growth, with a financial incentive paid to the local areas where growth takes place.
105. The Bonus commenced in April 2011, and match funds the additional council tax raised for new homes and properties brought back into use, with an additional amount for affordable homes, for the next six years.

106. The award for Fareham for 2014/15 will be £1.4m and this is expected to grow to £1.7m in 2015/16.

107. New Homes Bonus funding is used in the following way:

- Firstly, if necessary, the award is top-sliced to meet reduced central government funding, and to support service delivery (particularly where demand has grown in line with the growth in housing);
- The balance is earmarked for investment in capital schemes or other projects, which are driven by corporate priorities;
- In determining the use of funds for capital investment, there should be a bias towards
  - investing in land & property that will generate a long term source of income;
  - Projects that support economic or employment growth;
  - Projects that support or secure further housing delivery.

108. If assumptions for the reduction in Government funding are correct, then the top slice of the NHB award will continue to increase, to support continued service delivery. This will reduce the amount currently used to support capital projects.

### **Council Tax**

109. A high corporate priority for the Council has been to maintain council tax increases at or below the rate of inflation. In February 2009 Council Tax was set at £140.22. This level of council tax was maintained for a 6th consecutive year in 2014/15.

110. The Council has retained its corporate priority in respect of minimising council tax increases throughout the Strategy period, and will use the RPIX index as a benchmark measure of inflation when considering any rises in council tax levels.

111. Had the council tax increased in line with RPIX since February 2009 then the figure of £140.22 would have increased to £171.20 giving an increase of £30.98 for a Band D property.

### **PROJECTED COUNCIL TAX FOR 2015/16**

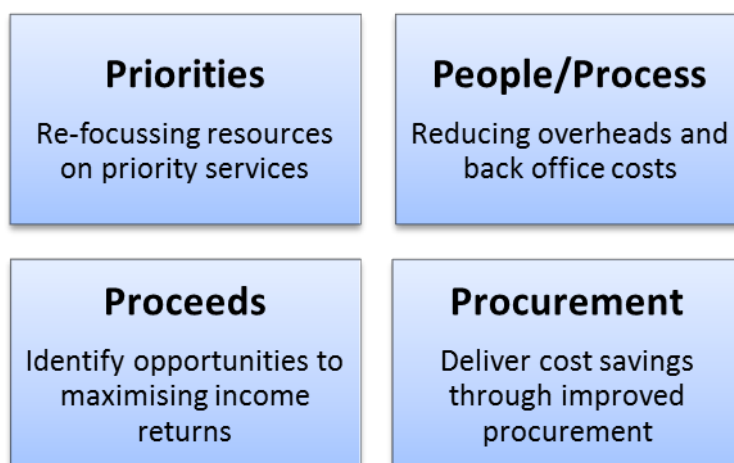
112. The projections shown above indicate that measures must be taken to reduce the net service cost if council tax increases are to be minimised.

113. If no action is taken, then an increase in council tax of around 15% would occur. This is clearly unacceptable, so steps have been taken to mitigate the increase in order that council tax increases do not exceed the RPIX measure inflation and is minimised further if achievable.



## THE NEED FOR EFFICIENCY INITIATIVES

114. The forecast in this Strategy has highlighted the on-going and increasing need for savings in the Council's budget.
115. This is reflected in the Council's corporate priorities, in order that good quality services can continue to be provided while at the same time seeking opportunities to reduce costs and therefore minimise any extra cost burden for the taxpayer.
116. In the same way that the Council maintains a profile of spending pressures, opportunities to offset and mitigate these cost pressures are continually sought, so that a forward-planned approach can be taken to delivery. The Council also seeks to develop its efficiency plans well in advance to ensure that they are sufficiently reliable before being included in budgets, and to allow the full consequences of such changes to be considered and consulted upon where appropriate.
117. Such opportunities are developed on the following basis



118. In preparing the Finance Strategy, efficiency savings of £790,000 have been identified in 2015/16 with a further £466,000 to be implemented in the remaining years of the strategy.

## THE OVERALL REVENUE POSITION

119. The following table shows the projected position for the years 2015/16 to 2018/19:

<b>Projections for</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Base Budget for 2014/15	9,516	9,516	9,516	9,516
Spending and Funding Pressures	917	1,397	1,752	2,329
Efficiency Opportunities	-790	-1,256	-1,256	-1,256
<b>Adjusted Budget Projection</b>	<b>9,643</b>	<b>9,657</b>	<b>10,012</b>	<b>10,589</b>
Funded by:				
Government Funding	-3,461	-3,200	-3,049	-2,939
Council Tax Projection	-5,875	-6,007	-6,142	-6,280
NHB used to fund revenue spending	-310	-510	-661	-771
<b>Funding Projection</b>	<b>-9,646</b>	<b>-9,717</b>	<b>-9,852</b>	<b>-9,990</b>
<b>Shortfall/Surplus(-)</b>	<b>-3</b>	<b>-60</b>	<b>+160</b>	<b>+599</b>

120. Although significant savings have already been identified that exceed £1million over the next four years, it is clear that there are some further reductions required to produce a balanced budget for 2018/19. This will be reviewed over the strategy period and steps taken as necessary, to deliver a balanced budget.

### SENSITIVITY ANALYSIS

121. For each of the financial pressures, an assessment has been made about the possible variation above and below the "most likely" position. This allows the sensitivity of the projected totals to changes on each financial pressure to be assessed. As more information becomes available about the individual pressures, the projections can be updated and made more certain.

122. The following table highlights the gearing effect that additional expenditure has on the council tax.

	£M	% Increase
Spending = £45.4 million	45.4	
- An extra £500,000	0.5	1.1
Council Tax Payers	5.7	
- An extra £500,000	0.5	8.8

## RISK ASSESSMENT

123. The budget projections indicate the susceptibility of the Council's revenue budget to changes in the level of expenditure and income caused by factors outside the control of the Council. It is clear that even a small variation in expenditure or income would have a significant impact on the Council's revenue budget position.
124. There are a number of services where the costs and/or income directly correlate with service activity, some of which would have a notable impact on the Council's overall financial position if a significant variation in activity arose. These are classified as "volatile" services and account for £10.6m of gross expenditure and £8.9m of gross income. Special arrangements are in place to track financial performance of these services and the other major services, and take action where there is a significant deviation from plans.
125. Given the uncertain funding position and external pressures facing the Council, it is important to maintain a minimum spending reserve equivalent to 5% of gross revenue expenditure.

## BUDGET SETTING PRINCIPLES FOR 2015/16

126. In addition to the fundamental principles on which the Council's medium term finance strategy is based, the Council adopts for each financial year a set of budget setting principles that form the framework for budget preparation.
127. It is proposed therefore that the following budget guidelines be adopted for 2015/16:
- No provision for the effects of inflation to be provided in revenue budgets except to cover price increases that are unavoidable or the Council is legally obliged to accept,
  - Revenue budgets to be cash-limited to the current level and to be reviewed to ensure that all on-going savings that have accrued in previous years and the current year are reflected in future budgets,
  - Fees and charges to be increased to achieve a 5% increase in income wherever possible and desirable and every effort to be made to identify new sources of income. The proposed charges should be considered alongside those for similar services in neighbouring

authorities and, where appropriate, the charges levied by private sector providers,

- New revenue commitments and capital schemes will only be considered for inclusion in the budget where the expenditure is essential to protect the Council's assets or meet the Council's corporate priorities.
- Full weight to be given to the Council's overall position and future council tax levels when services are reviewed and revenue budgets, capital programmes and fees and charges are considered.

## **CONCLUSION**

128. The Council has a long history of prudent financial management, of achieving efficiency savings while providing a wide range of excellent services.
129. The projections set out in this report give a broad indication of the anticipated level of expenditure, based on the latest information available about the Government's funding intentions. This indicates that measures are in place to achieve a balanced budget throughout most of the strategy period, but there remain significant uncertainties for 2017/18 and beyond. There also remains a number of significant financial pressures linked to corporate priorities, both revenue and capital, which either need to be mitigated or resourced through reallocating funds from within the total budget envelope.
130. With the growing financial risk profile over the next four years, it is clear that firm measures are necessary to maintain a balanced and sustainable budget into the medium term. This can only be achieved by mitigating rising costs where possible, and delivering further efficiencies in sufficient time for their inclusion within the budget.
131. The focus will therefore be to identify where capacity can be created through the delivery of more efficient services to meet demand, while protecting, as far as possible, services to the public, using the four-part model highlighted in the strategy.

**BUDGET RESPONSIBILITIES**

Responsibility for budgets rests formally with the Full Council but there are arrangements in place as part of the Constitution that delegates certain responsibilities to the Executive, the committees and to officers.

**Full Council**

The Full Council has the general responsibility for setting the Council's policy and budget framework. The Full Council must ensure the following:

- Corporate strategies are approved in accordance with the projected resources of the Council;
- Approved revenue budgets, capital programmes and council tax levels are in accordance with the Council's finance strategy;
- Supplementary estimates are only approved after consideration of the Council's overall financial position.

**The Executive**

The Executive has general responsibility for making decisions on Council services within the policy and budget framework. The Executive must ensure the following:

- Detailed estimates of expenditure and income for all services and committees, and the proposed council tax levels are prepared within the context of the council's finance strategy for approval by Full Council;
- Expenditure is only incurred if it forms part of the approved service revenue budget or capital programme;
- Any decision to reallocate revenue or capital budgets from one service to another does not exceed the virement rules;
- The overall revenue budget and capital programme are not exceeded.

**The Committees**

The Committees have general responsibility for carrying out non-Executive functions within the powers delegated to them by Full Council. The Committees must ensure the following:

- Detailed estimates of expenditure and income for committee services are submitted to the Executive for approval by Full Council;
- The committee revenue budgets are not exceeded.

**Employees**

All budgets are allocated to a named manager who has the authority to spend the approved budget. Financial regulations also form part of the Constitution and these set out the scheme for the authorisation of expenditure.

Expenditure can only be incurred within the revenue and capital budgets approved by the Council.

Officers can delegate their power to incur expenditure but only within the limits of their own delegated powers.

The limits given to any individual employee are in accordance with the schedule of limits set out in the financial regulations. All employee powers to incur expenditure should be officially documented and authorised in a form approved by the Statutory Chief Finance Officer.

The Council's financial regulations are available to all employees on the corporate filing system giving detailed guidance on:

- The responsibilities of employees
- Financial reporting
- Revenue and capital budgets
- Budgetary control and virements.

## FAREHAM BOROUGH COUNCIL PAY POLICY STATEMENT FINANCIAL YEAR 2015 - 16

### 1. Purpose

The purpose of this Pay Policy Statement (“Pay Statement”) is provided in accordance with the Localism Act 2011 (“Localism Act”) and this will be updated in each subsequent financial year.

This Pay Statement sets out Fareham Borough Council’s pay policies relating to its workforce for the financial year 2015 -16, including the remuneration of its Chief Officers, lowest paid employees and the relationship between its Chief Officers and that of its employees who are not Chief Officers.

### 2. Definitions

For the purpose of this Pay Statement the following definitions apply:

**2.1 “Pay”** in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements and termination payments.

**2.2 “Chief Officers”** refers to the following roles within the Council:

Statutory Chief Officers are:

- a) Chief Executive Officer, as Head of Paid Service
- b) Director of Environmental Services, as Monitoring Officer
- c) Director of Finance & Resources, as Section 151 Officer

Non Statutory Chief Officers are:

- d) Director of Planning & Development
- e) Director of Community

Deputy Chief Officers are:

- f) Heads of Service who report directly to/or accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties.

**2.3 “Lowest paid employees”** refers to those employees employed within Grade1 of the Council’s mainstream pay structure. This definition has been adopted because Grade1 is the lowest grade on the Council’s mainstream pay structure.

**2.4 “Employee who is not a Chief Officer”** refers to all employees who are not covered under the “Chief Officer” group above. This includes the “lowest paid employees”. i.e. employees on Grade1.

### **3. Pay Framework and remuneration levels**

#### **3.1 General approach**

The pay structure and pay scales have been designed to enable the Council to recruit and retain suitably qualified employees at all levels who are dedicated to fulfilling its corporate objectives and delivering services to the public whilst operating within an acceptable financial framework.

With a diverse workforce the Council recognises that its Pay Policy needs to retain sufficient flexibility to cope with a variety of circumstances that may arise that might necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate. The decision to apply a market premium will be approved by the Head of Personnel and ICT and endorsed by the Chief Executive Officer.

#### **3.2 Responsibility for decisions on pay structures.**

The outcome of reviews into the local pay and grading structures covering all jobs are considered by an Advisory Panel proportionately constituted and comprised of Councillors from the main political parties. The Advisory Panel's recommendations are submitted to a meeting of Full Council for approval.

The Council's locally determined pay structures are based on the outcome of a job evaluated process and were implemented for the Chief Officers, Heads of Service and all other employees in April 2008. This followed a national requirement for all Local Authorities to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer to comply with employment legislation.

The pay structure for the Chief Executive Officer was established in 2008 having regard to the need to be fully competitive in the market and to be confident of attracting and retaining the highest calibre of employee to reflect the high level of organisational and corporate performance which the Council requires its Chief Executive Officer to deliver. Relevant labour market and comparative remuneration data was considered. This was reviewed in 2013.

#### **3.3 Pay scales and grading framework**

The mainstream pay structure for all employees below the level of Heads of Service was determined through a local process based on the outcome of a job evaluation scheme and consists of a pay spine of 46 points, comprising 11 grades containing 5 spinal column points with grade1 being the lowest and grade11 the highest. Each employee will be on one of the 11 grades based on their job evaluated role.

The Chief Executive's pay grade reflects the same principles as for all of the Council's pay structures consisting of 5 spinal column points.

The pay structure for Chief Officers and Heads of Service was determined through a local process that took into account market alignment with District Councils in Hampshire and the outcome of a job evaluated process. It followed the same



principles as applied for the mainstream pay structure and consists of one pay grade for Chief Officers and two pay grades for Heads of Service with all grades containing 5 points.

Details of the Council's pay structures are published on the Council's website and a copy as at 1st April 2014 is appended to this Statement (at annex 1).

Pay awards are considered annually for all employees. The outcome of national consultations by the Local Government Employers in negotiation with the Trade Unions in relation to the settlement of the annual pay award is normally applied. If there is an occasion where to do so would distort the local pay structures alternative proposals are developed, discussed with the trade unions and brought to Elected Members for formal approval.

#### **4. Remuneration – level and element**

##### **4.1 Salaries**

**4.1.1 “Chief Officers”** are identified at 2.2 above and constitute the Council's Corporate Management Team. They are all paid within the Council's pay structures as follows:

- a) Chief Executive Officer, as Head of Paid Service will be paid a salary within the grade range £108,000 to £125,000.
- b) Statutory and Non-Statutory Chief Officers will be paid a salary within the grade range £72,688 to £80,080.

**4.1.2 “Deputy Chief Officers” who are Heads of Service** are all paid within the Council's pay structures as follows:

- c) Heads of Service will be paid a salary within grades ranges £48,131 to £59,203.

Typically these Chief Officers and Heads of Service have received the same percentage pay award as for all other employees.

Details of Chief Officer and Heads of Service remuneration have been published since 2010 on the Council's website.

##### **4.2 “Lowest paid employees”**

Each lowest paid employee will be paid a salary within the pay scales for Grade1 mindful of the need to meet the National Minimum Wage requirements.

A very detailed review of pay and grading is underway on this topic along with other parts of the grading structure and the review and recommendations will be reported to Full Council in due course.

### **4.3 Bonuses and Performance related pay**

There is no provision for bonus payments or performance related pay awards to any level of employee.

There is, however, an honorarium provision which may be awarded where an employee performs duties outside the scope of their post over an extended period or where the additional duties and responsibilities involved are exceptionally onerous. All such payments are subject to approval by a Chief Officer (Director) and the Head of Personnel and Development.

### **4.4 Other pay elements**

The pay structure for Chief Officers does not take account of the clearly defined additional responsibilities in respect of the Section 151 and Monitoring Officer roles. Officers undertaking these roles receive payment equivalent to two spinal column points based on the incremental pay progression from the penultimate to maximum point of the pay grade for Chief Officers.

Provision for the recognition of the role of acting Head of Paid Service exists within the Chief Officers pay structure for up to two spinal column points on the same payment principle as for the Section 151 and Monitoring Officers.

These pay arrangements allow for flexibility in the allocation of the additional roles to Chief Officers and for the responsibilities to be rotated.

### **4.5 Charges, fees or allowances**

Allowances or other payments, for example shift working, standby, etc. may be made to employees, below the level of Heads of Service, in connection with their role or the pattern of hours they work in accordance with National or Local collective agreements.

The Council recognises that some employees incur necessary expenditure in carrying out their responsibilities, for example travel costs. Reimbursement for reasonable expenses incurred on Council business are paid in accordance with the Council's collective agreement and subsequent amendments to it.

The Chief Executive Officer has been appointed as the Council's Returning Officer for elections and he has appointed the Head of Democratic Services and the Head of Corporate Services as his Deputy Returning Officers. For performing elections duties the Returning Officer and Deputies receive a fee payable according to a scale of costs, charges and expenses set by the Hampshire and Isle of Wight Election Fees Working Party and allowed under the Local Government Act 1972. This scale is published on the Council's website.

The Chief Executive Officer and Chief Officers are entitled to receive payment for one subscription to a relevant professional body.

### **4.6 Benefits in kind**

There are no benefits in kind payable to any employee of the Council.

#### **4.7 Pension**

All employees as a result of their employment are eligible to join the Local Government Pension Scheme. There will be no increases or enhancement to pension entitlements.

#### **4.8 Severance payments**

The Council already publishes its policy on discretionary payments on early termination of employment and flexible retirement as well as publishing its policy on increasing an employee's total pension membership and on awarding additional pension. These policies are applied in support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction.

Details of the Council's policies are published on the Council's website.

No employee who has left the Council in receipt of a redundancy or severance package will be re-employed by the Council, in any capacity, unless there are exceptional business circumstances in which case approval is required from the Chief Executive Officer.

#### **4.9 New starters joining the Council**

Employees new to the Council will normally be appointed to the first point of the salary scale for their grade. Where the candidate's current employment package would make the first point of the salary scale unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a different starting salary point within the grade may be considered by the recruiting manager in consultation with Personnel Services. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary scale within the grade.

#### **5. Relationship between remuneration of "Chief Officers" and "employees who are not Chief Officers".**

This relates to the ratio of the Council's highest paid employee (falling within the definition of "Chief Officers") and the mean average earnings across the whole workforce as a pay multiple. By definition, the Council's highest paid employee is the Chief Executive Officer. The mean average pay has been calculated on all taxable earnings for the financial year 2013-14, including base salary, allowances, etc.

Highest paid employee	£112,250
Mean average earnings for remainder of workforce	£23,840
Ratio	4.71

**Fareham Borough Council**

**Local Pay Scales as at 01/04/2014** (subject to the outcome of any national pay negotiations and local agreements)

**Chief Executive**

Spinal Column Point		Annual
5	1	125,000
4		120,750
3		116,500
2		112,250
1		108,000

**Directors (Grade & Salary scale)**

Spinal Column Point		Annual
5	1	80,080
4		78,226
3		76,384
2		74,536
1		72,688

**Senior Management (Grades & Salary scales)**

Spinal Column Point			Annual
5		2	59,203
4			57,682
3			56,012
2			54,332
1			52,672
5	3		54,332
4			52,672
3			50,998
2			49,541
1			48,131

## Mainstream (Grades and Salary scales)

Spinal column point		Annual
46		47,316
45		46,273
44		45,255
43		44,262
42		43,282
41		42,755
40		41,715
39		40,698
38		39,690
37		38,736
36		37,698
35		36,696
34		35,710
33		34,753
32		33,738
31		32,761
30		31,804
29		30,883
28		29,981
27		29,103
26		28,253
25		27,438
24		26,639
23		25,863
22		25,109
21		24,380
20		23,610
19		22,864
18		22,146
17		21,449
16		20,722
15		20,022
14		19,347
13		18,687
12		18,061
11		17,452
10		16,858
9		16,295
8		15,702
7		15,135
6		14,621
5		14,091
4		13,551
3		13,031
2		12,629
1		12,380



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Future Arrangements for Land Ownership at Daedalus</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Corporate Strategy
<b>Corporate Objective:</b>	To Maintain and Extend Prosperity A Dynamic, Prudent and Progressive Council

**Purpose:**

To set out one potential option for the future of land at Daedalus, and seek approval of the Executive to proceed with this option.

**Executive summary:**

It is a Council priority to maintain and extend prosperity by working with others to continue to support and promote the economic vitality of the Borough. And in support of this priority, the Council has committed to work with partners to deliver a thriving aviation-led employment area at the Solent Enterprise Zone at Daedalus, which is supported by a viable airfield.

A significant amount of investment has been made with the aim of regenerating Daedalus East, and unlocking the Waterfront parts of the site. The development area at Daedalus West is the remaining aspect of the site which has received limited investment. While Government support has been sought, funding has not been available nor does it appear likely in the foreseeable future. Consequently, the prospects for Daedalus West are poor in the absence of a further significant tranche of investment at risk.

The paper sets out a proposal which enables the investment at Daedalus to take place, and at the same time provides the greatest prospects for securing the long term viability of the airfield.

**Recommendation:**

1. That the Executive agrees in principle to pursuing the option outlined in the paper for the long term ownership and development of land at Daedalus.
2. To agree the draft heads of terms, in Appendix A, as the basis of negotiation with the Homes and communities Agency;
3. To delegate authority to the Director of Finance and Resources, in consultation with the Executive Leader, to
  - a. finalise Heads of Terms and proceed to contract;

- b. agree terms for the transfer of ownership and any associated grant funding;
- c. agree terms with other parties for other funding sources associated with the proposal;
- 4. To extend the terms of reference for the Daedalus Investment Member Working Group, to incorporate the potential land transfer project.

**Reason:**

To unlock the potential benefits at Daedalus West and secure the long terms prospects for the airfield, in support of the Council's corporate objectives.

**Cost of proposals:**

The proposals would result in a financial commitment by the Council of approximately £13m. This would be funded by a combination of grant, capital receipts and prudential borrowing (backed by business rate growth, land sales and rental income).

The cost of completing the land transfer, and early year deficits would be offset by a fixed grant and thereafter, it is anticipated that the whole site would be self-financing.

**Appendices:**

**A: CONFIDENTIAL : Site Plan**

**B: CONFIDENTIAL : Draft Heads of Terms**

**Background papers:**

GVA Grimley – Business Rates Forecast model  
Independent Land Valuation (JLL)



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 06 October 2014

**Subject:** Future Arrangements for Land Ownership at Daedalus

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

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. It is a Council priority to maintain and extend prosperity by working with others to continue to support and promote the economic vitality of the Borough. And in support of this priority, the Council has committed to work with partners to deliver a thriving aviation-led employment area at the Solent Enterprise Zone at Daedalus, which is supported by a viable airfield.
2. There has already been a significant investment at Daedalus, which has kick-started the regeneration of the former airfield site. Within 3 years of EZ status being achieved, a new £12m college has opened, multi-million pound road and servicing infrastructure is being constructed, thereby unlocking Daedalus East for development and already attracting private interest in plots. Grant funding has been secured for the construction of an Innovation Centre by the Council, and this is progressing very well.
3. The elements of the site which remaining to be resolved are at Daedalus West, and this paper provides an overview of a strategy the Homes and Communities Agency has developed for unlocking this part of the site, and securing the long term future of the airfield.

#### CONTEXT

4. The HCA will have invested over £30 million into the enterprise zone by March 2015, primarily on:
  - securing an outline planning consent for the project
  - discharging S.106 obligations
  - infrastructure upgrades delivered by the HCA
  - infrastructure upgrades delivered by Hampshire County Council on behalf of the HCA
  - technical and legal due diligence to inform the overall strategy for the project

- masterplanning
  - technical due diligence to prepare various areas of the site for the market and for the upgrading of the airfield
  - creating a financial and legal framework across the site that is fit for purpose
  - estate management including emergency repairs
  - critical land acquisitions to assemble the site to enable development
  - business planning
  - covering operational losses (enterprise zone and airfield) whilst the business is turned around.
5. However Government has been clear that there is no further funding available for infrastructure upgrades for the Solent Enterprise Zone.
  6. With the investment to date (or planned) across the site, all areas of the project have or will be unlocked with the exception of Daedalus West. The HCA has undertaken master-planning and technical studies to understand the cost of unlocking this area of the site. New infrastructure is required to release serviced development land and this has been costed by the HCA's engineers at £4.4 million including fees. The plan attached shows the indicative masterplan and location of the new infrastructure.
  7. The challenge for the HCA has therefore been how to raise the finance to unlock the last phase of the project.
  8. In addition, the other key strand of the strategy is to secure the long term future of the airfield. All partners involved in the Enterprise Zone have agreed that the airfield is a unique feature for the enterprise zone and this is embedded in the strategy the HCA has been pursuing across the site. Like most other general aviation airfields of this nature, financial sustainability is achieved through an element of cross-subsidy by the land owner, using rents generated from commercial development at the airfield to offset net operating costs (after taking into account airfield usage income).

## **STRATEGIC OBJECTIVES OF THE PROPOSAL**

9. The strategy set out in this paper has been developed between Officers and the Homes and Communities Agency, in consultation with other agencies (Solent Local Enterprise Partnership and DCLG) with a view to:
  - a. unlock the development potential of Daedalus West through the provision of new infrastructure and services into Daedalus West and release a minimum of 21,000 sq m of land for commercial development;
  - b. secure the long term viability of the airfield;
  - c. Facilitate the HCA's withdrawal from this part of the site.
10. The principles that have been applied in developing the proposal are that
  - up-front investment in infrastructure at Daedalus West will unlock land for development, which can be sold to repay part of the investment;

- New development will also increase business rates, which would also be used to repay the finance costs;
- Property rents from plots retained by Fareham BC would be used to offset airfield operating costs;
- Taken together, the site fully repays the up-front investment over time, and that its operating position is “self-financing” in the long term.

## **PROPOSAL**

11. The proposal involves the HCA transferring the freehold interest in the Daedalus airfield (including Hangars East and West, but excluding the majority of land in Gosport) to Fareham BC, but with a series of conditions and obligations, as set out below. A plan indicating the area for transfer is attached as (confidential) Appendix A.
12. The Council would be required to construct infrastructure to unlock the land at Daedalus West for development. The Council would also take responsibility for other commitments and obligations attached to the site, (including Growing Places Fund loan repayments and provision of S.106 obligations). Finally, the Council would commit to constructing a new commercial building to generate rental income for the purposes of supporting the airfield operating costs.
13. Over time, the Council would also endeavour to undertake a further £1.2m of investment into the airfield, to enhance the runway, taxiways and facilities and strengthen the viability of the airfield.
14. The HCA would carry out work to provide new modular hangars in advance of the transfer, and would also novate contracts as necessary to ensure a seamless transfer with no adverse effects on tenants and airfield users.
15. The Solent LEP would allow the Council to use incremental growth in business rates generated at Daedalus West to be used to repay part of the Council’s loan commitments. The balance of the borrowing requirement would be secured against the value of the land transferred to the Council.
16. Recognising that there is a transitional period before the value from the land is unlocked to service the loans, the HCA would provide a grant to meet those transitional operating costs, together with full funding for the planning S.106 obligations.
17. Taken together, the proposal would result in a financial investment by FBC of £10m, in addition to the £3m already committed in support of the airfield. Further details of the conditions applicable to the proposal are set out in the draft Heads of Terms (confidential appendix B).

## **BENEFITS**

18. Daedalus West is currently playing no part in contributing jobs growth, economic growth or rates growth to the LEP’s primary objective, and with very poor prospects in the absence of the investment package, this is set to continue for many years to come.
19. By progressing this investment package, Fareham BC will be unlocking the land for development at an accelerated pace, creating the best conditions for attracting new businesses to the Enterprise Zone. In doing so, it will maximise the jobs and economic growth potential from this part of the site.

20. The Council has already committed £3m of resources onto Daedalus, and has secured a further £5.3m in grant for the Innovation Centre. This proposal is committing to deliver £10m of new, upfront investment into the site, in order to create value which can be extracted over the subsequent years. Specifically, the proposal will provide
- £4.4m of roads and services infrastructure at Daedalus West, unlock 21,000sqm of land for commercial development in line with the outline planning consent,
  - £2.6m of speculative commercial space, to enable early creation of jobs at Daedalus West
  - Landscaping works, allotment provision and public open spaces will be delivered early, in advance of the planning triggers,
  - Potential for a further £1.5m of airfield improvements, to provide the greatest prospects for its viability.
  - Long term creation of up to 700 jobs as development progresses.

## RISKS AND DUE DILIGENCE

21. This is a very significant proposal with long term implications, and is based on a series of assumptions which are naturally subject to change. Assumptions which have the greatest impact on the proposal are:-

### Commentary

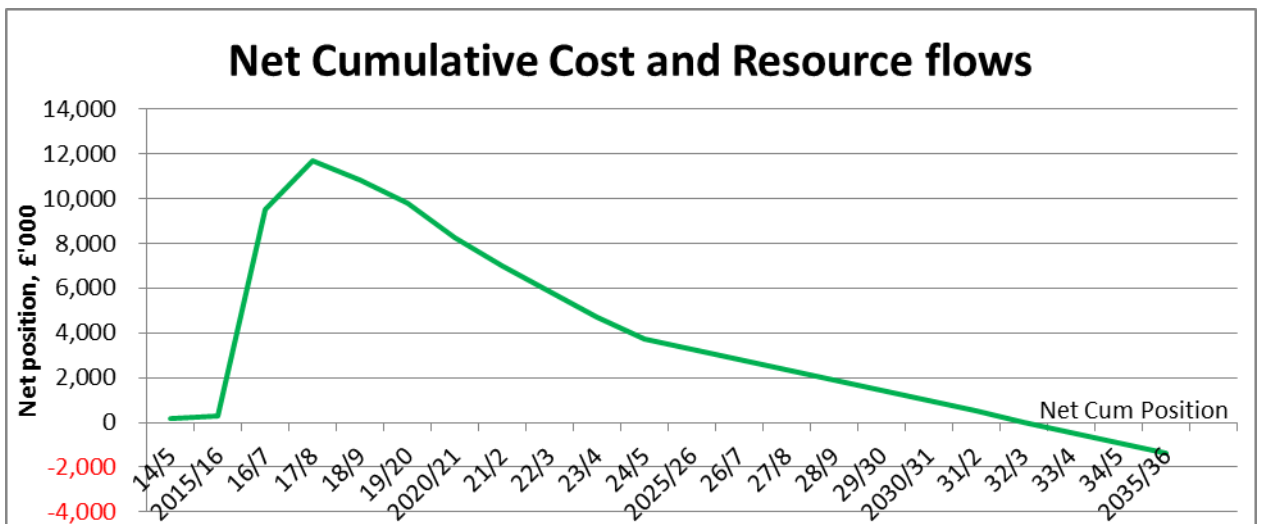
- The pace of delivering infrastructure works *An outline design has already been produced, and Fareham BC would seek to deliver these in accordance with previously approved planning consents, to minimise delays.*
- The level of demand and pace of development for serviced plots at Daedalus West *Market Analysis has been undertaken to test the assumptions for reasonableness.*
- Daedalus West's market position, in relation to competing sites, for example at the Waterfront and further afield *The Market Analysis will also provide commentary on the impact of competing sites on the business case assumptions.*
- The security of rates income in the current rating system. *This is an uncontrollable risk as the rating system is legislated. However, should this revenue stream cease, mitigating measures would be sought. (Nb. Borrowing backed by rates represents <20% of the resource in the proposal).*
- Rents derived from the master plan are insufficient to subsidise the airfield costs *The proposal is underpinned by some initial business planning and cash-flow modelling work. However, the planning consent is sufficiently flexible to vary the mix of commercial development, where demand exists, to improve the financial returns if the risk materialises.*
- The council is unable to deliver against its obligations in the transfer agreement. *In this situation, the HCA would be able to exercise its right to buy back the site if the obligations are not met. Equally, the LEP's*

*commitment would be protected as rates would not be accessible by FBC if the infrastructure works are not completed.*

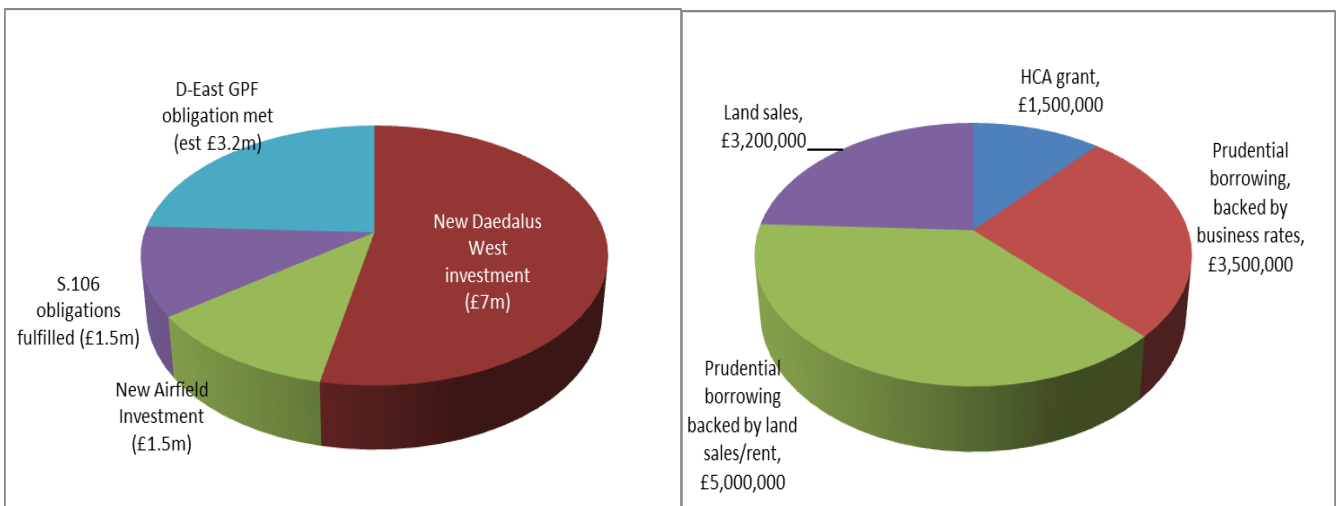
22. A series of “Due Diligence” actions have been identified, which are being progressed to provide the assurances required in order to proceed to completion of the transfer.

**FINANCIAL IMPLICATIONS**

23. If the proposal is implemented, the Council will be making a significant financial commitment in the early years of ownership, which is underpinned by the value that can then be unlocked from the site, over time. The work undertaken to date indicates that the package of resources does exceed the investment in the long term, but the margin is small and is achieved gradually over 20 years, which becomes more unpredictable over time. This is demonstrated in the chart below.



24. The nature of the Council’s “capital” commitment is split into 4 parts, as shown below. The costs associated with each aspect are relatively predictable, given that they are forecast to be incurred in the first 3 years of the Council’s ownership.



25. The chart, above, also shows how this commitment is funded. It is clear that a substantial proportion (65%) is prudential borrowing, so consequently a significant amount of effort has been concentrated on ensuring that there is a realistic prospect of

the security used to support the borrowing actually materialising.

26. Work undertaken by consultants, on behalf of DCLG, has indicated that there is a strong (85%) likelihood of rates growth derived from Daedalus West being able to support a loan of £3.5m. Land values at Daedalus West are more problematic to determine, because they are influenced by many different factors. However, independent valuers have indicated that there is £4.5m gross value that could be unlocked by Daedalus West. This position is consistent with the overall net valuation for the site, which is negative (when taking into account the obligation placed on the Council in the transfer agreement).
27. As due diligence progresses, therefore, it will be important to keep the financial implications under close review, and identify scope where additional value could be unlocked from the site (for example, reviewing the mix of development, the design and layout, and whether the consented plan makes best use of the land) in order to mitigate risks should they materialise.
28. Finally, it should be noted that the financial position is based on a range of prudent assumptions and, over the long term, we would anticipate that the position would be more positive in any event.

### **GOVERNANCE ARRANGEMENTS**

29. This is possibly the most significant delivery project that the Council has undertaken in financial terms, over recent years. It will also present operational challenges given the nature of the activities on the site.
30. Work to bring the proposal to a conclusion will be very intensive over the coming 6 months so, to maximise the scope for achieving the target transfer date, there needs to be a dynamic decision-making process. This should, however, not be to the detriment of transparency and public scrutiny of the commitments being made on behalf of the Council.
31. It is therefore proposed that authority is delegated to the Director of Finance and Resources to proceed to concluding the transfer, in line with the framework set out in this paper.
32. To oversee progress of the work, it is suggested that the remit of the Daedalus Investment Project Member Working Group, chaired by Cllr Cartwright, is extended to receive regular updates of progress and to be “critical friend” by overseeing the progress being made.
33. Once finalised, detailed Heads of Terms will be reported to the Executive for formal approval, and the transfer would only be concluded, following consultation with the Member Working Group and with the Executive Leader. Progress will also be reported to the Executive periodically.

### **NEXT STEPS**

34. This proposal has been developed to an extent where each of the partners can consider the principle, but a significant amount of work is still required before the proposal could be implemented. It relies upon the HCA, Solent LEP and FBC fully supporting the way forward, as well as Government endorsement to the transfer and funding structure.
35. Due Diligence tests will continue, and assumptions in the business plan will be kept

under review.

36. Heads of Terms between HCA and Fareham BC need to be concluded and, separately, Heads of Terms between Solent LEP and Fareham BC will be developed in relation to rates retention.
37. The Heads of Term's will be progressed by legal teams to produce contractual documents, with a view to completing the transfer by 31st March 2015.

## **CONCLUSIONS**

38. The airfield and Solent Enterprise Zone at Daedalus are priorities for the Council and significant progress has been made in regenerating parts of the site. However, the areas that remain uncertain at this time are the works to unlock the area at Daedalus West, and also the arrangements that are needed to protect the viability of the airfield in the long term.
39. The proposal set out in this report provides a solution to these remaining issues, and provides the Council with a higher degree of certainty that it can meet its corporate priority in this regard, as potential landowner.
40. The proposal is an excellent example of partner organisations pooling its collective skills and resources to generate wide economic, employment and community benefits from the site.
41. The Executive is asked to support the proposal, enabling officers to proceed towards transfer by 31<sup>st</sup> March 2015.

## **Reference Papers:**





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

Document is Restricted



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

Document is Restricted



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Vanguard Method - Update</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Efficiency Plan
<b>Corporate Objective:</b>	Dynamic, prudent and progressive Council

**Purpose:**

To provide an update on the progress of the work being undertaken by officers, under the guidance of the Vanguard Consultancy, to review systems and to improve the experience of customers when they make contact with the Council.

**Executive summary:**

The second phase of implementing the Vanguard method is nearing completion. This has focused on detailed interventions into housing repairs, car parking, benefits, planning applications and recruitment.

Significant lessons have been learnt from each intervention and new ways of working are being implemented, resulting in a more responsive, customer focused approach. Solutions are being tailored to meet the needs of individual customers and meaningful measures are being put in place to enable the effective management of each service.

As a result of new ways of working, the average time to process a benefit application has fallen from 20 days to 6 days. The number of “challenges” to parking penalty charge notices has fallen by 50% and the average time to process a planning application has fallen from 56 to 36 days. The average time to fix a repair to a Council property has dramatically fallen from 89 days to 6 days. The new approach to recruitment is resulting in an improved range of candidates.

These figures are being achieved because officers are seeking to reduce “preventable” demand by solving problems quickly at the first point of contact. Customers are indicating high levels of satisfaction with the new ways of working and officers feel more empowered to solve problems.

Work has now commenced on the next phase, with interventions commencing in tenancy services, environmental health and strategic housing.

**Recommendations:**

That the Executive agrees:

- (a) that progress on the implementation of the Vanguard method be noted; and
- (b) that £30,000 of the savings already achieved through this initiative be recirculated (through the Housing Revenue Account) to fund a further intervention into Tenancy Services.

**Reason:**

To keep members informed of progress on this important process of transformational change, and to commence interventions into new areas with a high number of customer transactions.

**Cost of proposals:**

The cost of the contract with the Vanguard Consultancy was agreed at £300,000 over a three year period (i.e. £100,000 per annum) Savings have been captured which now amount to £168,000 per annum. It is proposed that £30,000 of these savings be recirculated to enable an additional intervention into Tenancy Services.

**Appendices:**                    **A:** Summary of each intervention

**Background papers:** None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 06 October 2014

**Subject:** Vanguard Method - Update

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

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. The purpose of this report is to provide an update on the progress of the work being undertaken by officers, under the guidance of the Vanguard Consultancy, to review systems and to improve the experience of customers when they make contact with the Council.

#### BACKGROUND

2. The Executive last considered a progress report on 2nd December 2013.
3. The report explained that the first phase of work had been completed. This had focused on learning about the method; the volume and nature of customer enquiries; the constraints imposed by the system conditions; and the general nature of the customer experience when contacting the Council.
4. Lessons learnt from the first phase were that customers were dealt with politely and courteously, and that they appreciated this. However, too often the customers' needs were not met, and if they were, it could take a long time. This meant that customers had to make unnecessary contact with the Council on a number of occasions, therefore wasting everybody's time. Ultimately this "waste" was costing the Council money and causing dissatisfaction.
5. The broad lessons learnt were that:-
  - the majority of customer's problems were not solved at the first point of contact;
  - as an organisation, we stand behind rules and legislation;
  - we are courteous and have high satisfaction levels but we don't solve customer's problems quickly;
  - defining the purpose of each service from the customer's point of view is critical for improvement;

- targets are not always helpful as they can cause perverse actions; and
  - technology can create extra work as we “feed the machine”.
6. In common with other public and private sector organisations, the Council has, over a long period of time, designed the way it works based on what was thought to be best for customers. This includes focusing on the wrong performance measures, silo working, unnecessary bureaucracy, and ICT systems that hinder rather than help.
  7. It was reported that annual savings of £59,000 had already been captured from the first phase of works, amounting to a total of £177,000 when set against the time frame of the contract.
  8. This amount was achieved through the deletion of a vacant post in the Business Transformation team, and a management vacancy in the Customer Service Centre.
  9. Finally, the report explained that work would commence on the second phase which would include detailed “interventions” into the following services:-
    - housing repair;
    - car parking;
    - planning applications;
    - benefits; and
    - recruitment.

## **MANAGEMENT APPROACH**

10. Other Councils have worked with the Vanguard Consultancy in the past but it should be recognised that Fareham’s “whole organisation” approach is significantly different to most other Council interventions.
11. Normally, the consultants will support an intervention into a specific Council service; make the improvements, and then move on to another organisation. This is not the case with Fareham Borough Council as we have chosen to use the Vanguard method to help change the culture of the whole organisation to be more customer-focused. We are running a number of interventions at the same time and this brings its own challenges, as well as opportunities.
12. The work is being directly led by the Chief Executive Officer, and he is having regular progress meetings with the Deputy Leader. He is also meeting with the Vanguard Consultant and Head of Corporate Services on a weekly basis to discuss issues, deal with any problems and ensure that all the interventions continue to move forward at a reasonable pace.
13. Each intervention is being led by a Head of Service. It was considered important to demonstrate management “buy in” to this new way of working. Each Head of Service is supported by one or more specialist officers (e.g. a planning or a benefits officer), a “back office” administrator, and others where applicable (e.g. Customer Service Centre Advisors).



14. As an intervention moves forward, more employees are “rolled in” to the new way of working, so that over time the ratio between the new way of working and “business as usual” starts to change.
15. A key challenge for each Head of Service is to ensure that arrangements are in place to manage “business as usual,” whilst they also experiment with new ways of working.
16. It is also considered important to build in as much “self-sufficiency” as possible, ultimately reducing the reliance on consultants and developing our own in house “vanguardians”. With this in mind, the Head of Leisure and Community has joined the planning intervention team to increase his knowledge and expertise in the Vanguard methodology.
17. This overall management approach has proved to be very successful. The involvement of senior management has enabled each intervention to move forward at a faster pace than originally envisaged. The contract was costed on the basis of undertaking 5 detailed interventions over a three year period. In reality, we are likely to complete between 8 and 10 interventions within the same time frame.

## **COMMUNICATION**

18. It is recognised that the on-going communication of progress to both members and officers is an important part of this process, ensuring that everyone feels informed and that there are no surprises.
19. Employee “show and tell” sessions have been arranged for the interventions into benefits, housing repair and planning applications. These have been open to all employees and have been extremely well attended, with a great deal of interest shown in the new way of working. Those teams dealing with “business as usual” have also been invited to tailored briefing sessions allowing opportunities for discussions and challenges.
20. A presentation was made on the outcomes of the housing repair intervention to the Housing Tenancy Board, and briefing sessions have been held with members of Planning Committee regarding the planning intervention.
21. All members were invited to a workshop on 25<sup>th</sup> September, prior to a discussion at the Scrutiny Board meeting on the same day.
22. The monthly e-bulletin produced by the Chief Executive Officer for employees has also included reference to the vanguard interventions, and the Chief Executive’s Management Team has received presentations on progress in each service.
23. Individual “show and tell” sessions have been arranged at the request of the Executive Leader, Deputy Leader and Opposition Leader. This arrangement is available to any councillor on request via the Head of Corporate Services.
24. Finally, all members are kept informed via these progress reports to the Executive

## **LEARNING FROM EACH INTERVENTION**

25. Each intervention has highlighted the need for a different approach. This is primarily due to our systems being designed, over time, to meet the needs of the organisation rather than being designed through the eyes of our customers.
26. It is important to recognise that officers have not been doing a bad job in the past. They have actually been doing a very good job within a poor system which has constrained their ability to solve the customer's problem quickly. The key lessons learnt from each intervention are summarised below. (Further details are provided in Appendix A).

### **The Benefits Service**

27. By looking at the typical customer journey, speaking to customers and understanding the problems that they encountered when making a benefits claim, officers discovered that:-
  - Customers had low expectations of the process, so were satisfied with the paperwork and long timescales, because they didn't feel they had any other choice;
  - Customers expected an impersonal approach;
  - Everyone believed that the complex rules and procedures were necessary and, as such, dictated the long timescales;
  - Officers felt that customers were to blame for errors and delays (regardless of the bureaucratic and unhelpful letters and forms issued by the Council);
  - 70% of officer time was spent dealing with preventable demand; and
  - It was taking an average of 20 days to process a benefit application (which appeared good when compared to performance by other local authorities).
28. The new approach being trialled as part of the intervention provides a more tailored response to meet the needs of individual customers. A benefits officer spends as much time as is necessary to solve the customer's problems, avoids "hand offs" to other officers and calls on expertise when required. Long and complex letters have been removed from the process and "clean" information is gathered at the first point of contact to help process the claim quickly.
29. Complex rules and procedures have been set aside and a single operating principle of "don't break the law" gives officers the freedom to do the right thing for the customer.
30. As a result, preventable demand has fallen dramatically and the average time to process an application is now only 6 days.

### **Housing Repairs**

31. The Council owns 2,371 properties and it is the role of the housing repairs team to maintain those properties and respond to customer requests for repairs. When looking at the typical customer experience, the team learnt that:-

- Our policies and procedures were based on a “one size fits all” approach to demonstrate fairness, regardless of the customer’s needs;
  - We regularly failed to understand customer needs before taking action, resulting in wasted journeys, wrong tools and equipment and lengthy delays (all preventable work);
  - We demanded everything in writing, even if it caused problems for the customer;
  - Our statistics seemed to indicate that we were meeting performance targets and satisfying customers but we were measuring the wrong things;
  - Repairs were not staying fixed because the worker was not given the tools, equipment, time or freedom to make the right decision to solve the problem; and
  - The average time taken to fix a repair properly was taking 89 days.
32. The new way of working seeks to understand the needs of the customer from the outset and to give the worker the tools and the freedom to solve the problem properly when they are at the property, however long it takes.
33. What matters to the customer is that the worker arrives at the property at the promised time, undertakes the right repair and that the job stays fixed. They don’t want their home to look worse as the result of a “standard fix” but wish to be treated as an individual with specific needs.
34. The new approach has been welcomed by customers and has resulted in a dramatic fall in the average time to fix a repair, which is now only 6 days.

### **Parking Enforcement**

35. Obviously, no customer would wish to receive a penalty charge notice for inappropriate parking so this was not an obvious service to try to gauge levels of customer “satisfaction”. However, having reviewed the service, officers found that a high level of preventable demand was built into the system:-
- Of the 8,400 annual penalty charge notices issued last year, 2,440 were “challenged” by customers (with 62% of the challenges being successful);
  - This preventable demand was causing high levels of customer dissatisfaction and unnecessary work by officers having to deal with angry customers and the cancellation of the penalty notices;
  - “Cancelled” notices were originally being served because of the rules that we imposed on our enforcement officers. They avoided talking to customers and felt unable to cancel notices. They believed that legislation gave them no choice but to issue a penalty notice. They were also under the misapprehension that a certain number of penalty notices needed to be issued to fund the parking enforcement service.
36. A new approach is being trialled which gives enforcement officers the freedom to engage with customers to understand why they have parked inappropriately. Officers have the freedom to make decisions based on common sense and the

facts set out in front of them.

37. For example, if a parking ticket is placed on the dashboard and flips over from a gust of wind as the door is shut, then in the past a penalty notice would have been immediately issued. The customer would have then arrived at the Civic Offices with their valid ticket as proof of purchase and the penalty notice would have to be cancelled.
38. This common scenario created a great deal of unnecessary administration, as well as resulting in customer dissatisfaction.
39. In reality, the enforcement officer is actually able to see if a flipped ticket is current and valid because the paper is sufficiently transparent to read from both sides of the ticket. There is no need to issue a penalty notice, as common sense shows that the customer has a valid ticket.
40. The new approach has resulted in a 50% reduction in the number of challenges and a large decline in 'back office' administration. It will be important, however, to monitor this pattern over a longer time period to understand the impact on overall levels of expenditure and income for the parking enforcement service

### **Planning Applications**

41. The intervention into Planning Applications is less advanced than those mentioned above as the review process started at a later date. However, early lessons show that:-
  - Customers have been getting the service they expect because everyone wrongly believed that the 8 to 13 week process was unavoidable and dictated by legislation;
  - We request a great deal of written information from the customer which has no real purpose;
  - Splitting the work between planning officers and back office employees results in a disjointed system, duplicate actions and "hand offs" from one officer to another;
  - Officers felt that customers were to blame for errors and delays (regardless of the bureaucratic and unhelpful letters and forms issued by the Council);
  - We avoided speaking to customers to understand the problem that they were trying to resolve, preferring to communicate through lengthy correspondence.
42. Further lessons will be learnt as new ways of working are trialled in the coming weeks. It is clear, however, that customers want us to make the application process easy, quick, clear and fair.
43. A new, tailored, approach which seeks to understand individual applicant's needs has already resulted in the average time to process a planning application reducing from 56 days to 36 days, which includes the statutory 21 days consultation.

## **The Recruitment Service**

44. It was considered important to include a support service, such as Personnel, in the first phase of interventions so that we could learn about the Vanguard method across the organisation and not just in front line services. As a result, a team have been looking at the Council's recruitment system and how this might be improved for those involved in recruiting as well as those people applying for jobs with the Council.
45. As a result of their analysis, the team found that:-
  - We were trying to use a "one size fits all" approach to recruitment, regardless of the nature of the job;
  - The application form and job details were wordy, overly complicated and lengthy, requesting unnecessary information;
  - Advertising was not being tailored to the nature of the job;
  - There was a lack of communication with applicants, who want to understand the culture of the organisation as well as receiving useful feedback on their application;
  - The pack of information sent out with the employment contract was daunting to new employees;
  - Managers felt that there was too much paperwork, that the recruitment process was too long and that "scoring" applications was time consuming and not helpful in making decisions.
46. The new approach recognises the value in adopting a bespoke recruitment process for different jobs. Complex paperwork and forms have been replaced with conversations between managers and the Personnel Team to design the best solution for each post. This includes a discussion on job details, advertising and the interview process.
47. Applicants are asked to complete a tailored application form dependent on the nature of the job. For example, it is not necessary to have a lengthy written application from those people wishing to cut the grass, whereas more detail is obviously required for a professional or managerial vacancy.
48. The team are now reviewing the induction process for new employees, ensuring that it is designed through the eyes of the customer and helps them to feel welcome and well informed as they commence their career with the Council.
49. In the future, we will endeavour to attract people into the organisation with the right skills and aptitude to work within the new culture of the organisation.

## **FINANCIAL IMPLICATIONS**

50. The report presented to the Executive on 13 May 2013 stated the costs of appointing the Vanguard Consultancy would be £300,000 over a three year period. Current expenditure is in line with the terms of the contract.
51. The report also noted that whilst the primary purpose of implementing the

Vanguard method was to improve the customer experience, it was recognised that efficiency savings might be realised as a result of the new approach.

52. This proved to be the case during the first phase of works with annual savings of £59,000 identified (or £177,000 when set against the time frame of the contract).
53. Further, significant, savings are emerging from the second phase of works.
54. For example, as a result of the intervention into the Housing Repairs Service, and following a report to the Executive on 1<sup>st</sup> September 2014, the frequency of electrical and emergency light testing has been changed. This will result in annual savings of approximately £109,000. Further savings are anticipated as a result of a new management structure for the housing repair service and these will be reported at a future meeting.
55. Similarly, as a result of the intervention, a new structure is being designed for the parking service and it is reasonable to assume that this will generate further savings. This would be achieved through the deletion of vacant back office posts no longer required as a result of the new way of working.
56. Therefore, the combination of efficiency savings generated through the two phases of work to date is currently £168,000 per annum, with more to follow.
57. Given the scale of the annual savings being achieved, particularly in the housing repair service, it is proposed that £30,000 of this saving is recirculated (through the Housing Revenue Account) to fund further intervention work into all areas of Tenancy Services. Following the interventions in Benefits and Housing Repairs, it has become clear that there are significant opportunities for new ways of working in tenancy services with the same customers.
58. This would, in effect, extend the contract price with Vanguard, within permissible limits, and help to provide expert advice for a longer period.

## **THE NEXT PHASE**

59. Whilst work will continue on those services included in the second phase of works (i.e. housing repair, car parking, planning applications, benefits; and recruitment) the interventions are sufficiently advanced to allow a new phase of services to be looked at.
60. Work has therefore commenced on the third phase. This has included fact finding exercises in Strategic Housing, Tenancy Services and Environmental Health. Officers involved have been following the journey of customers over a period of weeks to find out how we deal with their enquiries and needs, through their eyes.
61. The officers named below will lead the intervention process for each service. Each lead officer will be supported by an “independent” manager in order to increase the knowledge of the Vanguard methodology across the organisation.
  - Strategic Housing – Led by Caroline Holmes (Head of Housing, Revenues and Benefits), supported by Lindsey Ansell (Head of Corporate Services)
  - Tenancy Services – Led by Martyn George (Director of Community),

supported by Jon Shore (Tenancy Services Manager)

- Environmental Health – Led by Ian Rickman (Head of Environmental Health), supported by Mark Bowler (Head of Leisure and Community)
62. As with the second phase, each intervention will have a small team of officers experimenting with new ways of working.
63. It will be necessary to also start reviewing some of the support services such as ICT in the near future. There is a common theme throughout all interventions to date, where technology needs to be designed through the eyes of the customer, to better support the work of the service areas.

## **CONCLUSION**

64. The second phase of implementing the Vanguard method is nearing completion. This has focused on detailed interventions into housing repair; car parking, benefits, planning applications and recruitment.
65. Significant lessons have been learnt from each intervention and new ways of working are being implemented resulting in a more responsive, customer focused approach. Solutions are being tailored to meet the needs of individual customers and meaningful measures are being put in place to enable the effective management of each service.
66. Work has now commenced on the next phase, with interventions commencing in tenancy services, environmental health and strategic housing.

**Reference Papers:**            Report to the Executive on 13 May 2013  
   Report to the Scrutiny Board on 30 May 2013  
   Report to the Executive on 2 December 2013





# Benefits

## Purpose

**Pay my claim**

## Value Demands

- I want to make a claim
- My circumstances have changed

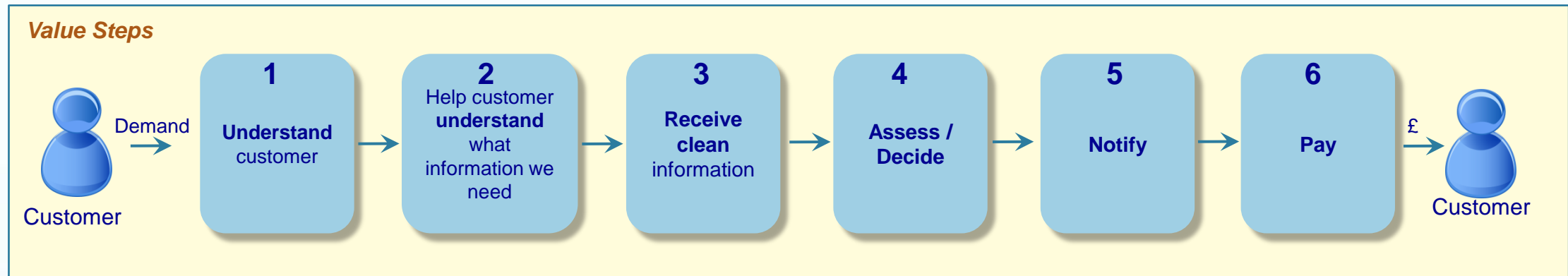
## Customer

- Vulnerable **people**
- **People** on low incomes

## What matters?

- Pay the right benefit
- Pay me quickly
- Who do I contact if I need to?
- Don't make me feel intimidated
- Help me feel comfortable
- Plain English – keep it simple
- Recognise my needs – empathy
- Clear guidance
- Make it easy for me to understand

Page 79



## Measures

### Old World

### New World

### End to End Time

(Average Time taken to process application)

20 Days

6 Days



# Housing Repairs

## Purpose

**Fix My Home**

## Value Demands

- I need a repair
- Help me live in my home

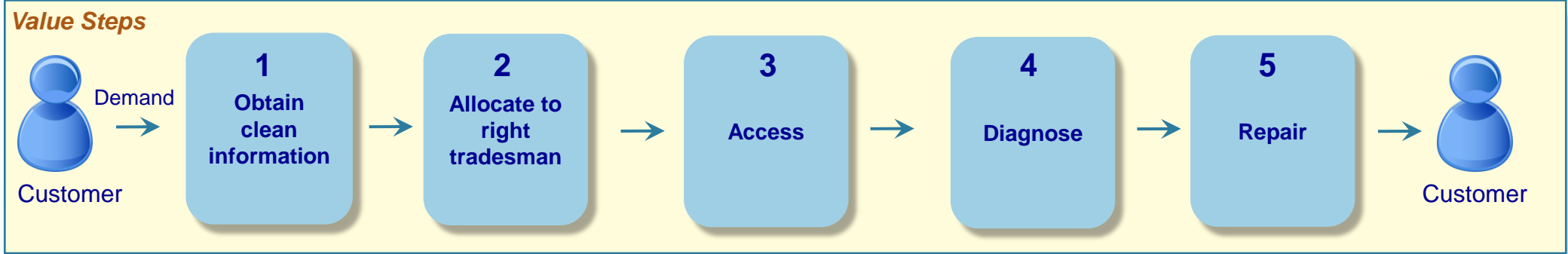
## Customer

- Residents of council owned properties
- The building itself

## What matters?

- Turn up when you say you will
- Undertake the right repair
- My repair stays fixed
- Treat me as an individual
- Don't charge me unfairly
- Keep me informed
- Help me live in my home
- Don't make my home look worse

Page 81



## Measures

	Old World	New World
<b>End to End Time</b> (Average time taken to fix a repair)	89 days	6 days



# Parking Enforcement

## Purpose

Make good decisions when issuing a PCN

## Value Demands

- Where can I park?
- How much will it cost?
- How long can I stay?

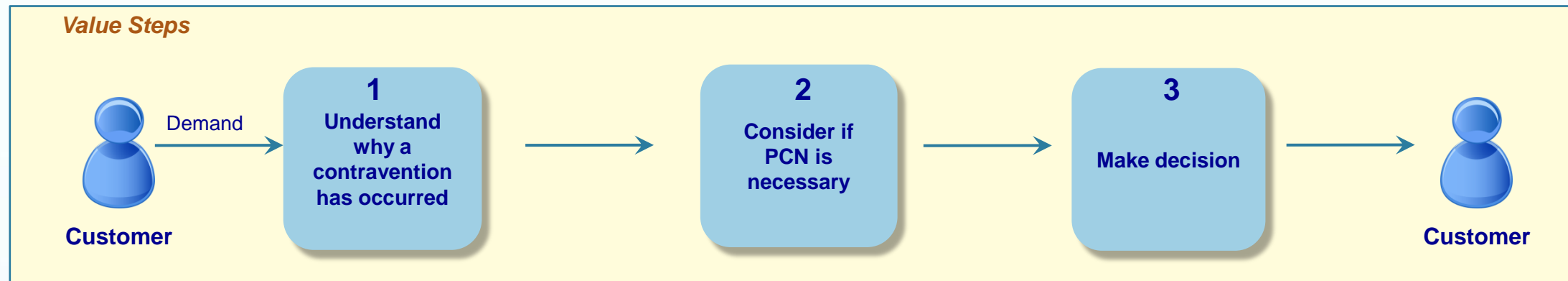
## Customer

- Residents
- Visitors to the Borough
- Traders
- Commuters

## What matters?

- Make it Clear
- Make it Fair

Page 83



## Measures

	Old World	New World
Number of Penalty Charge Notices (Issued per week)	163	110
Number of Informal Challenges to Penalty Charge Notices Issued (Issued per week)	45	23



# Planning

## Purpose

Give Good Advice and Make Good Decisions

## Value Demands

- I Need Planning Advice
- I Want to Make an Application
- Here are my Comments/Objections

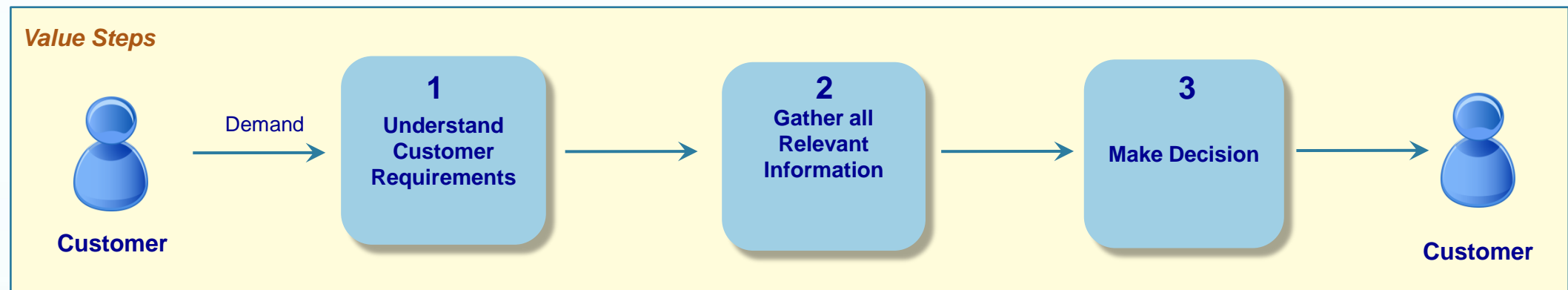
## Customer

- Applicants
- Neighbours/Interested Parties
- The Borough

## What matters?

- Make it Easy
- Make it Quick
- Make it Clear
- Make it Fair

Page 85



## Measures

	Old World	New World
<b>End to End Time</b> (Average Time taken to process application)	56 Days	36 Days





# Recruitment

## Purpose

Right person,  
right time

## Value Demands

- I need an employee

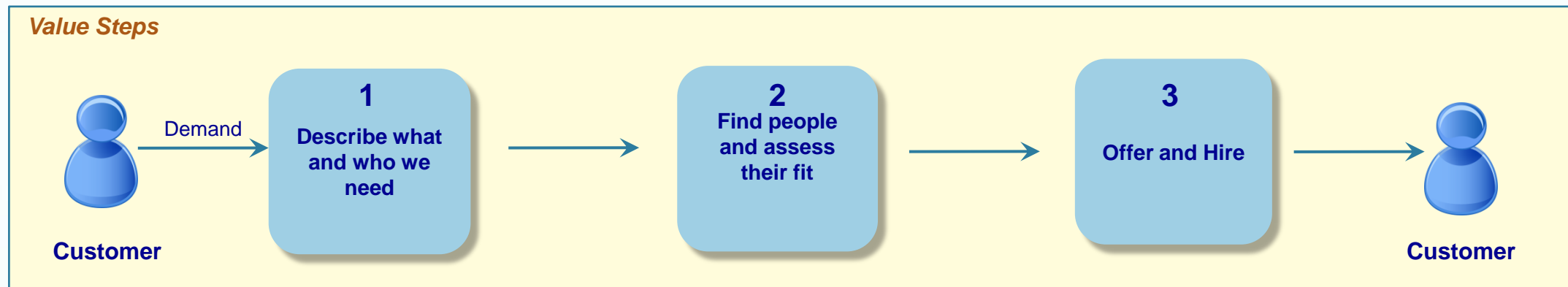
## Customer

- Candidates
- Managers
- The Borough/Other Organisations

## What matters?

- Right fit with organisation
- Make it Easy
- Bespoke
- Communication

## Value Steps



## Customer Experience

- Lots of familiar faces on my first day at the Council as I had met a lot of the people I would be working with at the recruitment day
- I had a genuine picture of what the job was about
- I felt I could sell myself better
- Easier for managers and more bespoke to suit the circumstances



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 06 October 2014

**Portfolio:** Policy and Resources  
**Subject:** **Matched Funding - Quarterly Report**  
**Report of:** Director of Finance and Resources  
**Strategy/Policy:** Grants Policy

**Corporate Objective:** All corporate objectives apply

**Purpose:**

To provide details of matched funding requests received by the Council during the second quarter of the 2014/15 financial year.

**Executive summary:**

During this quarter, the Council has received two matched funding requests as follows:

Catisfield Memorial Hall has requested £7,560 towards extending and upgrading its kitchen, security and notice boards. Full details are set out in Appendix A.

The Fareham School of Gymnastics has requested an in principle agreement of £30,000 towards a project to construct a dedicated school of gymnastics at the site of the Fareham Academy.

**Recommendation/Recommended Option:**

That the Executive agrees:

- (a) that matched funding of up to £7,560 be awarded for Catisfield Memorial Hall; and
- (b) that matched funding of £30,000 be awarded (in principle) for the Fareham School of Gymnastics subject to the club securing the remaining £970,000 required for the project within 3 years from the date of this decision.

**Reason:**

To act as an enabler, assisting the local community in making improvements to local community facilities, and introducing new facilities for the benefit of all age groups within the community.

**Cost of proposals:**

Up to £37,993 (the matched funding budget currently has funds of approximately £98,143).

**Appendices:**                    **A:** Matched Funding Application – Catisfield Memorial Hall

**Background papers:**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 06 October 2014

**Subject:** Matched Funding - Quarterly Report

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

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. The purpose of this report is to provide details of any matched funding requests received by the Council during the second quarter of the 2014/15 financial year.

#### BACKGROUND

2. On 8 March 2010, the Executive considered a report on the various discretionary grants provided by the Council. The report included details on each category of grant and the level of funding available. Members agreed to combine a number of grants into a single pot for the 2010/11 financial year onwards.
3. The report also highlighted the need for the Council to take a more coordinated approach in assessing matched funding requests in the future.
4. It was agreed that the procedure for applying for matched funding be changed so that bids would be considered by the Executive on a quarterly basis, by predefined dates, in order that applications could be prioritised.
5. It was also suggested that as matched funding requests are received, those "in the pipeline" are identified, as well as those submitted for formal consideration.

#### CRITERIA

6. The criteria for matched funding awards have been deliberately kept simple. The Council will consider any project which benefits the local community and/or improves the local environment.
7. Awards will only be made for capital projects and will not include on-going revenue funding.
8. The important fact about a matched funding application is that the sum being requested from the Council needs to be matched by the applicant and/or other agencies. This helps to ensure that there is a definite commitment and sense of ownership from the local community in both delivering the project and maintaining the facilities thereafter.

## **FINANCIAL IMPLICATIONS**

9. The current balance of the matched funding budget is approximately £98,143

## **MATCHED FUNDING BIDS RECEIVED**

### **Catisfield Memorial Hall**

10. A matched funding bid has been received from Catisfield Memorial Hall for a sum up to £7,560 towards extending and upgrading its kitchen which has reached the end of its useful life and requires complete replacement.
11. The improvements would enable the church to continue to provide catering facilities to those members of the community who hire their rooms on a private basis and to encourage additional community use of the facilities. The details are set out in Appendix A.

### **Councillor Consultation**

12. Ward Councillors Mrs Hockley and Miss Harper are fully supportive of the application.

### **Fareham School of Gymnastics**

13. The Fareham School of Gymnastics (FSOG) is a not for profit club with its main venue located at Fareham Academy. The club, opened in 2004, has over 400 members with waiting lists for many of its classes.
14. The club has a vision for the future construction of a purpose built centre so they can extend the opportunities available to existing members and provide opportunities for additional young people.
15. The Fareham Academy has offered the land required at a peppercorn rent, but the overall building cost is estimated to be £1,000,000. The club has raised £28,500 to date but is finding that organisations such as Sport England and British Gymnastics will not consider funding bids until further funding has been secured.
16. The FSOG has therefore requested that the Council give in principle agreement to the provision of matched funding of £30,000 subject to all remaining funding being secured within a three year period and a formal matched funding request being submitted at the appropriate time. The club believe that such an award would significantly improve their chances of securing additional external funding.
17. This proposal has the support of the Executive member for Leisure and Community.

## **MATCHED FUNDING BIDS "IN THE PIPELINE"**

18. Currently an application from the Lee On Solent Golf Club is under discussion with the club and the Executive Member for Leisure and Community.

## **RISK ASSESSMENT**

19. The risks and opportunities associated with each funding bid are considered on an individual basis and details are included in each assessment document.

## **CONCLUSION**

20. This report sets out details for the matched funding bids received by the Council for the first quarter of the 2014/15 financial year.

### **Reference Papers:**

- Report to the Executive on 8 March 2010 – Review of Discretionary Grants
- Report to the Executive on 17 May 2010 – Grants Review Update





<b>MATCHED FUNDING REQUEST</b>	
<b>APPLICANT</b>	Catisfield Memorial Hall
<b>PROJECT DESCRIPTION</b>	<p>The Catisfield Memorial Hall is a small community hall in Catisfield that provides a range of facilities for the local community.</p> <p>The trustees own the freehold and both maintain and manage the hall on a voluntary basis.</p> <p>The trustees are seeking to upgrade the hall itself and the immediate boundary. Specific objectives are to:</p> <ul style="list-style-type: none"> <li>• Secure the northern boundary to prevent unauthorised access from the new neighbouring housing development and the paddock next to it.</li> <li>• Redecoration of the kitchen.</li> <li>• The provision of additional kitchen equipment.</li> <li>• The provision of new folding tables.</li> <li>• The provision of baby changing facilities and electric hand driers in the WC's.</li> <li>• Installation of an illuminated notice board and illuminated bollards in the access way.</li> </ul> <p>The trustees aim to complete the work in autumn 2014.</p>
<b>PROJECT COSTS</b>	The total project cost is £15,553
<b>PROJECT FUNDING</b>	The trustees propose to fund £7,993 of the project from their existing reserves of £8,000 with the balance of £7560 being sought from the Community Fund.

<p><b>COMMUNITY BENEFITS</b></p>	<p>The proposed works will result in the users of the hall enjoying greater security.</p> <p>The hall is currently used by groups with young children and the provision of baby changing facilities will result in their needs being achieved and the ability to attract new similar groups to the hall.</p> <p>The improvements to the kitchen facility will be of benefit to the current users, and allow the hall to cater for the increased demand that is likely to occur following the completion of the residential development on the site of the former Hinton Hotel.</p>
<p><b>ENVIRONMENTAL BENEFITS</b></p>	<p>There are no significant environmental benefits, however the use of modern kitchen appliances will be more energy efficient.</p>
<p><b>LINKS TO THE COUNCIL'S CORPORATE PRIORITIES</b></p>	<p>This application is consistent with the Council's role as "a partner", identified in the Leisure Strategy, to continue, where possible, to actively collaborate with other providers within the local area to maximise potential opportunities for sport.</p> <p>The ward Councillors are fully supportive of the application and proposals and the Executive Leader has given "in principle" support subject to consideration by the Executive.</p>
<p><b>PROJECT RISKS</b></p>	<p>The project would be managed by the trustees who would appoint a sole contractor to carry out all of the works.</p>
<p><b>RECOMMEND</b></p>	<p>That the Executive gives consideration to making a matched funding award of up to £7,560 to this application, subject to:</p> <ol style="list-style-type: none"> <li>1. The remainder of funding being in place.</li> <li>2. Receipt of all Local Authority approvals, i.e. building regulations.</li> </ol>