

## **AGENDA FOR THE EXECUTIVE**

**Date:** Monday, 8 February 2016

**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 Miss S M Bell, Leisure and Community

Councillor K D Evans, Planning and Development

Councillor Miss T G Harper, Streetscene

Councillor Mrs K Mandry, Health and Housing



**1. Apologies for Absence**

**2. Minutes (Pages 1 - 4)**

To confirm as a correct record the minutes of the meeting of Executive held on 11 January 2016.

**3. Executive Leader's Announcements**

**4. Declarations of Interest**

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

**5. Petitions**

**6. Deputations**

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

**7. Minutes / References from Other Committees**

To receive any reference from the committees or panels held.

**Matters for Decision in Public**

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

**8. Leisure and Community**

**Non-Key Decision**

**(1) Fareham Community Savers Reallocation (Pages 5 - 10)**

A report by the Director of Operations.

**(2) Leigh Road Tennis Courts - Conversion to Car Parking (Pages 11 - 18)**

A report by the Director of Operations.

**9. Public Protection**

**Non Key Decision**

**(1) Traffic Management (Pages 19 - 40)**

A report by the Director of Operations.

**10. Planning and Development**

**Non-Key Decision**

- (1) **Local Plan Review and Fareham Town Centre and Portchester Regeneration Strategies: Proposed Member Working Group Arrangements.** (Pages 41 - 46)

A report by the Director of Planning and Regulation.

## 11. Policy and Resources

### Key Decision

- (1) **Housing Revenue Account Budget and Capital Plans 2016/17** (Pages 47 - 60)

A report by the Director of Finance and Resources.

- (2) **Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17** (Pages 61 - 70)

A report by the Director of Finance and Resources.

- (3) **Community Funding Review** (Pages 71 - 76)

A report by the Director of Finance and Resources.

- (4) **Purchase of Commercial Investment - 136-138 Southampton Road** (Pages 77 - 82)

A report by the Director of Finance and Resources.

- (5) **Award of Contract - Daedalus Airport Operator** (Pages 83 - 94)

A report by the Director of Finance and Resources.

### Non-Key Decision

- (6) **Treasury Management Strategy & Prudential Indicators 2016/17** (Pages 95 - 116)

A report by the Director of Finance and Resources.

- (7) **Commercial Property Investment Acquisition Strategy** (Pages 117 - 124)

A report by the Director of Finance and Resources.

P GRIMWOOD  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)  
29 January 2016

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



# FAREHAM

BOROUGH COUNCIL

## Minutes of the Executive

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

**Date:** Monday, 11 January 2016

**Venue:** Collingwood Room - Civic Offices

**Present:**

S D T Woodward, Policy and Resources (Executive Leader)  
T M Cartwright, MBE, Public Protection (Deputy Executive Leader)  
Miss S M Bell, Leisure and Community  
K D Evans, Planning and Development  
Miss T G Harper, Streetscene  
Mrs K Mandry, Health and Housing

**Also in attendance:**

Mrs P M Bryant, Chairman of Licensing and Regulatory Affairs Committee  
Mrs M E Ellerton, Chairman of Public Protection Policy Development and Review Panel  
M J Ford, JP, Mayor  
Mrs C L A Hockley, Chairman of Leisure and Community Policy Development and Review Panel  
L Keeble, Chairman of Streetscene Policy Development and Review Panel  
A Mandry, Chairman of Planning and Development Policy Development and Review Panel; For item 9(1)  
P J Davies, For item 9(1)



**1. APOLOGIES FOR ABSENCE**

There were no apologies given for this meeting.

**2. MINUTES**

RESOLVED that the minutes of the meeting of the Executive on the 7 December 2015 be confirmed and signed as a correct.

**3. EXECUTIVE LEADER'S ANNOUNCEMENTS**

The Executive Leader reminded Members that periods of severe weather over the Christmas period caused damage and disruption to the foreshore in the Hill Head area. The Executive Leader is aware that a small number of the Council's tenants at Cliff Road who own beach huts in the area, have been unable to gain access whilst the Council carries out the necessary repair works. In sympathy with the problems faced by these owners, the Council will be offering 'ground rent' relief to those most directly and seriously affected. Once the current works are complete the timescales involved will be reviewed and an appropriate level of refund will be calculated which is likely to be via credits to bills in the next financial year.

The Executive Leader reported the very sad news that Contractors, whilst working on repairs to the sea wall at Hill Head, had discovered a body on the beach. The Police have attended the scene and work will recommence tomorrow.

**4. DECLARATIONS OF INTEREST**

There were no declarations of interest made at this meeting.

**5. PETITIONS**

There were no petitions submitted at this meeting.

**6. DEPUTATIONS**

The Executive received a deputation from Mr Ben Foster, in relation to item 9(1) – Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17 Report.

The Executive Leader agreed to bring this item forward on the agenda.

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

There were no references from other Committees given at this meeting.

**8. PLANNING AND DEVELOPMENT**

- (1) Welborne Design Guidance Supplementary Planning Document - for Adoption

RESOLVED that the Executive:

- (a) notes the consultation comments received on the Draft Welborne Design Guidance Supplementary Planning Document and agrees the responses to the representations as set out in Appendix A to the report; and
- (b) adopts the Welborne Design Guidance Supplementary Planning Document as set out in Appendix B to the report with effect from 25 January 2016.

## **9. POLICY AND RESOURCES**

- (1) Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17

The comments of the deputation were taken into account in considering this item (see minute 6).

At the invitation of the Executive Leader, Councillors P J Davies and A Mandry addressed the Executive on this item.

RESOLVED that the Executive agrees:

- (a) that the capital programme for the period 2015/16 – 2019/20, amounting to £36,959,000 as set out at Appendix A to the report be approved;
- (b) that the proposed fees and charges for 2016/17, as set out in Appendix B to the report be approved, subject to the amendment of the fixed penalty for dropped litter being increased to £80 and fouling of the land being increased to £100;
- (c) that the revised 2015/16 general fund budget, amounting to £9,174,600 be approved;
- (d) that the base 2016/17 general fund revenue budget amount to £8,736,600 be approved;
- (e) that the use of the surplus on the spending reserve as set out in paragraphs 42-46 be approved; and
- (f) a commitment to fund foreshore repairs at Hill Head from the general fund revenue reserve, once the costs are known.

## **10. POLICY AND RESOURCES / LEISURE AND COMMUNITY**

- (1) Purchase of Land at Wynton Way

The Executive Leader announced that this item would stand deferred to a later meeting of the Executive.

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

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Leisure and Community
<b>Subject:</b>	<b>Fareham Community Savers Reallocation of Funding</b>
<b>Report of:</b>	Director of Operations
<b>Strategy/Policy:</b>	Leisure Strategy
<b>Corporate Objective:</b>	Strong and Inclusive Communities Dynamic, Prudent and Progressive Council

**Purpose:**

To agree the reallocation of funding that was designated for Fareham Community Savers following the termination of this arrangement.

**Executive summary:**

In March 2012 the Council established a Credit Union in Fareham in partnership with First Wessex Housing Association and The Southern Co-operative. The aim of this initiative, known as Fareham Community Savers, was to promote financial inclusion, safe borrowing and savings opportunities to communities predominantly living in the Fareham Park and Broadlaw Walk areas of the Borough.

The Executive agreed to fund the initiative for five years, subject to satisfactory performance. It was anticipated that this initiative would complement the work of the Fareham Park Project, which is a corporate priority aimed at improving the life opportunities for residents in the Fareham Park area.

On 10th March 2015 a meeting of the Fareham Community Savers Management Board concluded that the initiative had reduced to a level that no longer made it sustainable. There remains £12,938 available from the now defunct initiative and this is available to share equally between the Council and First Wessex Housing Association.

This report proposes that the Council's share of the funding is redirected to enable the continuation of the Fareham North West Youth Club, which was set up and initially funded as part of the Fareham Park Project. It is anticipated that the Youth Club's strong connections with many young people from this community will enable the funding to be utilised for the specific purpose of improving young people's links to education, skills and training through mentoring and signposting.

The Council is seeking to make an agreement with First Wessex to use its share of the fund to support youth services in the Borough of Fareham.

**Recommendation/Recommended Option:**

That the Executive agrees:

- (a) that the Council's £6,469 share from the now defunct Fareham Community Savers initiative be utilised for the provision of the Fareham North West Youth Club (subject to agreeing appropriate terms with Fareham North West Community Association); and
- (b) that First Wessex be asked to allow their share of the funding to be allocated for the provision of youth services in the Borough of Fareham.

**Reason:**

To ensure that the operation of the Fareham North West Youth Club can continue with the aim of improving young people's links to education, skills and training through mentoring and signposting.

**Cost of proposals:**

This proposal seeks to redirect the Council's £6,469 share of the funds that have been previously allocated to a now defunct project.

**Appendices:**                      **None**

**Background papers:**

**Reference papers:**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Fareham Community Savers Reallocation
<b>Briefing by:</b>	
<b>Portfolio:</b>	Leisure and Community

#### INTRODUCTION

1. In March 2012 the Council established a credit union in Fareham in partnership with First Wessex Housing Association and The Southern Co-operative. The aim of this initiative, known as Fareham Community Savers, was to promote financial inclusion, safe borrowing and savings opportunities to communities living in priority areas of Fareham.
2. Each partner agency committed to provide £5,600 per year for an initial two year period, with an extension of this funding for a further three years subject to satisfactory performance.
3. £12,938 remains available from the now defunct Fareham Community Savers initiative and this is available to share equally between the Council and First Wessex Housing Association.

#### BACKGROUND

4. Fareham Borough Council, in partnership with First Wessex Housing Association and The Southern Co-operative, established 'Fareham Community Savers', a local arm of the Hampshire Credit Union movement that would serve the communities living in the Fareham Park and Broadlaw Walk areas of the Borough of Fareham. These areas had been designated as a result of the recognition of higher unemployment and high levels of social housing in these locations.
5. Each partner agency committed to funding the initiative for five years, at a level of £5,600 per annum, subject to satisfactory performance, with an agreement that a Management Board comprised of a representative from each funding partner agency would monitor progress and effectiveness.
6. Measures of success included securing new members to join the savings scheme, running events to raise awareness of money management and referring residents to support services such as Citizens Advice Bureau for more specialised advice.

7. In order to achieve the primary objective of the initiative, the services of United Savings and Loans (USAL) were utilised as the 'banking partner'. However, in September of 2014 USAL withdrew their services and, in response to the absence of a reliable banking partner. Following this decision, the Fareham Community Savers Management Board decided that in future the focus would be on promoting effective money management skills and signposting to sources of support for those individuals experiencing difficulties with managing their finances.
8. In March 2015, at the meeting of the Fareham Community Savers Management Board, an update on progress with the project reported that, despite continued commitment and significant effort put into all components of the project, the anticipated success rates had not been achieved.
9. As a result of these identified difficulties with Fareham Community Savers, the decision was taken at the March Management Board meeting to end the initiative.

## **TARGETING EDUCATION, SKILLS AND TRAINING**

10. Open access youth provision is currently provided at both Fareham North West and Broadlaw Walk. The Fareham North West Youth Project was set up, and initially funded, as part of the Fareham Park Project, a Council initiative to improve life chances of the residents in this area.
11. The aim of the Youth Project was to form positive relationships with young people from the Fareham Park area, providing appropriate role models and creating opportunities to raise the aspirations and achievements of the young people attending. The Fareham North West Youth Project currently runs two sessions per week, one for 10 to 13 year olds and one for those aged 13 to 17.
12. Broadlaw Walk currently has two youth clubs which operate from the community space in this location. Broadlaw Walk Youth Club (Junior) runs for two hours after school one day per week for young people aged from 8 to 13 years of age. This club is run by volunteers from the community and is activity based.
13. Broadlaw Walk Youth Club (Senior) was set up in 2014 in response to raising levels of anti-social behaviour in the area, linked to young people. The Senior Youth Club was initially funded for one session per week by a community grant from the Council. Its aim is to establish positive relationships with young people aged 12 to 17 from this priority area, encourage these young people to be accountable for their actions and engage them in issue-based work.
14. The Broadlaw Walk Youth Club (Senior) secured a grant from the Blue Lamp Trust after its initial funding from the Council ceased. This club, too, is in the process of seeking funding to ensure the continuation of this provision.
15. Both Fareham North West Youth Project and Broadlaw Walk Youth Club (Senior) offer, through their existing positive connections, strong opportunities to involve local young people in overcoming the issues that are of most concern in their communities. With regards to the identified lack of engagement with education, skills and training, it is proposed that these existing positive relationships are utilised to tackle these issues through targeted mentoring and signposting.

16. The Council is currently working in partnership with First Wessex and youth providers to determine how the existing provision in these two areas can best be utilised and supported to tackle the identified Education, Skills and Training needs.

## **FINANCIAL IMPLICATIONS**

17. The funds remaining at the suspension of the Fareham Community Savers initiative are £12,938. The legal agreement relating to the management of the funds for this initiative states that 'the Parties agree to return any funds remaining in the Pooled Fund to the Council and the Arrangement Parties, in the percentages contributed, when the agreement is terminated'. As Southern Co-operative has relinquished its claim to its share of the remaining funds, the £12,938 will be divided equally between Fareham Borough Council and First Wessex Housing Association, representing £6,469 per organisation.
18. The Fareham Park Project provided £8,407 of external funding to run the two open access youth provision sessions at Fareham North West Youth project and this funding has now expired. This report proposes that the £6,469, which constitutes the Council's allocation from the Fareham Community Savers agreement, is reassigned to support the continuation of this Youth Project.
19. An appropriate funding agreement will need to be reached with Fareham North West Community Association. Any funding provided will be under the condition that the open access sessions will have a focus on engaging the local young people in accessing education, skills and training.
20. As a result of the identified need in the Broadlaw Walk area, and the Fareham Community Savers initiative's previous operation in this location, this report proposes that the Council continues to work in partnership with First Wessex to promote the reassignment of the Housing Association's allocation to support the Broadlaw Walk Youth Club and to have an equivalent focus.

## **CONCLUSIONS**

21. Open access youth projects operate at both Fareham North West and Broadlaw Walk. These youth clubs offer positive role models and mentoring, improve links to support agencies and effectively challenge young people's perceptions.
22. This report proposes that the funding which is currently allocated to the now defunct Fareham Community Savers initiative would be most effectively utilised by reallocating it to the respective youth projects to support young people from these communities to increase their engagement with education skills and training.

**Enquiries:** For further information on this report please contact Claire Benfield, Community Development Officer. (Ext 4495)



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Leisure and Community
<b>Subject:</b>	<b>Leigh Road Tennis Courts – Conversion to Car Parking</b>
<b>Report of:</b>	Director of Operations
<b>Strategy/Policy:</b>	Leisure Strategy
<b>Corporate Objective:</b>	Leisure for health and for fun

**Purpose:**

To feedback on the consultation on the proposal to convert the existing two tennis courts opposite the Leigh Road entrance to the Park Lane Recreation Ground to provide additional car parking.

**Executive summary:**

The existing car park at Leigh Road has 20 parking spaces and, whilst this is sufficient to accommodate most of the demand, it does not have the capacity to meet the peak demand during the summer, particularly when the Fareham Bowls Club have matches or events taking place at their premises within the recreation ground.

The adjacent two tennis courts are redundant and no longer fit for purpose and there is an opportunity to change the use of these to provide an additional 25 parking spaces, which will include disabled parking bays and be in line with the existing four hour limit.

Public consultation has revealed no objection to the principle of converting the tennis courts to provide additional car parking, but there has been a request for an alternative use to be considered, i.e. to make the area of the courts a formal area for off the lead exercise / training of dogs.

The Executive is asked to consider the results of the consultation and to consider the proposal to provide additional car parking.

**Recommendation/Recommended Option:**

That the Executive agrees that the redundant tennis courts adjacent to the Leigh Road entrance to the Park Lane Recreation Ground be converted to provide increased car parking provision.

**Reason:**

To address the shortfall in parking in the summer period and to further implement the Park Lane Vision.

**Cost of proposals:**

A capital budget of £70,000 will be required for the conversion to be funded from available developer's contributions and added to the open spaces improvement programme for outdoor sport.

Appendices:

A: [Location Plan](#)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	<b>Leigh Road Tennis Courts – Conversion to Car Parking</b>
<b>Briefing by:</b>	Director of Operations
<b>Portfolio:</b>	Leisure and Community

#### INTRODUCTION

1. There are two tennis courts adjacent to the Leigh Road entrance to the Park Lane Recreation Ground. These have effectively been redundant since 2010 as the surface is not suitable for the playing of tennis due to the debris that falls from the row of Hornbeam trees on the eastern side of the court.
2. No action on the tennis courts has previously been taken as it was considered appropriate to address the future of these as part of the ongoing development of the Park Lane Vision. As part of this vision it is intended to install an all-weather multi use sports area which would include tennis provision and improve the provision of facilities for this sport in the area.
3. Since being removed from use as tennis courts, the enclosed area has become popular with dog walkers who use the area as an off the lead area.

#### LEIGH ROAD CAR PARK

4. The existing car park at Leigh Road has 20 parking spaces and, whilst this is sufficient to accommodate most of the demand, it does not have the capacity to meet the demand when events are taking place such as the Fareham Triathlon or when the Fareham Bowls Club have a match or host a tournament. At such times, problems are experienced with people parking inappropriately on the public open space and on Leigh Road meaning that residents are displaced.
5. To address the problem of inappropriate parking at Leigh Road and to help meet the needs of the Fareham Bowls Club, and to find a more suitable use of the land occupied by the tennis courts, a proposal has been developed to convert 60% of the tennis courts into an extension to the Leigh Road car park to provide an additional 25 parking bays, 4 of which would be disabled spaces. The remaining area of the tennis courts would be returned to grass.

## **CONSULTATION**

6. In November 2015 a consultation exercise was undertaken to gauge the views of the local residents and visitors to the Park Lane Recreation Ground. The consultation included sending an explanatory letter and plan to all of the residents in Leigh Road, to SLM who manage the Fareham Leisure Centre and to the Fareham Bowls Club whose club is immediately to the north of the Leigh Road car park. In addition A3 posters of the proposals were displayed on the perimeter fencing of the tennis courts.
7. Twenty responses to the consultation were received and the key outcomes were:
  - Both the Fareham Bowls Club and SLM were supportive of the proposal.
  - Four residents expressed support for the proposal.
  - No objections were received to the principle of increasing parking provision, although a number of comments were received about parking issues in general.
  - Fourteen members of the public were concerned about the loss of the current informal use as an off the lead area for dogs.
  - The local ward Councillors have expressed their support for the proposals.
8. The issues raised in relation to parking in the area included concerns about commuters parking in Leigh Road all day, commercial vehicles parking in the car park overnight, a suggestion that residents parking be introduced in Leigh Road, making Leigh Road one way and a suggestion that residents be allowed to park in the existing and extended car park without restriction.
9. Whilst these are all genuine concerns and will be discussed with relevant officers, they are not considered to be directly relevant to whether the car park should be extended.
10. Currently the tennis courts are used as an informal off the lead dog walking area and those who have suggested that this use should be retained and formalised have argued that it is an ideal facility for the elderly who cannot exercise their dogs in the remainder of the park, that there is nowhere else in the area that dogs can be safely let off their leads, that it is ideal for training puppies and rescue dogs, it is a safe area for dogs with behavioural problems and that it is an ideal area for training and bonding with new dogs.
11. Whilst the dog walking community are keen for this area to be formalised as an “off the lead” dog area, a number of complaints have been received from local residents about the associated noise from barking and alleged incidents of dog fighting. Because of these problems and due to the close proximity of the area to residential properties, the use of the tennis courts as an “off the lead” dog walking is not considered to be suitable.

## **FINANCIAL IMPLICATIONS**

12. The capital cost of converting the tennis courts to provide additional car parking and the associated landscaping and signage is £70,000. It is recommended that this be funded from available developers contributions and be formally included within the open spaces improvement programme for outdoor sport when this is considered by the Executive in April 2016.

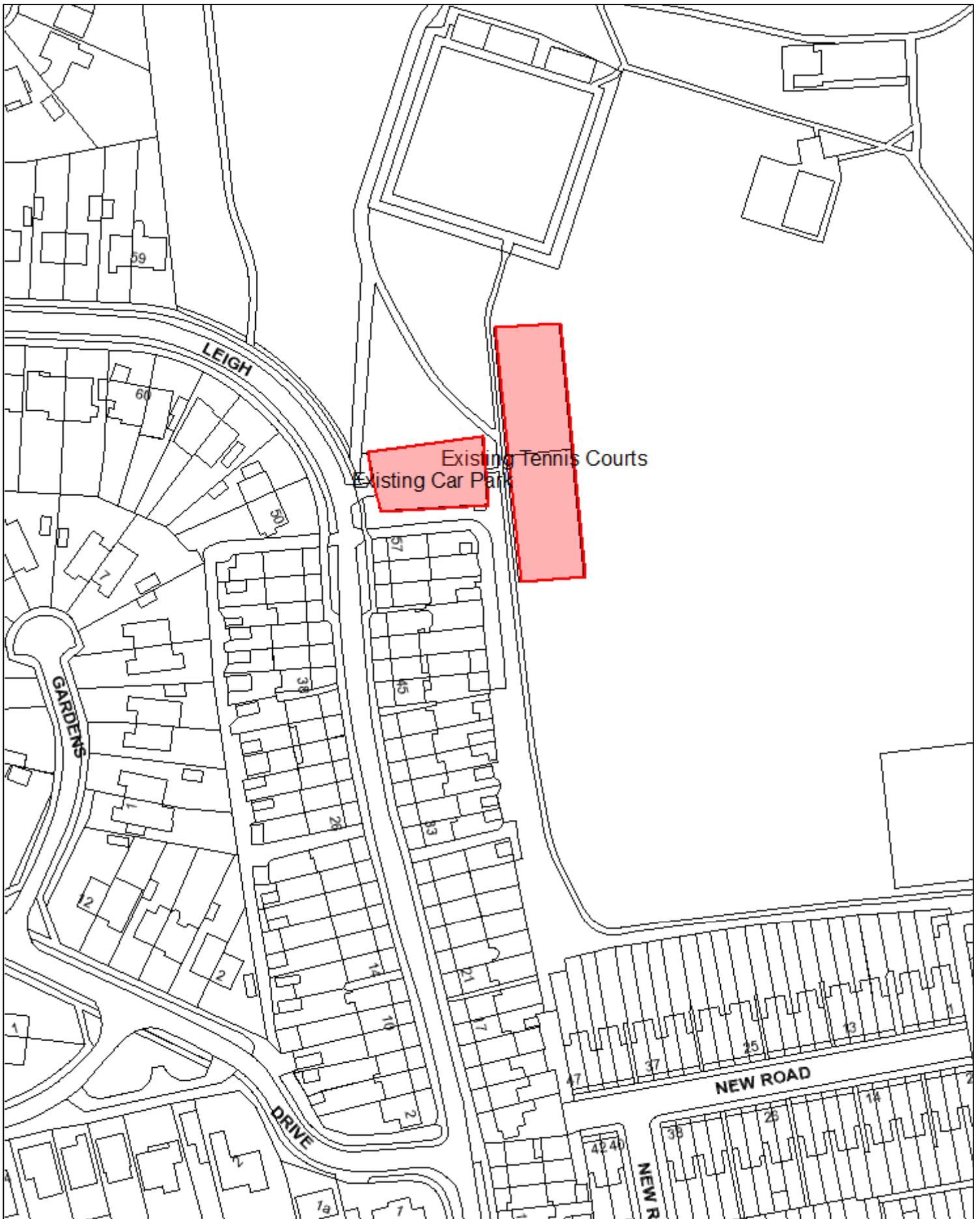
## **CONCLUSION**

13. The consultation exercise that has been undertaken has not identified any significant objections to extend the Leigh Road car park. However, an alternative use as a formal off the area for dogs has been suggested by the fourteen local dog walkers.

### **Enquiries:**

For further information on this report please contact Gareth Satherley. (Ext 4476)





## Appendix A : Location Plan





# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

**Portfolio:** Public Protection  
**Subject:** Traffic Management  
**Report of:** Director of Operations  
**Strategy/Policy:**  
**Corporate Objective:** A safe and healthy place to live and work

**Purpose:**  
To update the Executive on progress in delivering the 2015/16 Traffic Management programme and request members to consider and approve the programme for 2016/17.

**Executive summary:**  
The Executive agreed the 2015/16 Traffic Management Programme on 2 February 2015. This report updates members on progress in delivering the 2015/16 Traffic Management Programme, seeks approval for the Traffic Regulation Order priorities for 2016/17, and informs the Executive of the general work undertaken by the Traffic Management Team.

**Recommendation/Recommended Option:**  
That the Executive agrees:

- (a) to note the progress on the current 2015/16 programme, considers planned work for 2016/17 identified in Appendices A to D to this report and agrees that:
- (b) that the Proposed Traffic Regulation Order Programme for 2016/17, as shown in Appendix B (Table 4) to the report, be approved; and
- (c) that the work undertaken on the deployment of the Speed Limit Reminder signs, as detailed at Appendix D to the report, be noted.

**Reason:**  
To improve road safety and to reduce congestion.

**Cost of proposals:**

The proposals in the report can be met from existing budgets.

**Appendices:**

Appendix A: Programme of Traffic Investigations

Appendix B: Review of Traffic Regulation Orders and Proposed Programme

Appendix C: Externally Funded Traffic Regulation Orders

Appendix D: Speed Limit Reminder Signs Programme

Appendix E: Traffic Regulation Order Flowchart

**Background papers:**

None

**Reference papers:**

None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	08 February 2015
<b>Subject:</b>	Traffic Management Programme
<b>Briefing by:</b>	Director of Operations
<b>Portfolio:</b>	Public Protection

#### INTRODUCTION

1. Traffic Management is undertaken on behalf of Hampshire County Council (HCC) through an Agency Agreement. An annual allocation of funding is provided for administration of the Agency Agreement and to fund the introduction of Traffic Regulation Orders (TROs) and associated signs and lines.
2. This report is presented to the Executive in order to provide an update on the progress of the current programme and seeks comment on the proposed programme for 2016/17. The current programme was last reported to and agreed by the Executive on 2 February 2015.
3. The total allocation from HCC for 2015/16 for implementing TROs, including a small amount for the introduction of new signing and lining to address minor traffic management issues and the marking of disabled driver bays, was £15,500. This is considered further under the heading "Funding and Resources" below, and is expected to remain the same for 2016/17. An allocation of £68,970 is also made by the County through the agency agreement towards the cost of officers undertaking this work.
4. Under the Traffic Management Agency Partnership Agreement, the process for approving the TRO Programme is required to be agreed by Hampshire County Council after receiving a recommendation from Fareham Borough Council's Executive and comments from the relevant Hampshire Highways Workshop.
5. The Executive is requested to consider the programmes in this report and the recommendations from the Public Protection Policy Development and Review Panel before consideration by the relevant Hampshire Highways Workshop.

#### TRAFFIC INVESTIGATIONS

6. An update on the progress of Traffic Investigations approved for 2015/16 (Table 1) is shown in Appendix A. The table explains the progress on each scheme, and the ongoing list of Traffic Investigations is shown. Any uncompleted in 2015/16 will be rolled over to form the following year's programme (2016/17).

## **TRAFFIC REGULATION ORDERS**

7. The TRO Programme is a programme of investigations that are likely to result in the introduction of a legally enforceable TRO. Requests are received from many sources asking for the provision of restrictions, every one of which requires statutory consultation procedures including press advertisements and site notices. Without these processes, it would not be possible to provide the enforcement required after the order is introduced.
8. Where it is deemed necessary (at the discretion of the Traffic and Design Manager in consultation with the Head of Parking and Enforcement), a letter drop is carried out to all directly affected frontages where a TRO is proposed. This is done where a proposal is likely to be contentious, and where the scheme is likely to be modified if there are significant objections. This type of consultation is therefore less likely to take place where, for example, the proposal is a small scheme to provide something like or nothing more than junction protection for safety reasons.

## **RE- CONSOLIDATION OF TRAFFIC REGULATION ORDERS**

9. In April 2007 all waiting restriction TROs were made into a single Consolidation Order as part of the introduction of de-criminalised parking. This was when the responsibility for enforcement was passed from the Police to FBC's Civil Enforcement Officers.
10. Since then, almost a hundred new TROs have been introduced and, after extensive work over many months in close liaison with the Southampton and Fareham Legal Services Partnership, a new Consolidation Order was introduced in April 2014.
11. It is intended to re-consolidate the TRO's again during 2016, it is also the intention to re-consolidate all off street parking orders at the same time, as these have not been re-consolidated since 2007.

## **FUNDING AND RESOURCES**

12. In addition to the funding allocation from HCC as mentioned in paragraph 3, further TROs are at times required to be introduced as part of new developments or other highway schemes such as for casualty reduction. These TROs are funded separately, either by the developer or directly from the individual scheme budget and are scheduled in Appendix C Table 5.
13. The works and advertising costs for the introduction of a typical TRO involving double yellow lines are in the region of £1,500, as these do not require signing. Costs for single yellow line orders, limited waiting orders or speed limits will be more due to the regulatory signing requirements, particularly if there is a need for the signing to be illuminated.
14. Based on previous resource and funding levels, around ten sites can be considered for implementation in each year; these are generally referred to as comprising the "internal programme". The amount which can be processed depends on the "external" programme, which is made up of those requests that come in from and are funded by HCC and developers.

## **PRIORITISATION OF TROs**

15. Schemes are prioritised based on the criteria previously agreed by the Executive. The prioritisation criteria are set out at the end of Appendix B. Low priority sites that meet few of the criteria are unlikely to justify being included in future programmes unless circumstances change.
16. Externally funded TROs do not require prioritisation as they are deemed necessary as part of a particular scheme or development. These TROs are progressed as and when required throughout the year.
17. Where there is a requirement for any changes to be made following a review of an implemented TRO, a report will be provided to the Executive portfolio holder.

## **REVIEW OF THE 2015/16 PROGRAMME**

18. The progress of the TROs investigated in 2015/16 is shown in Table 3 Appendix B. Alongside those schemes, as agreed by the Executive on 2 February 2015, there have been additional externally funded Orders. These additional Orders are shown as 'Externally Funded' TROs in Table 5 Appendix C.
19. Members will note from Table 3 Appendix B that all of the TROs programmed to be investigated have been either implemented or are progressing towards implementation. Where there has been a delay, the reason is also detailed within the Appendix. Any scheme that is not completed in this current financial year will be carried over into the 2016/17 programme.

## **TRAFFIC REGULATION ORDERS – 2016/17 PROGRAMME**

20. The list of sites recommended by officers for investigation and possible implementation in 2016/17 is included in Table 4, Appendix B. These sites are the highest priority sites taken from the list of requests and are considered to be of greatest benefit to road safety or have been identified as an issue that needs an Order to be enforced.
21. The Executive Portfolio Holder for Public Protection has been given delegated authority, in conjunction with the Director of Operations, and in consultation with Ward members, to manage the List of requests for TROs. This is based upon the priority of the existing requests that are already on the list as well as those that are added to it through requests from Members and the public during the course of the year.

## **TEMPORARY TRAFFIC REGULATION ORDERS**

22. Temporary road closures and diversions for road works, including works carried out by public utility companies, are processed by the Borough Council. The temporary closures are processed on request and include closures requiring an Order, those dealt with by site notices and also emergency closures. The cost of these Orders is recharged to the applicant. A total of 81 requests for temporary traffic orders had been processed this financial year (2015/16) by the start of January 2016.

## **SPEED LIMIT REMINDER SIGNS**

23. Community Action Teams initially funded the provision of six Speed Limit Reminder (SLR) signs. These flash the speed limit (either 30 or 40), and are activated when a vehicle exceeds the set speed limit. These have now been in use since September 2010, and their deployment continues to be welcomed by Members and the general public.
24. There is also a Community Speedwatch programme operated by the Police in most parts of the Borough, which involves members of the public using radar speed guns to measure vehicle speeds. Excessive speeds can be followed up by a police letter warning that their details have been noted.
25. The SLR programme is developed with information from the Police, HCC, local Members, CATs meetings and local residents. The locations of sites are shown at Appendix D. In respect of many locations comments have been made that traffic speeds have reduced, and their further use has been requested.
26. The SLR programme can be supplemented by the use of Speed Data Recorders (SDRs), which enable traffic volume and speed data to be recorded (SLRs don't record data, they only flash the speed limit). If a major speeding problem is identified, further consultation with the Police and HCC would be undertaken to attempt to resolve the problem. However, for the majority of surveys undertaken, vehicle speeds have been at a level that does not require intervention through police speed enforcement or traffic calming.

## **RISK ASSESSMENT**

27. HCC funds the delivery of the traffic management programme and provides an allocation of £68,970 towards the cost of employees undertaking this work. If there is any reduction in the budget received from HCC there would be an impact upon the Council in subsidising the delivery of this service in its current state, or a reduction in the programme that is delivered.

## **CONCLUSION**

28. This report reviews the progress of the 2015/16 programme of Traffic Regulation Orders and Traffic Investigations and also outlines the proposed traffic management work programmes for 2016/17. The Executive is requested to note the progress made on current programmes and approve the programmes for 2016/17.

### **Appendices:**

- [Appendix A:](#) Programme of Traffic Investigations
- [Appendix B:](#) Review of Traffic Regulation Orders and Proposed Programme
- [Appendix C:](#) Externally Funded Traffic Regulation Orders
- [Appendix D:](#) Speed Limit Reminder Signs Programme
- [Appendix E:](#) Traffic Regulation Order Flowchart

**Background Papers:** None

**Reference Papers:** None

**Enquiries:** For further information on this report please contact Kevin Wright (Ext 4359)

## PROGRAMME OF TRAFFIC INVESTIGATIONS

Table 1: UPDATE ON TRAFFIC INVESTIGATIONS FOR 2015/16 PROGRAMME

	INVESTIGATION TITLE	REQUESTED BY/JUSTIFICATION	DETAILS	PROGRESS
1	Wickham Road near to Furzehall Avenue	Ward Members and residents concerned about parking along this A class road	TRO proposals subject to Executive Member Decision 12 <sup>th</sup> January 2016	Awaiting implementation



REVIEW OF TRAFFIC REGULATION ORDERS

TABLE 3: UPDATE ON TRAFFIC REGULATION ORDER PROGRAMME 2015/16

	SITE	REQUESTED BY	DESCRIPTION & JUSTIFICATION	Accidents	C'munity/Police	Sight Lines	Congestion	Obstruction	Duration	Highway Code	Environmental	Economic	PROGRESS
	<b>Schemes carried over from 2014/15 Programme</b>												
1	Church Road, Warsash	Police and residents	Hazardous parking associated with local school		✓	✓			✓	✓			Completed
2	Havelock Road	Residents and Ward Member	Complaints about hazardous parking		✓			✓	✓				Completed
3	Harper Way	FBC officers	Complaints about overspill parking by taxis		✓	✓			✓				Completed
4	Castle Street	Ward Member and residents others	Access to castle obstructed on busy days		✓		✓	✓	✓	✓			Completed
5	Wickham Road	Ward Member and Police	Parking causes congestion on major road	✓	✓	✓	✓		✓	✓			Completed
6	Poinsettia Close	FBC, HCC and residents	Obstructive parking in cul de sac		✓			✓	✓	✓			Further review required
7	Lawson Close	Streetscene and residents	Obstructive parking in cul de sac		✓		✓	✓		✓			Further review required
8	Bridge Street service road A27	Ward Member and resident	Parking causes obstructions		✓			✓	✓	✓			Completed
9	Titchfield Pk Rd Segensworth Rd	Residents and Ward Member	Complaints about parking associated with nearby industrial units		✓	✓		✓	✓	✓			Completed
10	Southampton Road (Park Gate)	Residents and Ward Member	Complaints about parking associated with nearby industrial units		✓	✓		✓	✓	✓			Completed
11	Coldeast Close	Residents and Ward Member	Complaints about parking associated with new housing development		✓	✓		✓	✓	✓			Completed

	SITE	REQUESTED BY	DESCRIPTION & JUSTIFICATION	Accidents	C'munity/Police	Sight Lines	Congestion	Obstruction	Duration	Highway Code	Environmental	Economic	PROGRESS
12	Watersmeet	Residents and Ward Member	Obstructive parking in junction areas		✓			✓	✓	✓			<b>Completed</b>
13	Hammond Road	Residents and Ward Member	Obstructive parking	✓	✓	✓		✓		✓			Further review required
14	Cornaway Lane	Residents and Ward Member	Obstructive parking		✓		✓	✓					<b>Completed</b>
15	Cornaway Lane service road	Residents and Ward Member	Parking prevented by unnecessary restriction	Revocation, not applicable									<b>Completed</b>
16	Lower Spinney	Residents and Ward Member	Complaints that restrictions are too severe	Revocation, not applicable									<b>Completed</b>
	<b>Current 2015/16 Programme</b>												
1	Beacon Bottom area	Residents and Ward Member	Commuter and other parking causes obstructions		✓			✓	✓	✓			Investigations ongoing
2	Portsview Avenue	Residents and Ward Member	Obstructive parking at junctions		✓	✓		✓		✓			<b>Completed</b>
3	Shorewood Close	Police and residents	Obstructive parking at junctions		✓	✓		✓		✓			<b>Completed</b>
4	Old Turnpike	Residents and Ward Member	Various parking concerns		✓	✓	✓	✓	✓	✓			Investigations ongoing
5	Marks Tey Road	Residents and Ward Member	Various parking concerns		✓	✓		✓	✓	✓			<b>Completed</b>
6	Newtown Road	Ward Member	Remove outdated restrictions to aid parking for residents	Revocation, not applicable									<b>Completed</b>
7	Cornaway Lane review	Residents and Ward Member	Further restrictions wanted after recent restrictions implemented		✓			✓		✓			Investigations ongoing
8	Barbican Mews	Residents	Long standing parking concerns		✓		✓	✓		✓			Investigations ongoing
9	Sartoris Close	Ward Member	Hazardous parking in junction area		✓	✓			✓	✓			<b>Completed</b>

	SITE	REQUESTED BY	DESCRIPTION & JUSTIFICATION	Accidents	Community/Police	Sight Lines	Congestion	Obstruction	Duration	Highway Code	Environmental	Economic	PROGRESS
10	Havelock Road review	Ward Member	Refinement of recently introduced restrictions	Revocation, not applicable									<b>Completed</b>
11	Harper Way taxi drop off	FBC and Taxi Association	Provide drop area to reduce conflicts in West Street	Existing restricted area, N/A									<b>Completed</b>
12	Old Swanwick Lane	Police and residents	Hazardous parking at junction with Tollgate Road		✓	✓			✓	✓			Awaiting implementation
13	Brigantine Road	Ward Member	Hazardous parking at junction with Dibles Road		✓	✓			✓	✓			Awaiting implementation
14	Victoria Close	Ward Member	Obstruction of vehicular accesses		✓	✓							Awaiting implementation
15	Broadcut car park	FBC officers	To remove inappropriate long stay parking		✓				✓			✓	Awaiting implementation

**Note :** Items 6-15 (above) were introduced into the TM programme under delegated authority to Executive Member for Public Protection, in consultation with the Director of Operations

**TABLE 4: SCHEMES TO BE INVESTIGATED IN 2016/17 PROGRAMME**

	SITE	REQUESTED BY	DESCRIPTION & JUSTIFICATION	Accidents	Community/Police	Sight Lines	Congestion	Obstruction	Duration	Highway Code	Environmental	Economic
1	Locks Road (Park Gate)	Residents	Hazardous parking south of A27			✓	✓	✓		✓		
2	Crofton Lane (Hill Head)	Ward Member	Congestion around local shops		✓			✓	✓			✓
3	Place House Close (Heathfield)	Ward Member	Excessive parking and verge damage		✓			✓	✓		✓	
4	Wheatlands (Locks Heath)	Ward Member	Obstructive parking in cul de sac		✓	✓		✓	✓			
5	The Croft (Stubbington)	Ward Member	Parking particularly at junction area		✓	✓		✓		✓		

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**KEY**

✓ Item meets this criterion

**Prioritisation Criteria**

- Accidents - Accidents involving personal injury have been recorded
- Community / Police - Item requested by community representatives e.g. Ward Members or Police
- Sight lines - Driving visibility compromised, e.g. by parking close to junctions
- Congestion - Reduction in congestion could result from TRO measures
- Obstruction - Parking causes problems for access by large essential vehicles e.g. dustcart, fire engine, buses
- Duration - Length of time when problem occurs, e.g. school parking is short duration and would not qualify
- Highway Code - Parking taking place contrary to recommendations of The Highway Code
- Environmental - Measures likely to improve environment, e.g. to combat parking in environmentally sensitive areas
- Economic - Measures likely to improve local economy, e.g. improve parking turnover outside shops

TABLE 5: EXTERNALLY FUNDED TRAFFIC REGULATION ORDERS

<b>UPDATE ON TRO'S LISTED IN FEBRUARY 2015 REPORT</b>			
	<b>SITE</b>	<b>DESCRIPTION &amp; JUSTIFICATION</b>	<b>STATUS</b>
1	Catisfield Lane	Waiting restrictions in respect of housing development	Awaiting completion of development
2	South Street, Titchfield	Experimental scheme to alleviate bus access issues	<b>Completed</b>
3	Fielder Drive	Waiting restrictions wanted in industrial area	<b>Completed</b>

<b>SCHEMES INTRODUCED TO PROGRAMME SINCE FEBRUARY 2015 REPORT</b>			
	<b>SITE</b>	<b>DESCRIPTION &amp; JUSTIFICATION</b>	<b>STATUS</b>
1	Linden Lea	Waiting restrictions in association with opening of convenience store	<b>Completed</b>
2	Titchfield Square	Waiting restrictions and car park re-marking following surveys by Planning Dept.	<b>Completed</b>
3	Serpentine Road	Removal of residents parking bay due to new off road parking	<b>Completed</b>
4	Coal Park Lane	Waiting restrictions as part of carriageway restructuring	Awaiting instructions from HCC
5	Holly Hill Leisure Centre car park	To coincide with the opening of the new Leisure Centre	Awaiting implementation
6	Stow Crescent	To permit access for essential large vehicles into Gibraltar Close	Awaiting implementation



## SITE RECORD OF SPEED LIMIT REMINDER (SLR) SIGNS

## SLR DEPLOYMENT (FROM JAN. 2014)

CAT Area & Requested SLR Site	REQUESTED BY	DATE DEPLOYED
<b>Portchester</b>		
Castle Street (Southbound o/s no.50)	Ward Member	18 Dec 13 to 23 Jan 14
Shearwater Avenue (traffic coming in)	Resident	23 Jan 14
Hill Road, northbound (both direction, north of Nyewood)	Resident	14 Mar 14
Hill Road, southbound (both direction, north of Nyewood)	Resident	14 Mar 14
Hatherley Crescent (l/c o/s no. 38 and 52) (SDR)	Resident	17 Apr 14
Hill Road (near 73 - both direction)(Northbound)	Resident	11 Jul 14
White Hart Lane Junction with Seaway Grove - Westbound	Ward Member	14 Aug 14
Allenby Grove (o/s no.21 - westbound towards Clive Grove)	TM team	28 Aug 14
White Hart Lane Junction with Seaway Grove - Eastbound	Ward Member	28 Aug 14
Westlands Grove (between White Hart Ln/Central Rd roundabout) (northbound)	Ward Member	06 Nov 14
Leith Avenue (half way - westbound traffic (coming from Paulsgrove)	Ward Member	21 Nov 14
Hill Road (northbound-between Portsview Ave and Hill View Rd)	Resident	3 Nov 14
Hill Road (southbound-between Nyewood Ave and Portchester Heights)	Resident	21 Jan 15
Hill Road (both directions - near no. 60) Northbound	Resident	18 Feb 15
Hill Road (both directions - near no. 60) Southbound	Resident	5 Mar 15
Westlands Grove (between White Hart Ln/Central Rd roundabout) (southbound)	Ward Member	19 Mar 15
Dore Avenue (facing north so the cars see it going south, just before jute close)	Resident	1 Apr 15
Downend Road (southbound, towards A27 - L/C no. 8)	Ward Member	16 Apr 15
Downend Road (towards A27 - L/C no. 8) Northbound	Ward Member	29 Apr 15
Cornaway Lane (L/C outside no.51 - northbound from WHL)	Resident	10 Jun 15
Cornaway Lane (L/C outside no.51 - southbound)	Resident	30 Jun 15
Linden Lea Both directions	Resident	13 Aug 15
Dore Avenue Southbound	Resident	16 Sept 15

<b>CAT Area &amp; Requested SLR Site</b>	<b>REQUESTED BY</b>	<b>DATE DEPLOYED</b>
Linden Lea Both directions	Resident	11 Nov 15
<b>Fareham</b>		
Osborne Road	Resident	27 Feb 14
Kiln Road (Westbound - near no's51/53)	Ward Member	17 Apr 14
Kiln Road (Eastbound - near no's51/53)	Ward Member	17 Apr 14
Longmynd Drive (midway, for eastbound traffic)	Ward Member	17 Apr 14
Salterns Lane	TM team	1 May 14
Park Lane (opposite Leisure Centre)	Ward Member	1 May 14
Arundel Drive (outside shops)	Resident	1 May 14
Wickham Road (Northbound Traffic)	Ward Member	15 May 14
Wickham Road (Southbound Traffic)	Ward Member	15 May 14
A27 The Avenue (past traffic lights Bishopsfield Road/Veryan jct)	Ward Member	30 May 14
Blackbrook Road (past Abbots Way - towards Highlands Rd)	Ward Member	30 May 14
Hillson Drive (Southbound direction along straight stretch)	Resident	11 July 14
Broadcut (near Bosch Diesel Centre, Fareham Car Centre.)	Resident	14 Aug 14
Kiln Road (Westbound - near no's51/53)	Ward Member	28 Aug 14
Park Lane (northbound, near school crossing)	Ward Member	12 Sep 14
Kiln Road (Eastbound - near no's51/53)	Ward Member	12 Sep 14
Gudge Heath Lane (south of Brook Farm Ave )	Resident	12 Sep 14
Park Lane (southbound, before school crossing)	Ward Member	25 Sep 14
Locks Road (southbound Traffic near The Mulberry Bush)	Resident	25 Sep 14
Gudge Heath Lane (northbound)	Resident	25 Sep 14
Lambourn Close	Resident	09 Oct 14
Peak Lane (southbound)	Ward Member	09 Oct 14
Highlands Road northbound	Ward Member	23 Oct 14
Heath Road (L/C No.10travelling in the Lockswood Road direction) (Westbound)	Resident	23 Oct 14
Blackbrook Road (Eastbound (GHL) midway by Anjou)	Resident	23 Oct 14
Highlands Road southbound	Ward Member	6 Nov 14
St Michaels Grove (both directions - half way) Westbound	Resident	6 Nov 14

CAT Area & Requested SLR Site	REQUESTED BY	DATE DEPLOYED
Blackbrook Road (Westbound (HR) midway by Anjou)	Resident	6 Nov 14
The Avenue (Highlands Road to Redlands Lane)	Ward Member	21 Nov 14
Redlands Lane (southbound - opposite St Michaels Gr.)	Resident	3 Dec 14
St Michaels Grove (both directions - half way) Eastbound	Resident	21 Nov 14
Bishopsfield Road (northbound - half way)	Resident	3 Dec 14

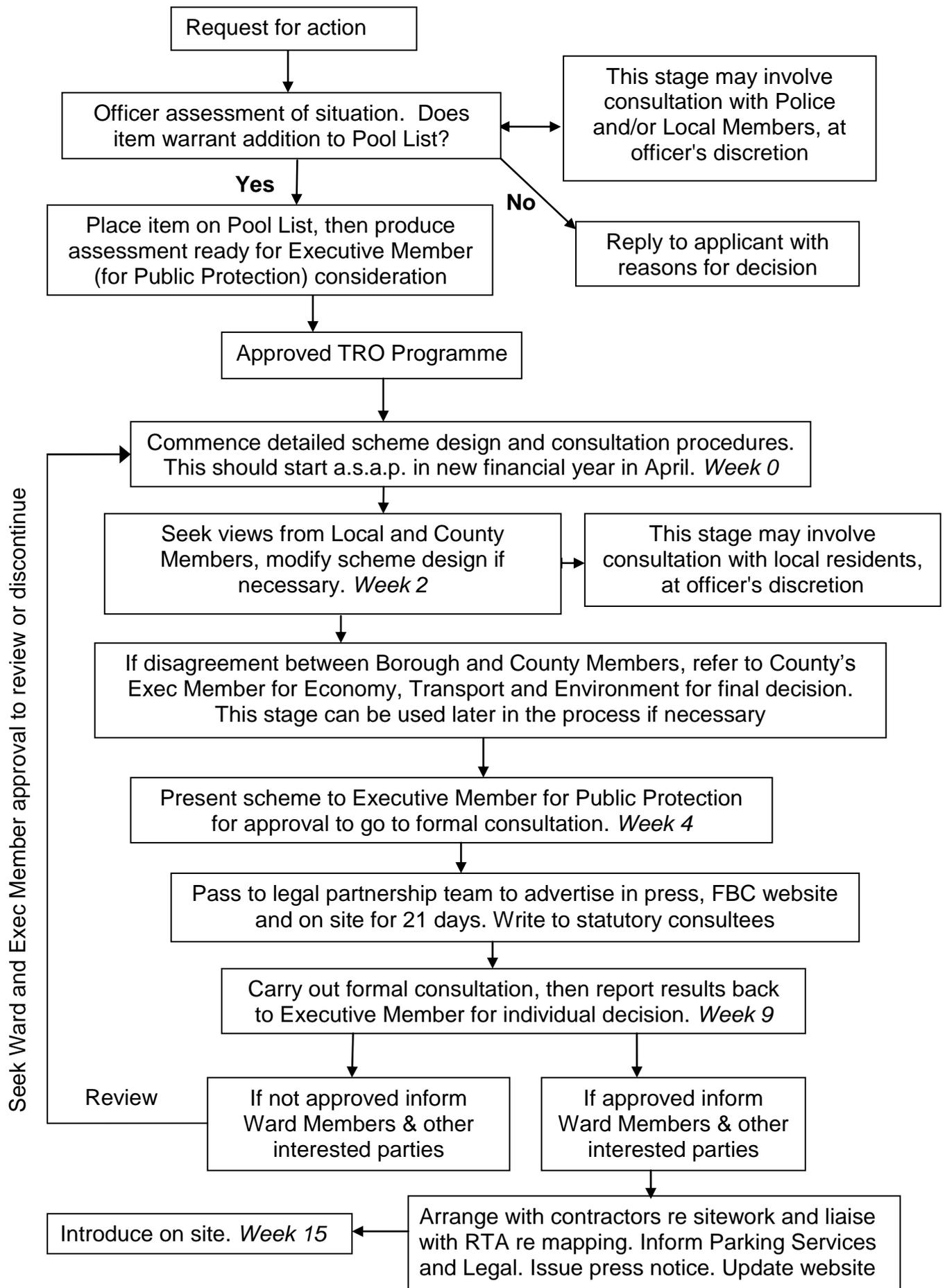
Redlands Lane (northbound - opposite St Michaels Gr.)	Resident	21 Jan 15
Bishopsfield Road (southbound - half way)	Resident	21 Jan 15
Mill Road (towards Redlands Lane)	Resident	18 Feb 15
Mill Road (towards Gosport Road)	Resident	5 Mar 15
Gudge Heath Lane (northbound - o/s nos 129 and 124)	Resident	19 Mar 15
Funtley Road (both directions - nr no.100) Westbound	Resident	16 Apr 15
Funtley Road (both directions - nr no.100) Eastbound	Resident	29 Apr 15
Old Turnpike (near no.34 - southbound direction)	Resident	13 May 15
Gudge Heath Lane (southbound - L/C opp 128)	Resident	28 May 15
Old Turnpike (near no.34 - northbound direction)	Resident	28 May 15
Funtley Road (between The Waters and Lakeside junction) both directions	Ward Member	10 Jun 15
Wickham Road (northbound - on L/C immediately north of Giles Close)	TM team	30 Jun 15
Wickham Road (southbound - L/C north of The Parkway sign)	TM team	15 Jul 15
Funtley Road (between The Waters and Lakeside junction) both directions	Ward Member	30 Jun 15
Funtley Road (near entrance to Roebuck Ave) both direction	Ward Member	30 Jun 015
Mill Road (Eastbound)	TM team	15 Jul 15
Stow Crescent (just before bend - on l/c no.7)	Resident	15 Jul 15
Mill Road westbound	Resident	29 July 15
Stow Crescent ( l/c no.7 - opposite direction)	Resident	29 July 15
Highlands Road (Between Heather Gardens and Frost Hole Crescent - both directions)	Ward Member	13 Aug 15
Longmynd Drive	Resident	16 Sept 15
Highlands Road (Between Heather Gardens and Frost Hole Crescent - both directions)	Ward Member	11 Nov 15
Blackbrook Road	Resident	2 Dec 15

<b>Crofton</b>		
Mays Lane (both directions, north of Pembury Road)	Resident	23 Jan 14
Hill Head Road (towards Cliff Road - Westbound Traffic)	Resident	15 May 14
Hill Head Road ( Eastbound Traffic)	Resident	30 May 14
Mays Lane (o/s no.22, opp. The Croft - Southbound)	HCC	14 Aug 14
Nursery Lane (Northbound direction)	Resident	14 Aug 14
Cliff Road (just before the entrance to Sailing Club Car Park)	TM team	18 Feb 15
Stubbington Lane (opp. Mulberry Ave - towards village)	Resident	5 Mar 15
Stubbington Lane (opp. Mulberry Ave - towards Lee-on-Solent)	Resident	19 Mar 15
Cuckoo Lane (near 89 - both directions)	Police	1 Apr 15
Eric Road (westbound)	TM team	29 Apr 15
Eric Road (Eastbound)	TM team	13 May 15
Hill Head Road Both directions	Resident	16 Sept 15
Nursery Lane	Resident	2 Dec 15
<b>Titchfield</b>		
Primate Road	Ward Member	23 Jan 14
Prelate Way - westbound	Resident	17 Apr 14
St Margarets Lane (southbound o/s Priory Totart)	Ward Member	01 May 14
Lower Church Road (L/C near house no.15-towards longacres)	Ward Member	15 May 14
Rowan Way	Ward Member	30 May 14
Fishers Hill	HCC	30 May 14
Mays Lane (o/s no.22, opp. The Croft - Northbound)	HCC	28 Aug 14
Longacres (closest lamp column to Gillcrest)(towards Lower Church)(southbound)	TM team	12 Sep 14
Longacres (closest lamp column to Gillcrest)(northbound)	TM team	25 Sep 14
Longacres (use lamp column nos 11 and 12) North	Ward Member	21 Nov 14
Longacres (use lamp column nos 11 and 12) South	Ward Member	3 Dec 14
Prelate Way (Eastbound - towards Primate)	Ward Member	21 Jan 15
Prelate Way (Westbound - towards Hunts Pond Rd)	Ward Member	18 Feb 15
Coach Hill (near no.25 - eastbound)	TM team	1 Apr 15
Coach Hill (near no.25 - westbound)	TM team	16 Apr 15
Coach Hill (eastbound traffic - east of Garstons Close)	Resident	13 May 15

St Margarets Lane (southbound traffic)	HCC	28 May 15
Titchfield Road (past traffic light)	Resident	28 May 15
St Margarets Lane (northbound traffic)	HCC	10 Jun 15
Segensworth Road (both direction - near Magnolia Way and The Grange)	TM team	13 Aug 15
Segensworth Road (both direction - near Magnolia Way and The Grange)	TM team	11 Sept 15
St Margarets Lane (northbound traffic)	HCC	2 Dec 15
<b>Western Wards</b>		
Abshot Road (lower end of Abshot Rd)	Resident	27 Feb 14
Osborne Road	Resident	27 Feb 14
Warsash Road (near 256 and Primary School)	HCC	23 Jan 14
Brook Lane (somewhere near 270, by Cold East entrance)	HCC	27 Mar 14
Church Road, westbound - o/s 35 (both direction - west of Lodge Rd as it goes into the dip) (to be repeated further along these straight stretches of road in a few months')	Ward Member	14 Mar 14
Church Road, eastbound - o/s 66 (both direction - west of Lodge Rd as it goes into the dip) (to be repeated further along these straight stretches of road in a few months')	Ward Member	14 Mar 14
Locks Road - northbound (both directions - midway between Centre Way and Warsash Road)	Ward Member	1 May 14
Locks Road - southbound (both directions - midway between Centre Way and Warsash Road)	Ward Member	15 May 14
Barnes Lane (between Holly Hill Lane and St Pauls Road - southbound Traffic)	Resident	11 Jul 14
Montefiore Drive (Southbound Traffic)	Resident	11 Aug 14
Holly Hill Lane Westbound (opp. Hillside Mews)	Ward Member	14 Aug 14
Holly Hill Lane Eastbound (opp. Hillside Mews)	Ward Member	28 Aug 14
Brook Lane (southbound Traffic - Greenaway Lane jct)	Resident	12 Sep 14
Brook Lane Northern section, between A27 and 1 <sup>st</sup> roundbt-Northbound)	HCC	25 Sep 14
A27 Bridge Road (between Allotment Rd and Barnes Lane - Eastbound Traffic)	Ward Member	9 Oct 14
Brook Lane (opp. Community Hospital - southbound)	Resident	9 Oct 14
Locks Road	Resident	9 Oct 14
A27 Bridge Road (between Allotment Rd and Barnes Lane - Westbound Traffic)	Ward Member	23 Oct 14
Heath Road (Westbound)	TM team	23 Oct 14

Heath Road (L/C No.10travelling in the Lockwood Road direction) (Eastbound)	Resident	06 Nov 14
Peters Road (westbound)	TM team	21 Nov 14
Peters Road (eastbound)	TM team	3 Dec 14
A27 Bridge Road (Westbound - by Bold Forrester Pub )	TM team	21 Jan 15
A27 Bridge Road (Eastbound - by Bold Forrester Pub )	TM team	18 Feb 15
Lockwood Road (south of Peters Road)	TM team	5 Mar 15
Coldeast Way (away from traffic lights - southwest bound)	Resident	5 Mar 15
Lockwood Road (south of Peters Road)	TM team	19 Mar 15
Coldeast Way (away from traffic lights - north bound)	Resident	19 Mar 15
A27 Bridge Road (by Allotment Road - towards Busledon)	TM team	1 Apr 15
A27 Bridge Road (by Allotment Road - towards Busledon)	TM team	16 Apr 15
Pitchponds Road, Warsash (near the green - westbound)	Resident	29 Apr 15
Pitchponds Road, Warsash (near the green - eastbound)	Resident	13 May 15
Osborne Road (before the bend by 73 - southbound)	Resident	15 Jul 15
A27 Bridge Road Lamp column 90 for cars going down hill	Resident	29 July 15
Osborne Road (before the bend by 100 - northeast bound)	Resident	29 July 15
Botley Road Near Hamble Heights - both directions	Resident	13 Aug 15
Barnes Lane Towards A27, by no.44	Resident	13 Aug 15
Primate Road	Resident	16 Sept 15
Barnes Lane Towards A27, by no.44	Resident	11 Sept 15
Botley Road Near Hamble Heights - both directions	Resident	11 Sept 15
Locks Road - northbound (midway between Centre Way and Warsash Road)	Resident	2 Dec 15

**Traffic Regulation Order - Flowchart**





# FAREHAM

BOROUGH COUNCIL

**Report to the Executive for Decision  
08 February 2016**

<b>Portfolio:</b>	Planning and Development
<b>Subject:</b>	<b>Local Plan Review and Fareham Town Centre &amp; Portchester District Centre Regeneration Strategies; Proposed Member Working Group Arrangements</b>
<b>Report of:</b>	Director of Planning and Regulation
<b>Strategy/Policy:</b>	Fareham Local Plan Review
<b>Corporate Objective:</b>	Protecting and Enhancing our Environment Maintaining and Extending Prosperity A Safe and Healthy Place to Live and Work Leisure for Health and for Fun A Balanced Housing Market Strong and Inclusive Communities A Dynamic, Prudent, Progressive, Best Practice Council

**Purpose:**  
To consider and approve the proposed arrangements establishing Member Working Groups for the Local Plan Review and associated Regeneration Strategies for Fareham Town Centre and Portchester District Centre.

**Executive summary:**  
This report outlines the proposed arrangements for Member Working Groups for the Local Plan Review and associated Regeneration Strategies for Fareham Town Centre and Portchester District Centre.

**Recommendation:**  
That the Executive agrees the Executive Member for Planning and Development be authorised to make arrangements for the three Member Working Groups for the Local Plan Review, Fareham Town Centre and Portchester District Centre Regeneration Strategies.

**Reason:**

To ensure a suitable mechanism is in place for Officers to report progress to Members on key aspects of the Local Plan Review and the development of the associated Fareham Town Centre and Portchester District Centre Regeneration Strategies.

**Cost of proposals:**

The costs involved in operating these Member Working Groups can be met from within existing operational budgets.

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 <sup>th</sup> February 2016
<b>Subject:</b>	Local Plan Review and Fareham Town Centre & Portchester District Centre Regeneration Strategies; Proposed Member Working Group Arrangements
<b>Briefing by:</b>	Director of Planning and Regulation
<b>Portfolio:</b>	Planning and Development

#### INTRODUCTION

1. By way of background, on the 8th June 2015 the Council formally adopted both the 'Local Plan Part 2: Development Sites & Policies Plan' and the 'Local Plan Part 3: The Welborne Plan'. These adopted Plans and the adopted Core Strategy complete the suite of documents forming the Local Plan. The process of examination and adoption of these two Plans concluded in the Council formally committing to a review of the Local Plan.

#### Local Plan Review

2. Both adopted Local Plans (Parts 2 & 3) outlined the timescales for the future Local Plan Review. The Local Plan Review timetable was specifically programmed in a manner which incorporated the review timetable of the South Hampshire Strategy, which is referred to later in this report. The current Local Plan Review timetable is as follows:
  - Summer 2016: Consultation on Draft Plan (Regulation 18)
  - Summer 2017: Publication of Proposed Submission Plan (Regulation 19)
  - Autumn 2017: Submission to Secretary of State (Regulation 22)
  - Winter 2017: Examination (Regulation 24)
  - Spring/Summer 2018: Adoption of Local Plan (Regulation 26)

#### Local Development Scheme

3. Furthermore, at the 1st September 2014 Executive, a revised version of the Local Development Scheme was approved, which came into effect from 19th September 2014. The Local Development Scheme is a programme management tool that sets out timetables for the preparation of Local Plan documents. The Planning and Compulsory Act 2004, as amended by the Planning Act 2008, and Localism Act 2011, requires each Local Planning Authority to prepare and maintain a Local Development Scheme.

## **South Hampshire Strategy (PUSH)**

4. On 7th September 2015 the Executive also agreed an *'indicative timetable for the review of the Local Plan following a review of the South Hampshire Strategy by PUSH'*. The Partnership for Urban South Hampshire (PUSH) is responsible for producing the South Hampshire Strategy (often referred to as the Spatial Strategy).
5. Since the Local Development Scheme was approved by the Executive PUSH has reviewed its timetable for the Spatial Strategy. At the PUSH Joint Committee meeting on the 9<sup>th</sup> December 2015 a revised timetable for further work that needs to be undertaken was agreed. The revised timetable is as follows:
  - December 2015 - May 2016: Further work/testing options.
  - Early June: PUSH Joint Committee decision to approve draft Spatial Strategy
  - Early June - July 2016: Public consultation on the draft Spatial Strategy
  - September 2016: PUSH Joint Committee decision will be sought to approve the final Spatial Strategy
6. The Council will formally consider the implications of this revised PUSH timetable for the Local Plan Review timetable in due course.

## **Progression of the Regeneration Strategies for Fareham Town Centre and Portchester District Centre associated with the Local Plan Review**

7. On the 11th January 2016 the Executive Member for Planning and Development advised the Executive that the Council would be pursuing Regeneration Strategies for both Fareham Town Centre and Portchester District Centre, which would inform the forthcoming Local Plan Review. This report is about setting up a Member Working Group for each strand of work.
8. It is important to highlight that this regeneration work will not simply focus on planning issues but will be more Corporate and wide ranging in nature. For instance, it will consider how the Council will utilise its land and property assets, as well as consider its role in delivering these regeneration visions. By their nature, the regeneration visions will be focusing on previously developed land (brown-field land) opportunities, particularly in relation to meeting increasing housing needs.

### **Fareham Town Centre Regeneration Strategy**

9. The Member Working Group Fareham Town Centre Regeneration Strategy will be providing a steer to Officers developing a vision for the town centre. Officers will be working with Members on developing strategies to improve and enhance the town centre. Tackling key issues such as improving the retail and leisure offer for residents, businesses and visitor needs. Encouraging an evening economy and residential uses within and near the centre to increase the viability and vibrancy of the town centre, as well as improving the accessibility and attractiveness of Fareham.

### **Portchester District Centre Regeneration Strategy**

10. Similarly, the Member Working Group for Portchester District Centre Regeneration Strategy will be providing a steer to Officers who will be developing a vision for the district centre. Officers will be working with Members on developing strategies to

improve and enhance the district centre. Tackling key issues such as improving the retail and leisure offer for residents, businesses and visitor needs. Encouraging an evening economy and residential uses within and near the centre to increase the viability and vibrancy of the district centre, as well as improving the accessibility and attractiveness of Portchester.

### **Local Plan Review**

11. The Member Working Group Local Plan Review will provide a steer on the Local Plan Review as it progresses through to submission stage. The work of this Member Working Group will ensure that all aspects of the Local Plan Review progress. It will be informed by the planning outcomes of the Fareham Town Centre and Portchester District Centre Regeneration Strategies. For example, the Regeneration Visions will set out the Council's aspirations for housing within both areas and this will translate into the Local Plan Review. One of the first tasks of this Member Working Group, for example, will be assessing the recent 'Call for Sites' exercise.

### **Member Working Groups**

12. This report therefore seeks approval to establish three Member Working Groups. Each of the Member Working Groups will be chaired by the Executive Member for Planning and Development and four/five other Members (totalling five/six Members).
13. This use of Member Working Groups is a similar approach to previous arrangements that worked successfully for the Development Sites & Policies Plan (Part 2) and the Welborne Plan (Part 3). It is therefore recommended that the Local Plan Review continue with this approach.
14. The Member Working Groups will operate on an informal basis and are able to adopt a flexible approach, meeting as and when needed to meet the demands of the Fareham Town Centre Regeneration Strategy, Portchester District Centre Regeneration Strategy and overarching Local Plan Review process. As under previous arrangements, the Member Working Groups will report, as work progresses, direct to the Executive.
15. They will cover three key areas of work :
  - (A) Fareham Town Centre Regeneration Strategy
  - (B) Portchester District Centre Regeneration Strategy
  - (C) Local Plan Review

### **Next Steps**

16. One of the early tasks of each Member Working Group will be to agree a work programme. It is anticipated that the regeneration visions/strategies for Fareham Town Centre and Portchester District Centre will be consulted upon prior to the statutory consultation on the draft Local Plan (Regulation 18). Consultation on these regeneration visions/strategies will inform the formulation of the draft Local Plan.

### **Enquiries:**

For further information on this report please contact Claire Burnett (Ext 4330)



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account Budget and Capital Plans 2016/17</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Housing Strategy
<b>Corporate Objective:</b>	A balanced housing market

**Purpose:**

This report seeks Executive approval for the revised budget for 2015/16, the base budgets, rent increases and fees and charges for 2016/17 and the capital programme with its financing for the years 2015/16 to 2019/20.

**Executive summary:**

The Executive recommended and the Council approved, in February 2015, the base budget and rent increase for 2015/16, for Housing Revenue Account (HRA) services.

This report sets out the Housing Revenue Account revised budget for 2015/16 and base budget for 2016/17 along with the capital programme and financing for the years 2015/16 to 2019/20. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 4 April 2016.

Council budgets are susceptible to change in the level of expenditure and income caused by factors outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance.

**Recommendation:**

That the Executive agrees to recommend to Council that:

- (a) rents be approved for Council Dwellings as set out in paragraph 10 with effect from 4 April 2016;
- (b) rents for Council garages be increased by 5% with effect from 4 April 2016;
- (c) discretionary fees and charges be increased to provide a minimum increase of 5%, where possible, with effect from 4 April 2016;
- (d) the revised budget for 2015/16 be approved;
- (e) the base budget for 2016/17 be approved;
- (f) the capital programme and financing for 2015/16 to 2019/20 be approved; and
- (g) annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the date of maturity of each loan.

**Reason:**

To allow the Council to approve the Housing Revenue Account budget for 2016/17.

**Cost of proposals:**

As detailed in the report.

**Appendices:**

- A: Capital Programme and Financing
- B: Housing Revenue Account Budget
- C: Housing Repairs Account
- D: Examples of Rent
- E: Fees and Charges

**Background papers: None**

**Reference papers:**

- (a) Executive 2 February 2015 – Housing Revenue Account Spending Plans including Capital Programme 2015/16
- (b) Executive 13 July 2015 – General Fund and Housing Revenue Account Outturn 2014/15
- (c) Executive 12 October 2015 – Medium Term Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014
- (f) [Summer Budget July 2015](#)
- (g) [Draft Welfare Reform and Work Bill](#)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Housing Revenue Account Spending Plans including the Capital Programme for 2016/17
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2015/16 and 2016/17 for the Executive to consider. On 12 October 2015, the Executive approved the Council's Finance Strategy for 2016/17 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.

#### CAPITAL PROGRAMME

2. The five year capital programme has been updated and is summarised in the following table. More details of the capital schemes and its financing can be found in Appendix A.

<b>Year</b>	<b>£'000</b>
2015/16	10,353
2016/17	6,621
2017/18	2,475
2018/19	2,715
2019/20	2,625
	<u>24,789</u>

3. The financing of the capital programme is mainly from the Major Repairs Reserve, Revenue Contributions to Capital, external grants and 1:4:1 Receipts from Right to Buy sales (RTB).
4. The major schemes in 2015/16 and 2016/17 are the constructions of 16 flats in Palmerston Avenue (Stevenson Court), 6 houses in Coldeast Close, and the new sheltered scheme at Coldeast (Sylvan Court) plus improvements to existing stock.

## REVENUE BUDGETS

5. The following table summarises the base and revised budgets for 2015/16 and the base budget for 2016/17, of the Housing Revenue Account and Housing Repairs Account. Further details can be found in the attached Appendices B and C.

	<b>Base Budget 2015/16 £000s</b>	<b>Revised Budget 2015/16 £000s</b>	<b>Base Budget 2016/17 £000s</b>
<b>Housing Revenue Account</b>			
Income from service	-12,268	-12,314	-12,316
Expenditure on service	5,085	6,978	7,061
Net cost of service	<b>-7,183</b>	<b>-5,336</b>	<b>-5,255</b>
Interest paid and received	1,702	1,716	1,711
Revenue contribution to capital expenditure etc	3,672	614	1,358
Surplus(-)/deficit	<b>-1,809</b>	<b>-3,006</b>	<b>-2,186</b>
Opening Balance	-4,709	-4,870	-5,212
Transfer to Capital Dev Fund	2,164	2,164	2,164
Transfer to Repairs Reserve	0	500	0
Closing Balance	<b>-4,354</b>	<b>-5,212</b>	<b>-5,234</b>
<b>Housing Repairs Account</b>			
Income	-1,081	-2,928	-2,973
Expenditure	1,581	2,928	2,973
Surplus (-)/ Deficit	<b>500</b>	<b>0</b>	<b>0</b>
Opening Balance	-1,000	-1,000	-1,500
Transfer form HRA Reserve	0	-500	0
Closing Balance	<b>-500</b>	<b>-1,500</b>	<b>-1,500</b>
Overall closing balance	<b>-4,854</b>	<b>-6,712</b>	<b>-6,734</b>

## RENTS

6. When the Council left the HRA Subsidy System in March 2012, rents were assumed to rise at a rate of RPI (as at end of September) + 0.5% plus £2 to achieve convergence by 2015/16.
7. The Spending Review of 2013 took away the ability for Local Authorities to increase rents, for tenants in situ, so as to achieve convergence by the said date. The Government's rent setting policy changed so that rents from 2015/16 should increase at the rate of CPI (as at end September) plus 1% for a period of ten years to give certainty to landlords.

8. In the Summer Budget of July 2015, the Government announced that Social Housing Rents will fall by 1% a year for four years from April 2016. To be enforceable, this must be provided for in legislation. This is included in the Welfare Reform and Work Bill that is currently being progressed through Parliament.
9. As currently drafted in the Bill, rents for low cost home ownership accommodation (shared-owner) and sheltered housing are excluded from this direction. The Council has 60 shared-ownership homes and 645 sheltered housing homes.
10. It is proposed that:
  - (a) Rents for shared-ownership and sheltered housing properties will increase by CPI + 1% and
  - (b) General needs dwellings will decrease by 1%
11. Under Housing Benefit reforms, of the 1,533 (1,504 in 2014/15) tenants who receive housing benefit, 133 (114) are under-occupying. 87 (99) are affected by a 14% reduction in housing benefit and 16 (15) by a 25% reduction. 30 have an exemption say for being of pensionable age.
12. Rents for Council garages are not covered by the Governments direction applying to dwellings. It is proposed that garage rents for 2016/17 increase by 5%.
13. Examples of proposed rents can be seen in Appendix D.

### **FEES AND CHARGES**

14. The current fees and charges for the HRA and the proposed charges for 2016/17 are set out in Appendix E. The proposed discretionary fees have been increased where possible to achieve a 5% increase.
15. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

### **RISK ASSESSMENT**

16. The following list of potential risks indicates that it is essential to preserve the account balance held for the HRA and Repairs Account. Reserves are held so that we can:
  - (a) Continue to manage and maintain homes;
  - (b) Improve and redevelop estates;
  - (c) Cover any unexpected expenditure;
  - (d) Take advantage of new opportunities to meet housing needs;
  - (e) Repay debt; and
  - (f) Meet the challenges of any change in Government policy.
17. The Government is proposing to require Local Authorities to give consideration to selling, on the open market, properties the Government consider to be of a high value as and when such properties become vacant. A proportion of proceeds of sale that relates to the debt attributable to such property will be retained by the Council. The balance of proceeds will be paid to Government to help fund Housing Associations who are now required to sell their property to tenants under Right-To-Buy. Should the Council decide not to sell such vacant properties; it will be required to pay a sum to Government from its Housing Revenue Account in lieu of sale proceeds. At the time of writing this report, full details are not available.

18. The Government is also intending to require Local Authorities to review the annual income of its tenanted households and where the household income is greater than £30,000 per year, to require the Authority to charge market rent rather than social rent. The additional income earned will be required to be paid to HM Treasury and not be retained by the Council. This will place an additional administrative burden on the Council which may require the addition of a new post. At the time of writing this report, full details are not available.

<b>Examples of potential and actual changes</b>	<b>Effect on expenditure in years £000s</b>	<b>Effect on income in year £000s</b>
Change in rent policy to decrease rents by 1% pa		-£111
Loss of income if void rate rises to 4% from 1.73 %		-£25
Cost of checking those households with income greater than £30,000pa	£37	
Loss of rent on having to dispose of vacant high value dwellings-say 5% of stock		-£55
Increase of 2.5% on non-staff costs	£96	
Increase of 10% in cost of repairs	£500	

## **CONCLUSION**

19. The Executive will be asked to approve the following recommendations to Council:

- (a) Rents be approved for Council Dwellings with effect from 4 April 2016;
- (b) Rents of Council garages to be increased by 5% with effect from 4 April 2016;
- (c) Discretionary fees & charges to be increased to provide an increase of 5% where possible, with effect from 4 April 2016;
- (d) The revised budget for 2015/16 be approved;
- (e) The base budget for 2016/17 be approved;
- (f) The capital programme and financing for 2015/16 to 2019/20 be approved; and
- (g) Annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the maturity of each loan.

**Background Papers:** None

## **Reference Papers**

- (a) Executive 2 February 2015 – Housing Revenue Account Spending Plans including Capital Programme 2015/16 **Page 52**

- (b) Executive 13 July 2015 – General Fund and Housing Revenue Account Outturn 2014/15
- (c) Executive 12 October 2015 – Medium Tern Finance Strategy
- (d) HRA 30 year Business Plan
- (e) [DCLG - Guidance on Rents for Social Housing](#) May 2014
- (f) <https://www.gov.uk/government/publications/summer-budget-2015/summer-budget-2015>
- (g) [Draft Welfare Reform and Work Bill](#)

**Enquiries:** For further information on this report please contact Kevin Golledge, Corporate Accountant Ext 4331

## APPENDIX A

<b>CAPITAL PROGRAMME AND FINANCING</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>CAPITAL PROGRAMME:</b>					
Improvements to occupied stock	2,150	2,150			
Improvements to void stock	500	500			
Converting front gardens for car parking	50	25	25	25	25
Vehicle - new and replacement	40			90	
Garage purchases	31				
Mobility Scooter Storage	20				
Housing Acquisitions	1,020	650			
<b>New Build Schemes</b>					
Coldeast Close	956				
Stevenson Court	1,431	200			
Bridge Road		1,000			
Collingwood Court	780				
Sylvan Court	3,375	2,096			
Total resources still to be allocated			2,450	2,600	2,600
<b>TOTAL</b>	<b>10,353</b>	<b>6,621</b>	<b>2,475</b>	<b>2,715</b>	<b>2,625</b>
<b>FINANCED BY:</b>					
Major Repairs Reserve	4,288	1,408	1,324	1,324	1,324
Revenue contribution from HRA	614	1,358	1,151	1,391	1,301
1:4:1 Receipts	138	195			
Grants and Contributions	313	1,160			
Capital Development Fund	5,000	2,500			
<b>Total Financing</b>	<b>10,353</b>	<b>6,621</b>	<b>2,475</b>	<b>2,715</b>	<b>2,625</b>

**APPENDIX B**

**HOUSING REVENUE ACCOUNT (HRA) BUDGETS**

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
<b>Income</b>			
Rents - Dwellings	-11,120	-11,200	-11,100
Rents - Garages	-248	-257	-284
Rents - Other	-21	-30	-30
Service Charges (Wardens, extra assistance, heating)	-584	-548	-564
Cleaning	-126	-117	-172
Grounds Maintenance	-81	-81	-85
Other Fees and Charges	-23	-16	-16
Leaseholder Service Charges & Insurance	-65	-65	-65
<b>Total Income</b>	<b>-12,268</b>	<b>-12,314</b>	<b>-12,316</b>
<b>Expenditure - see next page for detail</b>			
General Administrative Expenses	1,523	1,504	1,536
Corporate & Democratic Core	54	54	53
Corporate Management	105	85	87
Communal Heating Services	75	70	66
Communal Lighting	29	26	25
Rents, Rates & Other Taxes	59	57	52
Communal Cleaning	127	147	170
Grounds Maintenance	200	201	204
Sheltered Housing Service	543	485	493
HRA Legal Fees	-2	0	0
<b>Sub-total of management costs</b>	<b>2,713</b>	<b>2,629</b>	<b>2,686</b>
Contribution to Repairs Account	1,039	2,922	2,955
Bad Debts Provision	0	13	13
Bad Debts Written off	50	50	50
Depreciation	1,240	1,324	1,324
Debt Management Expenses	43	39	33
	<b>5,085</b>	<b>6,977</b>	<b>7,061</b>
<b>Net income from service</b>	<b>-7,183</b>	<b>-5,338</b>	<b>-5,255</b>

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
<b>Net income from service</b>	<b>-7,183</b>	<b>-5,338</b>	<b>-5,255</b>
Interest Payable	1,838	1,852	1,842
Interest earned on internal balances	-136	-134	-131
<b>Net operating income</b>	<b>-5,481</b>	<b>-3,620</b>	<b>-3,544</b>
Revenue contribution to capital	3,672	614	1,358
<b>(Surplus)/Deficit for year</b>	<b>-1,809</b>	<b>-3,006</b>	<b>-2,186</b>
 <b>Housing Revenue Account balance</b>			
Balance brought forward	-4,709	-4,870	-5,212
Surplus/(Deficit) for year	-1,809	-3,006	-2,186
Transfer to Capital Fund	2,164	2,164	2,164
Transfer to Repairs Reserve	0	500	0
Balance carried forward	<b>-4,354</b>	<b>-5,212</b>	<b>-5,234</b>

## FURTHER BREAKDOWN OF EXPENDITURE

	Base 2015/16 £000s	Revised 2015/16 £000s	Base 2016/17 £000s
<b>General Administrative Expenses</b>			
Corporate & Democratic Core	54	54	53
Corporate Management	105	85	88
Employees	740	712	662
Premises	107	85	93
Transport-related expenditure	19	19	19
Supplies and Services	98	93	178
Contract Services	49	40	40
Internal Support	517	563	551
Income	-7	-8	-8
	<b>1,682</b>	<b>1,643</b>	<b>1,676</b>
<b>Communal Heating Services</b>			
Premises	75	70	66
	<b>75</b>	<b>70</b>	<b>66</b>
<b>Communal Lighting</b>			
Premises	29	26	25
	<b>29</b>	<b>26</b>	<b>25</b>
<b>Communal Cleaning</b>			
Employees	39	50	51
Premises	86	94	116
Internal Support	2	2	2
	<b>127</b>	<b>147</b>	<b>170</b>
<b>Grounds Maintenance</b>			
Employees	14	13	14
Premises	160	162	164
Internal Support	26	26	26
	<b>200</b>	<b>201</b>	<b>204</b>
<b>Sheltered Housing Service</b>			
Employees	457	410	418
Premises	42	44	44
Transport	14	13	14
Supplies and Services	17	8	7
Internal Support	14	10	10
	<b>543</b>	<b>485</b>	<b>493</b>
<b>Other Communal Services</b>			
Premises	37	34	34
Supplies and Services	22	23	18
	<b>59</b>	<b>57</b>	<b>52</b>

**APPENDIX C****HOUSING REPAIRS ACCOUNT****Expenditure****Day to Day**

Response Repairs  
Works to void properties  
Other works  
Administration - supplies

	<b>Base 2015/16 £000s</b>	<b>Revised 2015/16 £000s</b>	<b>Base 2016/17 £000s</b>
Response Repairs	1,151	1,115	1,100
Works to void properties	0	500	500
Other works	424	1,313	1,373
Administration - supplies	6	0	0
	<b>1,581</b>	<b>2,928</b>	<b>2,973</b>

**Income**

Contribution from HRA  
Fees & charges  
Total income

Contribution from HRA	-1,039	-2,922	-2,955
Fees & charges	-42	-6	-18
Total income	<b>-1,081</b>	<b>-2,928</b>	<b>-2,973</b>

Balance brought forward  
Surplus/Deficit(-) for year  
Tfr from HRA  
Balance carried forward

Balance brought forward	-1,000	-1,000	-1,500
Surplus/Deficit(-) for year	500	0	0
Tfr from HRA	0	-500	0
Balance carried forward	<b>-500</b>	<b>-1,500</b>	<b>-1,500</b>

**APPENDIX D**

**HRA EXAMPLES OF RENT**

	Property type	2015/16 Actual Rent	2016/17 Proposed Rent	Decrease £ p.w.	Decrease % p.w.
Foster Close	1 Bed Flat	£81.14	£80.33	-£0.81	-1.00%
Grebe Close	2 Bed Bungalow	£110.07	£108.97	-£1.10	-1.00%
Addison Road	2 Bed House	£105.75	£104.69	-£1.06	-1.00%
Foxbury Grove	2 Bed Flat	£92.31	£91.39	-£0.92	-1.00%
Garden Court	1 Bed Maisonette	£81.14	£80.33	-£0.81	-1.00%
Sicily House	2 Bed Maisonette	£89.56	£88.66	-£0.90	-1.00%
Fairfield Avenue	3 Bed House	£107.27	£106.20	-£1.07	-1.00%
Garden Court	3 Bed Flat	£103.37	£102.34	-£1.03	-1.00%
Churchill Close	3 Bed House (shared owner)	£81.18	£81.91	£0.73	0.90%
Foster Close	4 Bed House	£122.59	£121.36	-£1.23	-1.00%

Average for total  
stock

£92.84    £91.94    -£0.90    -0.97%

Garages

£10.31    £10.83    £0.52    5%

## FEES AND CHARGES 2016/17

	Existing Charge inc VAT	Proposed Charge incl VAT	Increase
<b><u>Discretionary Charges</u></b>			
<b>Sheltered Accommodation - Guest Room Charge</b>			
Collingwood Court - per room	£20.00	£21.00	5.0%
Sylvan Court - per room	n/a	£21.00	n/a
Guest Room Charge - single occupancy per night	£7.70	£8.10	5.2%
Guest Room Charge - per couple per night	£11.00	£11.60	5.5%
<b>Leasehold properties</b>			
Rechargeable Repairs to Leasehold properties	These annual charges are made in advance on the basis of estimated costs. Once the actual cost is known, a retrospective adjustment is made.		
<b>Right to Buy properties</b>			
Recharge of Officer time in agreeing retrospective consent to freeholders	£83.40	£87.60	5.0%
<b><u>Statutory Charge</u></b>			
<b>Leasehold properties</b>			
Legal and administration fees in connection with granting a service charge loan	£100.00	£100.00	0%

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17</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 seeks final confirmation of the recommendations to Council, on 19 February 2016, in respect of the revenue budget, capital programme and council tax for 2016/17.

**Executive summary:**

On 11 January 2016, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2016/17. This report updates the Council's budgets to reflect the decisions taken on 11 January 2016.

The capital programme for the years 2015/16 to 2019/20 will be £36,959,000.

The revenue budget for 2016/17 will be £8,829,400. With Central Government support and retained business rates estimated to be £2,592,859 and use of collection fund balance of £136,473, the total amount due from the council tax payers will be £6,100,068.

Taking these changes into consideration, the council tax for 2016/17 will be £145.22 per Band D property. This represents an increase from the council tax set for 2015/16 and would be within the referendum limit set by the Government.

**Recommendation/Recommended Option:**

That the following proposals be approved by the Executive and recommended to the meeting of the Council to be held on 19 February 2016:

- (a) the capital programme and financing of £36,959,000;
- (b) an overall revised revenue budget for 2015/16 of £9,174,600;

- (c) a revenue budget for 2016/17 of £8,829,400; and
- (d) a council tax for Fareham Borough Council for 2016/17 of £145.22 per band D property, which represents a £5.00 increase when compared to the current year.

**Reason:**

To allow the Full Council to approve the Council Tax for 2016/17.

**Cost of proposals:**

Not applicable.

**Appendices:**                    **A: Revenue Budget and Council Tax Summary 2015/16 and 2016/17**

**Background papers:**   None

**Reference papers:**        None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17</b>
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 11 January 2016 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2015/16 to 2019/20;
  - The revised revenue budget for 2015/16;
  - Fees and charges for 2016/17
  - The revenue budget for 2016/17; and
  - The council tax for 2016/17.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues.

#### THE CAPITAL PROGRAMME 2015/16 TO 2019/20

3. The capital programme for the period 2015/16 to 2019/20 is £36,959,000 as shown in the following tables:

	<b>£000s</b>
Public Protection	479
Streetscene	916
Leisure and Community	11,243
Health and Housing	3,730
Planning and Development	1,058
Policy and Resources	19,533
<b>TOTAL</b>	<b>36,959</b>

4. It is anticipated that the programme will be financed from the following sources:

	<b>£000s</b>
Capital Fund Account	8,017
Capital Receipts	9,096
Borrowing	7,340
Revenue Contribution to Capital schemes	4,902
Government Grants	4,160
Community Infrastructure Levy	2,852
External Contributions	1,840
<b>TOTAL</b>	<b>38,207</b>

5. The programme and projected resources indicate that, by 31 March 2020, there would be a surplus of capital resources of £1,248,000, which represents a contingency of 3.3% on the overall capital programme.
6. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling £7.3m. In the event that these resources do not materialise, the programme will become partly unfunded.
7. Spending pressures in this respect include refurbishment/replacement works to some Council assets (for example community centres and the Osborn Road multi-storey car park) that have yet to be added to the capital programme. Therefore, no further use of the forward-balance is proposed and further replenishment of capital resources will be sought, (e.g. through use of revenue underspends).

## **SPENDING RESERVE**

8. The spending reserve currently stands at £2,256,000 which is 5% of gross expenditure for 2015/16 which represents the minimum required balance as set out in the approved Medium Term Finance Strategy.
9. At the meeting on 11 January 2016 the Executive agreed to use the £886,300 that was in excess of the minimum balance to support the both the revenue budget and capital programme.
10. There was also a commitment to fund foreshore repairs at Hill Head that are required as a result of severe weather over the Christmas period from the general fund revenue reserve. A report will come to the Executive once costs are known.

## **REVISED BUDGET 2015/16**

11. In January, the Executive considered in detail the revised budget for 2015/16, which totalled £9,174,600 and is no change when compared to the base budget for the year.

## SERVICE BUDGETS 2016/17

12. The following table shows the service budgets resulting from the decisions of the Executive on 11 January 2016.

13.

	<b>Base Budget 2016/17</b>
<b>Committees</b>	<b>£</b>
Planning Committee	672,900
Licensing and Regulatory Affairs Committee	491,400
<b>Executive - Portfolio Budgets</b>	
- Leisure and Community	2,635,700
- Health and Housing	1,196,900
- Planning and Development	-595,700
- Policy and Resources	1,353,000
- Public Protection	2,050,600
- Streetscene	4,478,600
<b>SERVICE BUDGETS</b>	<b>12,283,400</b>

## OTHER BUDGETS 2016/17

14. Since the January Executive report was prepared further information has been released regarding Central Government Support. As a result of this change the Other Budgets total will be -£3,454,000.

## THE OVERALL BUDGET POSITION FOR 2016/17

15. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2016/17, detailed in Appendix A, is confirmed as £8,829,400. This total is £345,200 below the base budget for 2015/16 of £9,174,600.

## THE 2015 AUTUMN STATEMENT AND GOVERNMENT SUPPORT

16. In the Autumn Statement the Government announced funding plans for local authorities for the lifetime of this parliament which will see further reductions to funding of around 40% when compared to the support received in 2015/16. Under the proposals, by 2018/19 Fareham's Revenue Support Grant would be zero leaving only support from business rates and council tax available to fund revenue services.

17. As part of the statement the Government proposed referendum limits for local authorities and as expected, council tax increases that exceed 2% would trigger a referendum. However, the government has also allowed the 50 authorities with the lowest council tax to raise their council tax by a maximum of £5 when compared to the previous level, before a referendum is triggered. This report has been prepared using a £5 increase in council tax for Fareham.

18. The amount of government support that the Council expects to receive in 2016/17 is £2,592,859 which is a reduction of £606,873 or 19% when compared

to 2015/16.

19. With further cash reductions through to 2019/20, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its corporate priority to minimise council tax increases.

### CONSULTATION WITH RESIDENTS

20. During January members of the public have been asked to comment on the possible increase in the level of Fareham's part of the council tax.
21. The survey highlights the fact that council tax has been frozen since 2009, there has been and will continue to be reduced funding from Central Government and the option available to Fareham to increase council tax for a Band D property by £5 in 2016/17.
22. The results of the survey will be reported verbally at the Executive meeting.

### COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

23. The revised council tax base for 2015/16 is 41,630.2 Band D equivalent properties which is the same as the original estimate.
24. The council tax base for 2016/17 is 42,005.7 Band D equivalent properties.
25. The net rates payable from National Non-Domestic Rates for 2016/17 (after Transitional arrangements and reliefs) is £43,706,286.

### COUNCIL TAX FOR 2016/17

26. With a net budget for 2016/17 of £8,929,400 and government support of £2,592,859 and the use of collection fund balances of £136,473, the Executive is able to recommend a council tax increase for 2016/17 of £5. This is shown in the following table:

	<b>Base Budget 2015/16</b>	<b>Base Budget 2016/17</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>9,174,600</b>	<b>8,829,400</b>	<b>-345,200</b>
Less:			
Government Support	3,199,732	2,592,859	-606,873
Use of Collection Fund surplus	75,786	136,473	+60,687
Council Tax Freeze Grant	61,695	0	-61,695
<b>Total due from Council Tax Payers</b>	<b>5,837,387</b>	<b>6,100,068</b>	<b>+262,681</b>
Council Tax base	41,630.2	42,005.7	
Council Tax	£140.22	£145.22	
Cash Increase	+ £0.00	+ £5.00	

27. Since April 2010 council tax freeze grant has been received from central Government which has been equivalent to a 9% increase in council tax, leaving Fareham's council tax some 14.5% below the inflation level had increases been taken every year.

### **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

28. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
29. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
30. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 5% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

### **RISK ASSESSMENT**

31. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
32. Also, the budget reflects the implications of the changing funding position from central Government as well as other more local budget pressures. These changes will continue to affect the Council's finances and it remains an important part of the overall Medium Term Finance Strategy to retain sufficient balances to cater for the unexpected in these uncertain times.
33. The council should continue to explore opportunities to increase income sources for the Council as well as review efficiency plans in order that balanced budgets can be made in future years.

### **CONCLUSION**

34. In making a recommendation to full Council on the council tax for 2016/17, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources and the projected financial position in the future; not just the overall budget position for next year.

#### **Enquiries:**

For further information on this report please contact Neil Wood. (Ext 4506)

## Revenue Budget and Council Tax Summary 2015/16 and 2016/17

	Budget 2015/16 £	Revised 2015/16 £	Variation Base to Rev £	Budget 2016/17 £	Variation Base to base £
Committees					
Planning Committee	753,000	688,700	-64,300	672,900	-80,100
Licensing and Regulatory Affairs Committee	490,200	561,700	71,500	491,400	1,200
Executive - Portfolio Budgets					
- Leisure and Community	2,112,600	2,809,300	696,700	2,635,700	523,100
- Health and Housing	1,215,000	1,298,200	83,200	1,196,900	-18,100
- Planning and Development	-1,001,900	-730,300	271,600	-595,700	406,200
- Policy and Resources	1,463,400	2,253,900	790,500	1,353,000	-110,400
- Public Protection	2,293,800	2,089,700	-204,100	2,050,600	-243,200
- Streetscene	4,447,000	4,440,800	-6,200	4,478,600	31,600
<b>SERVICE BUDGETS</b>	<b>11,773,100</b>	<b>13,412,000</b>	<b>1,638,900</b>	<b>12,283,400</b>	<b>510,300</b>
Capital Charges	-1,983,000	-2,227,200	-244,200	-2,227,200	-244,200
Capital Financing Costs					
- Use of Housing Capital Receipts	-230,000	-229,100	900	-230,000	0
- Direct Revenue Funding	1,301,000	1,301,000	0	1,295,000	-6,000
- Direct Revenue Funding NHB	897,900	897,900	0	897,900	0
Interest on Balances	-599,900	-699,900	-100,000	-569,900	30,000
Portchester Crematorium	-125,000	-125,000	0	-125,000	0
New Homes Bonus	-1,648,000	-1,653,800	-5,800	-2,068,000	-420,000
Contribution to(+)/from(-) Reserves	-211,500	-1,501,300	-1,289,800	-426,800	-215,300
<b>OTHER BUDGETS</b>	<b>-2,598,500</b>	<b>-4,237,400</b>	<b>-1,638,900</b>	<b>-3,454,000</b>	<b>-855,500</b>
<b>NET BUDGET</b>	<b>9,174,600</b>	<b>9,174,600</b>		<b>8,829,400</b>	<b>-345,200</b>

	<b>Budget 2015/16 £</b>	<b>Budget 2016/17 £</b>
<b>NET BUDGET</b>	<b>9,174,600</b>	<b>8,829,400</b>
<b>EXTERNAL SUPPORT</b>		
Non-Domestic Rates	1,750,446	1,765,033
Revenue Support Grant	1,449,286	827,826
Council Tax Freeze Grant	61,695	0
	<u><b>3,261,427</b></u>	<u><b>2,592,859</b></u>
USE OF COLLECTION FUND BALANCE	75,786	136,473
<b>NET AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	<b>5,837,387</b>	<b>6,100,068</b>
<b>COUNCIL TAX BASE</b>	<b>41,630.2</b>	<b>42,005.7</b>
<b>COUNCIL TAX PER BAND D PROPERTY (ROUNDED)</b>	<b>£140.22</b>	<b>£145.22</b>
<b>CASH INCREASE</b>	<b>£0.00</b>	<b>£5.00</b>
<b>PERCENTAGE INCREASE</b>	<b>0.00%</b>	<b>3.57%</b>



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy & Resources
<b>Subject:</b>	<b>Community Funding Review</b>
<b>Report of:</b>	Director of Finance & Resources
<b>Strategy/Policy:</b>	Grants policy
<b>Corporate Objective:</b>	All corporate objectives apply

**Purpose:**

To seek agreement for changes to the criteria for Community Funding and the administration of the grants awarded by the Council.

**Executive summary:**

A review of Community Funding has been undertaken to ensure that the grant continues to meet the needs of local residents, community groups and the Council.

Recommendations have been put forward for changes to the criteria for Community Funding and the administration of the grants awarded by the Council.

The Executive is now being asked to consider the recommendations and to determine the required actions to conclude the review.

**Recommendation/Recommended Option:**

That the Executive considers the following changes to Community Funding:

- (a) increase the time, from one year to two that successful applicants have to wait before being able to submit another Community Fund bid;
- (b) allow applicants setting up a new project, to apply for a one off grant payment covering revenue costs, for a specific period of time agreed with the Council;
- (c) amend the Community Fund Use Agreement to make it more robust: and
- (d) audit 10% of all applicants who receive funding of less than £10,000 and every applicant who receives £10,000 or more.

**Reason:**

To ensure that the grant continues to meet the needs of local residents, community groups and the Council.

**Cost of proposals:**

Nil

**Background papers:**

- Reference papers:**
- Review of Discretionary Grants (3 March 2010)
  - Grant Review Update (10 May 2010)
  - Grant Review Update (11 November 2011)
  - Delegated Approval for Community Fund Applications (10 February 2014)
  - Community Action Team (CAT) Review (1 December 2014)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Community Funding Review
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy & Resources

#### INTRODUCTION

1. The purpose of this report is to outline the results of the community funding review and propose changes to the criteria for Community Funding and how it is administered in the future.
2. **Background**
3. Fareham Borough Council operates a Community Funding grant scheme to support and assist voluntary groups, clubs and organisations in actively providing opportunities to benefit the residents and environment of the Borough whilst supporting the achievement of the Council's objectives.
4. Up until 2010 there were a number of separate Council grants available to community and voluntary organisations in the Borough. On 8 March 2010, the Executive agreed that the community grants budget, CATs Neighbourhood Initiative fund, Clean and Tidy fund and Sustainable Development Strategies budget be combined into a single Community Action Team (CAT) Fund pot from the 2010/11 financial year onwards. The Matched Funding pot remained and applications were reported to the Executive on a quarterly basis.
5. On 17 May 2010, the Executive received a further report setting out the administrative arrangements for dealing with community funding bids and it was agreed that the CAT Fund and Matched Funding be processed by the Corporate Services Team. It was also agreed that the Executive Leader would have delegated authority to make individual decisions on all grant applications up to a maximum of £5,000.
6. The Executive received a report on 7 November 2011, proposing to streamline and simplify the processes for dealing with grant applications. The Matched Funding and CAT pots were combined into a single fund known as the Community Fund.
7. Applications for more than £5,000 would require the applicant to contribute at least 50% of the total project costs, unless there were exceptional circumstances agreed by the Executive.

8. It was agreed on 28 January 2014, that the consideration of applications for sums up to £4,999 would be delegated from the Executive Leader to the Executive Member for Leisure and Community. Applications are considered by the Executive Member, following consultation with the relevant ward Councillors
9. On 10 February 2014, the Executive agreed to delegate approval for Community Funding Applications of £100 or less to the Director of Community and Head of Corporate Services.
10. It was agreed by the Executive, on the 1 December 2014 that as part of the Community Action Team review the processing of Community Fund bids would be transferred from the CAT Officers to the Customer Services Manager.
11. Matched funding reports for requests of funding of £5,000 and above are presented to the Executive for consideration, following consultation with the relevant ward Councillors.
12. Community Funding has been operating successfully for a number of years, however, the Council, local charities and community groups are all experiencing an increasingly constrained fiscal environment. It is therefore apparent that the criteria for and administration of the fund could be changed to meet the changing needs of both the Council and potential applicants.

### **13. Funding Review**

14. Officers in consultation with the Executive Member for Leisure and Community and the Executive Leader for the Council, have undertaken a review of the current criteria for Community Funding and considered potential options for administering the fund in a more effective way. During discussions the following issues emerged:
  - The current funding criteria and what was expected of organisations when making an application may not reflect the Council's tighter budgetary environment.
  - More could be done to encourage established community groups and charities to become independent and reduce their reliance on regular community funding applications.
  - The current criteria could be made more flexible to encourage and support the establishment of a broader range of projects that would not normally take place in the Borough.
  - The audit arrangements could be made more robust.
15. The feedback that was gained from these discussions forms the basis of the recommendations made in the review.

### **16. Proposed changes to criteria and administration**

17. It is proposed, that the following changes to the Community Funding criteria and administration are applied:
  - (a) Increase the time from one year to two that successful applicants have to wait before being able to submit another community fund bid. However, bids can be submitted for projects that last longer than a year e.g. for major building works.

- (b) Allow applicants looking to set up a new project in the Borough, to apply for a one off grant payment to help pay for revenue costs that cover a specific period of time agreed with the Council.
- (c) Work with the Legal Team to ensure that the Community Fund Use Agreement is robust enough to allow the Council to recover assets should the applicant's project cease to operate within a specific timeframe.
- (d) Build on the audit checks that are currently carried out by officers, by auditing 10% of all applicants who received funding of less than £10,000 and every applicant who received £10,000 or more.

## **18. FINANCIAL IMPLICATIONS**

- 19. The proposals in the report would not change the annual Community Funding budget of £145,300.

## **20. RISK ASSESSMENT**

- 21. Risks are considered as part of the approval process for individual grant applications.

## **22. CONCLUSION**

- 23. This report outlines the results of the Community Funding review and proposes changes to the grant's criteria and administration in the future.

### **Enquiries:**

For further information on this report please contact Roy Brown. (Ext 4409)



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy & Resources
<b>Subject:</b>	<b>Possible Purchase of Commercial Investment, 136-138 Southampton Road, Park Gate, Fareham</b>
<b>Report of:</b>	Director of Finance & Resources
<b>Strategy/Policy:</b>	Asset Management Plan
<b>Corporate Objective:</b>	A dynamic, prudent, progressive and best practice Council

**Purpose:**

To obtain the view of the Executive on whether the Council should proceed to purchase the investment opportunity at 136-138 Southampton Road, Park Gate, Fareham on the terms as set out in the confidential Appendix A.

**Executive summary:**

Included on the agenda of this Executive is a report providing an update on the Commercial Property Investment Acquisition Strategy which was put in place after approval from the Executive in January 2013. The reports sets out the commercial investments acquired from the funding allocated by the Executive in January 2013 to provide £3 million as an initial investment to fund a commercial property investment acquisition programme and the Executives decision in November 2013 to provide an additional £5 million to facilitate further investment. The report advises of the financial benefits of investing £8 million in commercial investment property as opposed to treasury related investments.

This report advises that a commercial investment opportunity has become available at 136-138 Southampton Road, Park Gate, Fareham. The owners of the investment are prepared to give the Council exclusivity to purchase the investment until the matter can be referred to this Executive for a decision.

The confidential Appendix A sets out an analysis of the investment, financial information, lease details and heads of terms agreed with the owners to enable the Executive to decide if the investment should be purchased.

**Recommendation/Recommended Option:**

That the Executive considers the purchase of 136-138 Southampton Road, Park Gate, Fareham as a commercial investment on the basis of the heads of terms set out in the confidential Appendix A.

**Reason:**

To obtain the view of the Executive on whether the Council should proceed to purchase the commercial investment at 136-138 Southampton Road, Park Gate, Fareham

**Cost of proposals:**

The purchase price and ancillary costs e.g. Stamp Duty Land Tax are set out in the confidential Appendix A.

**Appendices:**

**A:** Confidential appendix setting out the terms agreed for the conditional purchase of 136-138 Southampton Road, Park Gate, Fareham. (Exempt By virtue of paragraphs (3) of Part 1 of Schedule 12A of the Local Government Act 1972.)

**Background papers:****Reference papers:**

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 8 February 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Award of Contract – Daedalus, Airport Operator</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:**  
The purpose of this report is to describe the process for procuring a new contract for the management of the airfield at Daedalus and to seek approval to award the contract.

**Executive summary:**  
When Fareham Borough Council acquired the airfield at Daedalus from the Homes and Communities Agency, it inherited a contract for the operation of the airfield with Regional and City Airports Management (RCAM). Initially, this short term contract was due to expire on 31<sup>st</sup> May 2015, but was subsequently extended until 31<sup>st</sup> March 2016. The Council has therefore now embarked on a process to procure a new contract to operate the airfield from 1<sup>st</sup> April 2016. This will be a 5 year contract with an option to extend for a further 5 years.

Five organisations bid for the contract and a brief evaluation of each bid is set out in confidential appendix A. The bids were evaluated in two parts; firstly, the quality of the bids was considered in terms of the future growth of a viable and vibrant airfield consistent with the Vision agreed by the Executive in October 2015. Secondly the evaluation examined the cost effectiveness of the bidders proposals, in terms of facilitating a position whereby the airfield can be financially sustainable by 2018.

**Recommendation:**  
That the Executive agrees:

- (a) to award the contract to the bidder ranked in 1<sup>st</sup> position (as set out in Confidential Appendix A), this being the best combination of cost effectiveness and service quality in terms of taking the airfield forward in line with the Council’s Vision; and
- (b) that the Director of Finance and Resources is given delegated authority to agree the detailed terms of the contract with the successful bidder.

**Reason:**

To provide airfield management services for Fareham Borough Council as specified in the contract documentation for a period of five years, with the option to extend by a further five years.

**Cost of proposals:**

Over the course of the contract the net cost to the Council will enable it to fulfil its aim of achieving financial sustainability for the airfield by 2018.

**Appendices:**                    **A: Confidential - Evaluation of individual bids**  
   **B: Confidential – Detailed financial summary of bids**

**Background papers:** Tender responses and file of correspondence

**Reference papers:**        FBC Vision for Daedalus

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Award of Contract – Daedalus Airport Operator
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. When Fareham Borough Council acquired the airfield at Daedalus from the Homes and Communities Agency, it inherited a contract for the operation of the airfield with Regional and City Airports Management (RCAM). Initially, this short term contract was due to expire on 31<sup>st</sup> May 2015, but this was subsequently extended until 31<sup>st</sup> March 2016. The Council has therefore now embarked on a process to procure a new contract to operate the airfield from 1<sup>st</sup> April 2016. This will be a 5 year contract with an option to extend for a further 5 years.
2. This report describes the procurement process and timetable, the way in which the Council approached the process and the approach to determining a specification which was fit for purpose in appointing a suitable operator.

#### PROCUREMENT PROCESS AND TIMETABLE

3. The process adopted for this procurement was the OJEU compliant model known as a “competitive procedure with negotiation”. The process began with the publication of an advertisement inviting suitable operators to submit a Request to Participate. Potential bidders were provided with the full specification and contract terms at this early stage so that could gauge the scope of the tender, their capacity for complying with it and to enable them to begin preparatory work on their bid.
4. The next stage was to invite bidders to submit an initial formal tender. This was followed by a negotiation stage during which meetings were held with all bidders. Following this all bidders were invited to make their Best and Final Offer (BAFO)
5. The BAFOs have now been evaluated resulting in a recommendation to the Executive.
6. The timetable for the process is set out below:

Advert inviting Request to Participate	17 November
Request to Participate submitted by	3 December
Invite Initial Tender	4 December
Return of Initial Tender	15 December
Initial evaluation	16/17 December
Negotiation Meetings	7/8 January
Invite BAFO	13 January
Return of BAFO	20 January
Evaluation of BAFOs	21-25 January
Decision by Executive	9 February
Standstill and Call In periods	10 – 20 February
Mobilisation of contract	21 February – 31 March
Commence new contract	1 April

## **THE COUNCIL'S REQUIREMENTS AND SPECIFICATION**

7. Prior to finalising the specification for the contract, a number of steps were taken. First of all a firm of specialist aviation consultants were commissioned to advise the Council. The consultants, who have experience both in the field of general aviation and in commercial aviation, reviewed the draft specification, made comments and signed off the final version as being fit for purpose. This was considered to be an essential step to ensure that the specification was fully informed by an appropriate level of aviation expertise which does not currently exist in the Council. The consultants also attended the negotiation meetings and assisted in the evaluation of the bids from an aviation perspective.
8. Secondly, a number of soft market testing meetings were held with the existing airfield operator and three other potential bidders. The purpose of these meetings was to assess the appetite for the work within the aviation sector and to seek some information about what prospective tenderers would expect to see in the specification.
9. Finally, the way in which the current contract operates was reviewed to ensure that good practice was carried forward and that lessons were learnt about how a future contract should operate, particularly with regard to cost effectiveness, efficiency, safety and security and providing a welcoming environment for visitors.
10. The specification required the operator to adhere to a basic set of principles in relation to the operation of the airfield. These were that the airfield should be:
  - Safe
  - Secure

- Compliant with CAA Regulations
  - Efficient
  - Cost effective
  - Customer friendly
  - Able to develop and grow within the context of the Council's overall Vision
  - A good neighbour
11. With these principles in mind, a detailed specification was developed. This had two distinct facets. The first required activities which are standard to the operation of any airfield. These included liaison with the CAA; operating the existing Air to Ground Communication service and preparing for the introduction of an upgraded Flight Information Service; providing a safe and secure environment in which the airfield could operate; operating a fire fighting service; providing a wildlife management service; airfield tenants and users on operational matters; recording flight movements and collecting fees and charges.
12. The second related to activities which facilitated the Council's Vision to grow the airfield to attract more visitors, develop its potential for more corporate aviation and attract more resident aviation business. Bidders were provided with assumptions about how the Council wished to develop the airfield during the course of the contract through the provision of visitor facilities, the introduction of a corporate handling service, consolidating fuel supply arrangements, upgrading the air traffic control system, providing navigational aids and installing aeronautical ground lighting. In relation to this, bidders were asked an open ended question concerning their approach to the management of the airfield, the added value they could bring and how they could help to realise the Council's Vision. They were asked to take these assumptions into account in the way in which they put together their bid and the way in which they framed their financial proposals.
13. A total of six firms responded to the Request to Participate, one of whom decided not to submit an initial tender. The remaining five all submitted initial tenders within the deadline and were subsequently invited to a Negotiation Meeting. These meetings took place over the course of two days, 7<sup>th</sup> and 8<sup>th</sup> January. Each bidder made a presentation of their proposals and a discussion was held which highlighted issues within their tender, including its strengths and weaknesses. Each bidder was then asked to submit a Best and Final Offer which took into account the discussions at the Negotiation meeting. All five submitted A BAFO by the deadline of 20<sup>th</sup> January.

## **EVALUATION CRITERIA**

14. The Council's criteria for evaluating the bids were made clear at the outset of the process. 30% of the marks were awarded on the basis of the bidders financial proposals. Bidders were asked to complete a financial pro forma which included their fixed costs, including staffing costs and management fee, their likely variable costs, which depended on how the airfield developed and their projected income. The bottom line was the overall profit or loss they expected to generate over the course of the contract.

The remaining 70% of the marks were awarded on the basis of service quality. The highest proportion of these (30%) were awarded for the bidders overall approach to the management and growth of the airfield and the added value they could bring in realising the airfield's potential. The remaining marks covered the experience and expertise of the bidder (15%), their proposals for management, organisation and resources (10%), their approach to safety (10%) and their proposals for a new framework for landing fees

and charges (5%). Following the evaluation process, a score was awarded to each bidder and these are described briefly in confidential appendix A.

## **CONCLUSIONS**

15. The recommendation to award the contract to the bidder ranked in 1<sup>st</sup> position (see confidential Appendix A) was reached after a comprehensive procurement process assisted by a consultant with extensive experience in both general and corporate aviation.
16. As noted in paragraph, the contract period is for 5 years with an option to extend for a further 5 years.
17. By 2021, part of the rationale for agreeing to an extension rather than seeking a new operator will be how far the operator has succeeded in helping the Council to achieve its Vision for the future of the airfield and how far it has lived up to the principles set out in paragraph 10 of this report.
18. Essentially, within 5 years the airfield should be a very different prospect to what it is now. It should be a vibrant airfield which attracts many more visitors than it does today, both in terms of corporate and general aviation customers. It should be the home base for more aviation based businesses, covering the maintenance and manufacture and handling of aircraft. It should have the facilities which make it a good quality airfield which compares favourably with others in southern England which are currently seen as reaching the “gold standard”. These facilities will include a café/restaurant, an upgraded Air Traffic Control system and improved navigational aids and runway lighting. It will be an integral part of the local community, attracting local residents to use its facilities. Finally, it will generate sufficient income which along with income from service charges and rental income from both existing and newer airfield tenants will enable the airfield to achieve financial sustainability by 2018.
19. This will enable the Council to move confidently towards the next phase of the development of the airfield and its immediate environs.

### **Enquiries:**

For further information on this report please contact Andy Wannell (Ext 4620)

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.

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# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 08 February 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Treasury Management Strategy and Prudential Indicators 2016/17</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance and Treasury Management Strategies
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report considers the draft Treasury Management Strategy Statement and Prudential Indicators for 2016/17, prior to its submission to the Council for approval.

**Executive summary:**

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Prudential Indicators. The document for 2016/17 is attached as Appendix A for consideration by the Executive before being submitted to Council for approval.

Main highlights in the Strategy are:

- a) In 2016 the Council will be switching treasury management consultants from Capita Asset Services to Arlingclose, as a result of a tender exercise.

**Capital Issues**

- b) The level of capital expenditure estimated for 2016/17 is £20.6 million which is slightly less than in 2015/16. We currently estimate that £5.8 million of this will be met by new borrowing.
- c) There will be a slight increase in the cost of capital as a % of net revenue stream in 2016/17. There is also an increase in the amount of council tax and housing rents that are contributing to the cost of the capital expenditure due to new borrowing in 2016/17.
- d) The Council is required to put aside resources to repay debt used to finance capital expenditure and establish a Minimum Revenue Provision policy statement on how we are going to calculate these resources. This policy has been included for the first time in the Strategy. We are choosing to adopt as our policy: *charging the expenditure over the expected useful life of the relevant assets on an annuity basis, starting in the year after the asset becomes*

*operational.*

**Treasury Management Issues**

- e) There are no changes to the Council's investment and borrowing policy.
- f) The external fund management service with Tradition will come to an end in April 2016 and therefore all investments will be managed in-house.

**Recommendation:**

That the Executive endorses the draft Treasury Management Strategy and Prudential Indicators for 2016/17, attached as Appendix A to this report, and submits the report to Council for approval.

**Reason:**

In accordance with the Code of Practice for Treasury Management in the Public Services and guidance from the Department of Communities and Local Government (DCLG), the Treasury Management Strategy and Prudential Indicators have to be approved by full Council.

**Cost of proposals:**

Not applicable.

**Appendices:**                    **A:** Treasury Management Strategy and Prudential Indicators 2016/17

**Background papers:**   None

**Reference papers:**        None

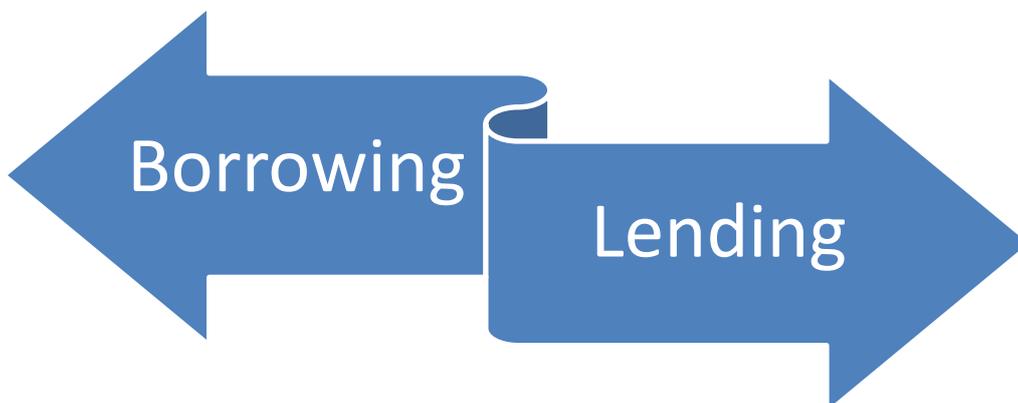
**Enquiries:**

For further information on this report please contact Caroline Hancock (Ext 4589)

# FAREHAM

BOROUGH COUNCIL

## TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2016/17



# INTRODUCTION

## WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

*The management of the organisation's cash flows, its banking, money market and capital market transactions;*

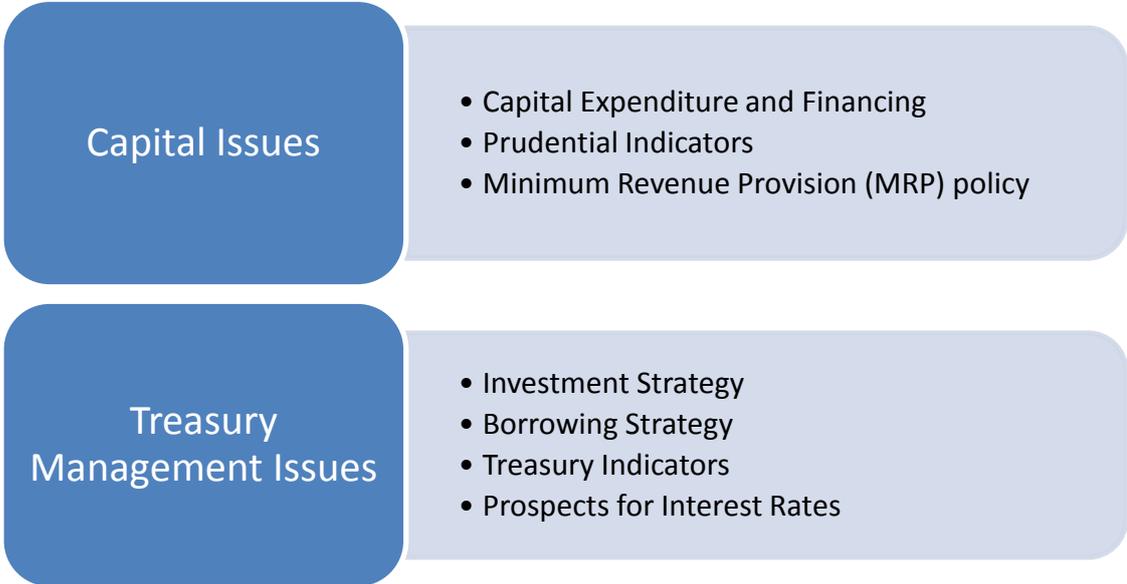
*the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

2. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. There are two aspects to the treasury management service:

- a) To ensure the cash flow is adequately planned, with **cash being available when it is needed**. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- b) To ensure the cash flow meets the Council's **capital plans**. These capital plans provide a guide to the **borrowing need** of the Council. Essentially this is the longer term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

## CONTENT OF THE ANNUAL TREASURY MANAGEMENT STRATEGY

3. This strategy sets out the expected approach to treasury management activities for 2016/17 in light of the anticipated financial climate. It covers two main areas:



4. The content of the Strategy is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

## REPORTING REQUIREMENTS

5. The Council receives and approves three main reports each year in relation to Treasury Management, which incorporate a variety of policies, estimates and actuals. The three reports are:



6. The Executive Committee is responsible for the implementation and monitoring of these reports whilst the Audit and Governance Committee is responsible for the effective scrutiny of the treasury management strategy and policies.

## TRAINING

7. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
8. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisors and CIPFA.

## USE OF TREASURY MANAGEMENT CONSULTANTS

9. The Council currently uses Capita Asset Services as its external treasury management advisors. From July 2016, this will change to Arlingclose, following a recent competitive tender exercise.
10. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
11. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## CAPITAL ISSUES

### CAPITAL EXPENDITURE AND FINANCING

12. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are **affordable**, **prudent** and **sustainable**, and that treasury decisions are taken in accordance with good professional practice.

### PRUDENTIAL INDICATORS

13. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the following **four** prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.

#### 1) Level of Planned Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans and shows how these plans are being financed by capital or revenue resources.

Capital Expenditure and Financing	2015/16 Revised £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Public Protection	0	0	0	0
Streetscene	48	434	175	0
Leisure & Community	8,256	1,922	552	0
Health & Housing	1630	560	480	480
Planning & Development	32	48	17	0
Policy & Resources	2,945	11,048	1260	540
<b>Total General Fund</b>	<b>12,911</b>	<b>14,012</b>	<b>2,484</b>	<b>1,020</b>
<b>HRA</b>	<b>10,353</b>	<b>6,621</b>	<b>2,475</b>	<b>2,715</b>
<b>Total Expenditure</b>	<b>23,264</b>	<b>20,633</b>	<b>4,959</b>	<b>3,735</b>
Capital Receipts	5,551	675	230	230
Capital Grants	4,022	4,563	957	250
Capital Reserves	10,810	5,986	757	0
Revenue	1,381	3,569	1,691	1,931
Borrowing	1,500	5,840	0	0
<b>Total Financing</b>	<b>23,264</b>	<b>20,633</b>	<b>3,635</b>	<b>2,411</b>

#### 2) The Council's Borrowing Need (Capital Financing Requirement)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure financed by borrowing will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing in line with the asset's life.

The CFR projections are as follows:

£'000	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	2,872	8,942	9,172	9,402
HRA	52,879	52,649	52,419	52,189
<b>Total CFR</b>	<b>55,751</b>	<b>61,591</b>	<b>61,591</b>	<b>61,591</b>

### 3) Financing Costs as % of Net Revenue Stream

This is an indicator of affordability and identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

The positive percentage for the Housing Revenue Account (HRA) reflects the net borrowing costs for the HRA settlement.

	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	-8%	-6%	-7%	-7%
HRA	15%	15%	15%	15%
<b>Total</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>

### 4) Incremental Impact of Capital Decisions on Council Tax and Housing Rents

This indicator shows the impact of capital decisions on council tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the proposed capital programme to be approved during this budget cycle.

	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council tax band D	£0.34	£2.35	£0.29	£0.00
Weekly housing rent levels	-£0.06	£0.23	£0.02	£0.02

## HOUSING REVENUE ACCOUNT (HRA) RATIOS

14. As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on **£49.3 million** of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA debt £'000	49,268	49,268	49,268	49,268
HRA revenues £'000	11,200	11,180	11,271	11,107
Number of HRA dwellings	2,424	2,465	2,454	2,443
Ratio of debt to revenues %	4.40:1	4.41:1	4.37:1	4.44:1
Debt per dwelling £	£20,325	£19,987	£20,077	£20,167

## MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

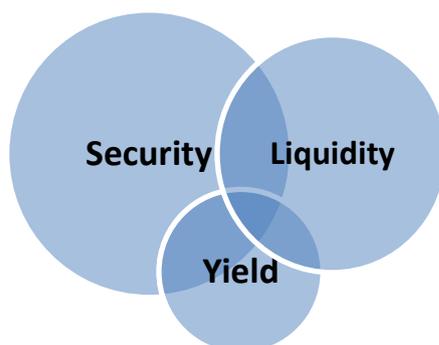
15. Where the Council finances capital expenditure by debt, it must **put aside resources to repay that debt** in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**.
16. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. It will be determined by charging the expenditure over the **expected useful life** of the relevant assets on an **annuity basis** starting in the year after the asset becomes operational.
17. No MRP will be charged in respect of assets held within the HRA, in accordance with DCLG Guidance and capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

## TREASURY MANAGEMENT ISSUES

### INVESTMENTS

#### Investment Policy

18. Both the CIPFA Code and DCLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.



19. The Council's objective when investing money is to strike an appropriate balance

between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

20. The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which will also enable diversification and avoid concentration risk. They key ratings used to monitor counterparties are the **short term** and **long term** ratings.
21. Ratings will not be the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing, such as credit default swaps, and overlay that information on top of the credit ratings.
22. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
23. The following internal measures are also in place:
  - Investment decisions formally recorded and endorsed using a Counterparty Decision Document.
  - Monthly officer reviews of the investment portfolio and quarterly reviews with the Chief Executive Officer.

## Counterparty Selection Criteria

24. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:
  - It maintains a policy covering the **categories of investment types** it will invest in, **criteria for choosing investment counterparties** with adequate security, and **monitoring** their security.
  - It has **sufficient liquidity** in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.
25. Officers will **maintain a counterparty list** in compliance with the below criteria and will revise the criteria and submit them to Council for approval as necessary.
26. Credit rating information is supplied by the Council's Treasury Management Consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost

immediately after they occur and this information is considered before dealing.

27. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- **Banks 1** - good credit quality. The Council will use banks which are UK banks and/or are non-UK and domiciled in a country which has a **minimum sovereign rating of AA** and have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated):

	Fitch	Moody's	Standard and Poor's
Short Term	F1	P-1	A-1
Long Term	A	A2	A

- **Banks 2** - Part nationalised UK banks (Royal Bank of Scotland). This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- **Building Societies** - The Council will use all societies which meet the ratings for banks outlined above and/or have **assets in excess of £5 billion**.
- **Other Investment Counterparties** -
  - UK Government (including gilts and the Debt Management Account Deposit Facility)
  - Local authorities
  - Money market funds
  - Enhanced cash funds

28. Where cash flows determine it necessary, the **Council's bankers, NatWest**, (part of the RBS group) will be used on **an unlimited basis**. If their credit quality is reduced, the Council will continue to use their banking services but no investments will be placed with them.

## Time and Monetary Limits Applying to Investments

29. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long Term Rating	Money Limit	Time Limit
Banks 1 - good credit quality	A	£6m	5 years
Banks 2 - part-nationalised	N/A	£8m	3 years
Building Societies	N/A	£2m	1 year
Debt Management Account Deposit Facility	AAA	Unlimited	6 months
Local Authorities	N/A	Unlimited	5 years
Money Market Funds	AAA	£6m per fund	Liquid
Enhanced Cash Funds	AAA	£6m per fund	Liquid

## Country and Sector Considerations

- 30. Due care will be taken to consider the country, group and sector exposures of the Council’s investments.
- 31. The Council will only use approved counterparties from countries with a minimum **sovereign credit rating of AA from Fitch**. Countries that qualify using these credit criteria, as at the date of this report, are listed in the table below. The list will be added to, or deducted from by officers should ratings change in accordance with this policy:

AAA:	AA+:	AA:
Australia	Finland	Abu Dhabi (UAE)
Canada	UK	France
Denmark	USA	Qatar
Germany		
Netherlands		
Singapore		
Sweden		
Switzerland		

- 32. In addition, the following sector limits will apply:
  - No more than **25%** will be placed with any **non-UK country** at any time.
  - No more than **25%** will be placed with **building societies**.
  - **Limits** in place will **apply to a group** of companies.
  - Sector limits will be monitored regularly for appropriateness.
  - As far as possible, the Council will aim to maintain at least **25%** of investments **maturing within 1 year**, and no more than **50% maturing over 1 year**.

**Investment Strategy**

- 33. The Council’s in-house managed funds are mainly existing resources earmarked to finance future capital expenditure and resources derived from favourable cash flow, with a **core balance of £10 - £15 million** available for investment over a year.
- 34. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 35. The Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2016. The Bank Rate forecasts from Capita Asset Services for financial year ends (March) are:

Year	Bank Rate
2016/17	0.75%

<b>2017/18</b>	1.25%
<b>2018/19</b>	1.75%

36. The overall balance of risks to the above forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and/or forecasts for increases in inflation rise, there could be an upside risk.

## Investment Treasury Indicator and Limit

37. Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

<b>£M</b>	<b>2015/16 Revised</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
Principal sums invested > 364 days	22	17	14	14

38. For its cash flow generated balances, the Council will seek to utilise its **call accounts, money market funds and short-dated deposits** (overnight to three months) in order to benefit from the compounding of interest.

## External Fund Managers

39. Up to £13 million of the Council's investments are externally managed on a discretionary basis by **Tradition**. This arrangement was put in place in 2000 to improve the financial returns of the Council's core cash balances. This chargeable arrangement will come to an end in April 2016 as the level of financial returns has reduced significantly since the economic crisis.

## BORROWING

### Current Portfolio Position

40. The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement), highlighting any under or over borrowing.

<b>£'000</b>	<b>2015/16 Revised</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
Debt at 1 April	41,782	43,082	48,722	48,722
Expected change in debt	1,300	5,640	0	0
<b>Gross Debt at 31 March</b>	<b>43,082</b>	<b>48,722</b>	<b>48,722</b>	<b>48,722</b>
Capital Financing Requirement (CFR)	55,751	61,591	61,591	61,591
<b>Under/(Over) Borrowing</b>	<b>12,669</b>	<b>12,869</b>	<b>12,869</b>	<b>12,869</b>
<b>CFR for last, current and next 2</b>	<b>233,184</b>	<b>240,524</b>	<b>246,364</b>	<b>246,364</b>

£'000	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
years				

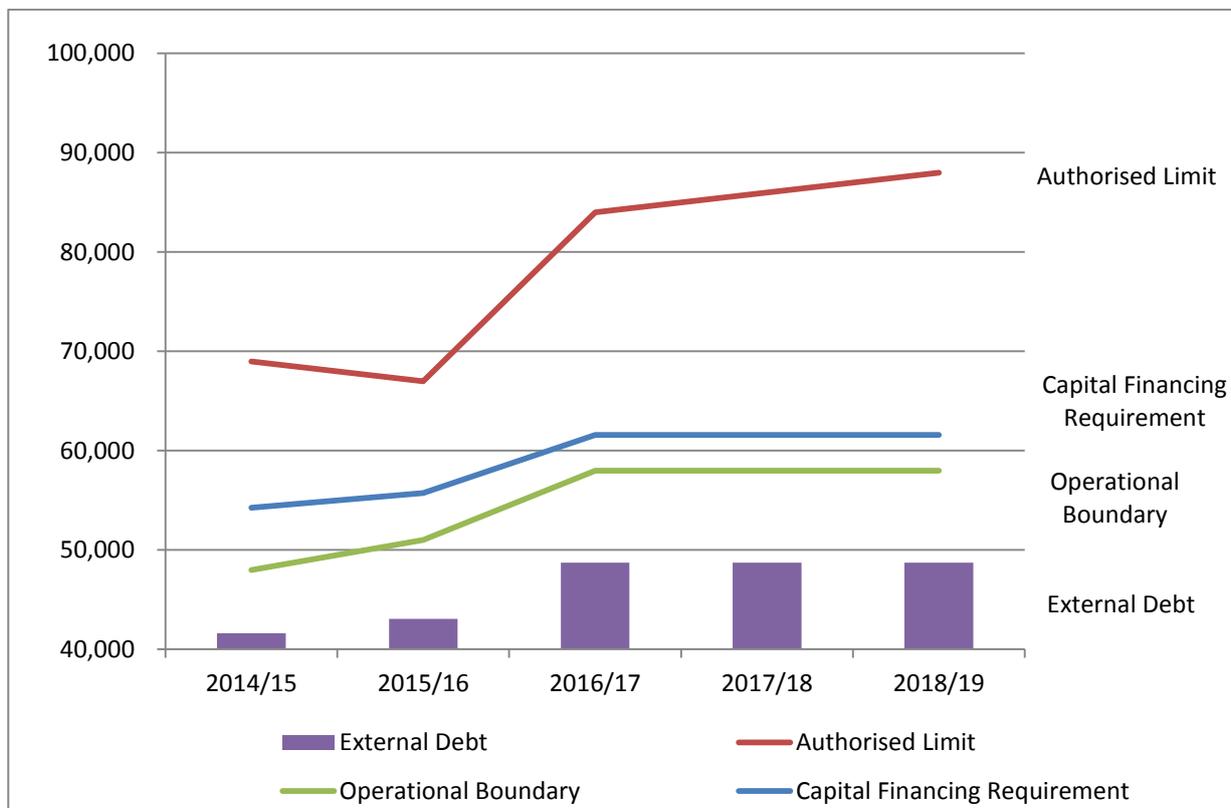
41. The Council is currently maintaining **an under-borrowed position**. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.
42. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years.
43. The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

### Treasury Indicators: Limits to Borrowing Activity

44. The treasury indicators includes two limits to borrowing activity:
- 1) The **operational boundary** is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.
  - 2) The **authorised limit** is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.
45. The limits are:

£'000	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
<b>Operational Boundary</b>				
Borrowing	47,000	53,000	58,000	58,000
Other long term liabilities	4,000	5,000	5,000	5,000
<b>Total</b>	<b>51,000</b>	<b>58,000</b>	<b>58,000</b>	<b>58,000</b>
<b>Authorised Limit</b>				
Borrowing	61,000	77,000	79,000	81,000
Other long term liabilities	6,000	7,000	7,000	7,000
<b>Total</b>	<b>67,000</b>	<b>84,000</b>	<b>86,000</b>	<b>88,000</b>

46. The graph below shows the projections for the CFR and borrowing limits:



47. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

£'000	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA Debt Cap	56,851	56,851	56,851	56,851
HRA CFR	52,879	52,649	52,419	52,189
<b>HRA Headroom</b>	<b>3,972</b>	<b>4,202</b>	<b>4,432</b>	<b>4,662</b>

## Borrowing Strategy

48. The Council's main objective when borrowing money is to strike an appropriately low risk balance between **securing low interest costs** and achieving **certainty of those costs** over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
49. The Council has been in a debt free position for the General Fund for many years mainly due to having sufficient capital reserves to meet the Council's capital programme. However this position will change over the coming years as borrowing is required for large capital schemes such as Holly Hill Leisure Centre, Daedalus and new property investment opportunities.
50. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either **use internal resources**, or to **borrow short-term** loans instead.
51. By doing so, the Council is able to reduce net borrowing costs (despite foregone

investment income) and **reduce overall treasury risk**. The benefits of internal borrowing or short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

52. Our treasury advisors will assist the Council with this '**cost of carry**' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
53. Alternatively, the Council may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
54. In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

## **Sources of Borrowing**

55. The approved sources of long-term and short-term borrowing are:
  - Public Works Loan Board (PWLB) and any successor body.
  - Any institution approved for investments, including other local authorities.
  - Any other bank or building society authorised to operate in the UK.
  - UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
  - Capital market bond investors.
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
56. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
  - Operating and finance leases
  - Hire purchase
  - Private Finance Initiative
  - Sale and leaseback
57. The Council has previously raised all of its long-term borrowing from the PWLB but it will investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

## **Borrowing in Advance of Need**

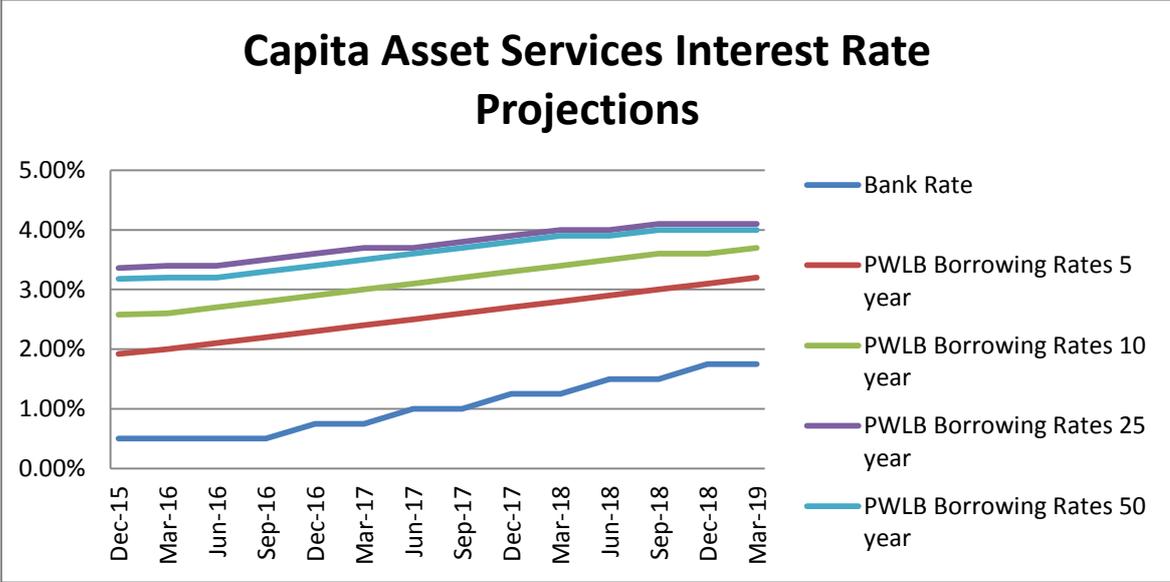
- 58. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 59. Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

**DEBT RESCHEDULING**

- 60. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

**PROSPECTS FOR INTEREST RATES**

- 61. The Council’s Treasury Management Consultants assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Capita Asset Services is attached at Annex A.
- 62. The following graph and commentary gives the Capita Asset Services central view on interest rates and economic update.



- 63. Investment returns are likely to remain relatively low during 2016/17 and beyond.
- 64. Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets.

65. There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

**TREASURY MANAGEMENT LIMITS ON ACTIVITY**

66. There are **three** debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs and improve performance. The indicators are:

- Upper limits on **variable interest rate exposure**. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on **fixed interest rate exposure**. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Maturity structure of borrowing**. These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

67. The treasury indicators and limits are:

<b>Upper limits on interest rate exposures</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	%	%	%	%
- Upper limit on variable interest rate exposures	25	25	25	25
- Upper limit on fixed interest rate exposures	100	100	100	100
<b>Maturity structure of borrowing</b>	<b>Upper Limit</b>			
	%	%	%	%
- Loans maturing within 1 year	25	25	25	25
- Loans maturing within 1 - 2 years	25	25	25	25
- Loans maturing within 2 - 5 years	25	25	25	25
- Loans maturing within 5 - 10 years	50	50	50	50
- Loans maturing in over 10 years	100	100	100	100

**ECONOMIC BACKGROUND BY CAPITA ASSET SERVICES**

**UK.** UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% by the end of 2016 and not get to near 2% until the second half of 2017, though the forecasts in the Report itself were for an even slower rate of increase. However, more falls in the price of oil and imports from emerging countries in early 2016 will further delay the pick up in inflation. There is therefore considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 4 of 2016. There is downside risk to this forecast i.e. it could be pushed further back.

**USA.** The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

**EZ.** In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of

monthly purchases started in March 2015 and it was intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the EZ.

**Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

**Portugal and Spain.** The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

**China and Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 and the start of 2016 in implementing several stimulus measures to try to ensure the economy hits the growth target of about 7% for 2015. It has also sought to bring some stability after the major fall in the onshore Chinese stock market during the summer and then a second bout in January 2016. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, there are growing concerns about whether the Chinese economy could be heading for a hard landing and weak progress in rebalancing the economy from an over dependency on manufacturing and investment to consumer demand led services.

There are also concerns over the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September and again in January 2016, which could lead to a flight to quality to bond markets. In addition, the international value of the Chinese currency has been on a steady trend of weakening and this will put further downward pressure on the currencies of emerging countries dependent for earnings on exports of their commodities.

**Emerging Countries.** There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

## **CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services undertook its last review of interest rate forecasts on 19 January 2016. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 4 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. At some future point in time, an increase in investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently to the downside, given the number of potential headwinds that could be growing on both the international and UK scene. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in January 2016, (based on short sterling), for the first Bank Rate increase are currently around quarter 1 2017.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or US Federal Reserve rate increases, causing a flight to safe havens (bonds).
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- Uncertainty around the risk of a UK exit from the EU.
- The pace and timing of increases in the US Federal Reserve funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 8 February 2016

<b>Portfolio:</b>	Policy & Resources
<b>Subject:</b>	<b>Commercial Property Investment Acquisition Strategy</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Asset Management Plan
<b>Corporate Objective:</b>	A dynamic, prudent, progressive and best practice Council

**Purpose:**  
To provide an update on the Commercial Property Investment Acquisition Strategy which was put in place after approval from the Executive in January 2013.

**Executive summary:**  
As part of the Council's on-going review of finances and new income generating opportunities, approval was given by Executive in January 2013 to put in place a Commercial Property Investment Acquisition Strategy as a means to optimise returns on Council investments. The Executive are asked to note the six properties acquired in accordance with the Strategy.

**Recommendation/Recommended Option:**  
That the Executive notes the update on the Commercial Property Investment Acquisition Strategy, including the details of the commercial investment properties acquired.

**Reason:**  
To provide the Executive with an update of the properties acquired in accordance with the Commercial Property Investment Acquisition Strategy

**Cost of proposals:** The cost of the acquiring the 6 commercial investment properties totals £8,027,406.

**Appendices:** **A: Executive Briefing Paper – Investments Acquired and Financial Implications (Confidential Appendix)**

**Background papers:** **None**  
**Reference papers:** **Report to Executive 7 January 2013 – Commercial Property Investment Acquisition Strategy**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	8 February 2016
<b>Subject:</b>	Commercial Property Investment Acquisition Strategy
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

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

available to fund additional commercial investment properties.

## **INVESTMENTS ACQUIRED**

7. Following the decision of the Executive in January 2013, an industrial property; Clifton House in Segensworth was acquired in August 2013 and a property comprising a ground floor Sainsbury's unit in Eastbourne in December 2013. The properties purchased from the additional £5m approved by the Executive in November 2013 include a Sainsbury's convenience store in Streatham purchased in March 2014, a retail shop in Weymouth purchased in September 2014 and a Tesco convenience store in Poole in November 2014. The final purchase; a children's nursery in Oxford was purchased in October 2015. The full details are set out in the Confidential Appendix A.

## **RISK ASSESSMENT**

8. The risks associated with acquiring commercial property investments and measures to minimise the exposure to risk are set out in the draft Commercial Property Investment Acquisition Strategy. Most notably are the risks that the initial capital investment will deteriorate, and the on-going revenue stream does not materialise. For this reason, there was a set of clear criteria agreed prior to any acquisition to limit the Councils exposure to these risks.

## **FINANCIAL IMPLICATIONS**

9. For the current financial year to date, the Council is currently earning on average 0.8% from its treasury related cash investments. Had £8million been invested at this interest rate, the return for the year would be £64,000 compared to the projected rental income of £542,000; a difference of £478,000 (full details are set out in the Confidential Appendix A).

## **CONCLUSION**

10. The report outlines the acquisitions of investment property following the Executives decision in January 2013 to provide £3million as an initial investment to fund a commercial property investment acquisition programme and the Executives decision in November 2013 to provide an additional £5 million to facilitate further investment. The report sets out the financial benefits of investing £8million in commercial investment property as opposed to treasury related investments.

### **Enquiries:**

For further information on this report please contact Ffion Johns. (Ext 4670)



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