

# FAREHAM

BOROUGH COUNCIL

## AGENDA FOR THE EXECUTIVE

**Date:** Monday, 3 February 2020

**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, Health and Public Protection (Deputy Executive Leader)

Councillor F Birkett, Housing

Councillor Miss S M Bell, Leisure and Community

Councillor K D Evans, Planning and Development

Councillor S D Martin, Streetscene

**1. Apologies for Absence**

**2. Minutes (Pages 5 - 10)**

To confirm as a correct record the minutes of the meeting of the Executive held on 06 January 2020.

**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. References from Other Committees**

To receive any references 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. Planning and Development**

**Key Decision**

**(1) Review of the Council's Pre-Application Planning Advice Service and Charges (Pages 11 - 32)**

A report by the Director of Planning and Regeneration.

**9. Policy and Resources**

**Key Decision**

**(1) Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21 (Pages 33 - 42)**

A report by the Deputy Chief Executive Officer and Section 151 Officer.

**(2) Housing Revenue Account Budget and Capital Plans 2020/21 (Pages 43 - 54)**

A report by the Deputy Chief Executive Officer and Section 151 Officer.

**(3) Insurance Services Tender (Pages 55 - 64)**

A report by the Deputy Chief Executive Officer.

## Non-Key Decision

**(4) Treasury Management Strategy 2020/21** (Pages 65 - 88)

A report by the Deputy Chief Executive Officer and Section 151 Officer.

**(5) Adoption of BT Telephone Box in Sarisbury Green** (Pages 89 - 98)

A report by the Director of Leisure and Community.



P GRIMWOOD  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)  
23 January 2020

**For further information please contact:  
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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Executive

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

**Date:** Monday, 6 January 2020

**Venue:** Collingwood Room - Civic Offices

**Present:**

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

**Also in attendance:**

P J Davies, for item 9 (1)  
J S Forrest, for item 9 (1)  
R H Price, JP, for item 10 (5)



**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence given for this meeting.

**2. MINUTES**

RESOLVED that the minutes of the meeting of the Executive held on 16 December 2019 be confirmed and signed as a correct record.

**3. EXECUTIVE LEADER'S ANNOUNCEMENTS**

The Executive Leader announced that he and Councillor Miss S M Bell attended the final performance of Beauty and the Beast at Ferneham Hall and wished to place on record the Council's thanks and gratitude to all staff and volunteers who have worked there over the years, some of whom have worked at Ferneham Hall for the entire 38 years it was open. Members will be welcome to attend the re-opening in 2022.

**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**

Deputations were received in respect of item 10(1) - Beach Hut Site Rent Review, from Roy Pharoah, Anthony Pepper, Baz Marie, Andrew Slee and Percy O'Dell, Chairman of the Fareham Beach Hut Association.

**7. REFERENCES FROM OTHER COMMITTEES****Leisure and Community Scrutiny Panel – 16 December 2019**

Minute 6 – Remodelled Ferneham Hall Planning Application Design

Members received a presentation by the Director of Leisure and Community which outlined the top-level designs for submission as part of the planning application for the remodelled Ferneham Hall. A copy of the presentation is attached to these minutes as Appendix A.

The Panel was pleased that initial concerns regarding the type of brick work to be used in the remodelling of Ferneham Hall had been reconsidered. Members very much preferred the revised concept designs that were put forward in the presentation and were particularly impressed with both the look of the new choice of brickwork and also the strong historic link that it will bring to the famous and distinctive red-tinged Fareham bricks that were used in the construction of London's Royal Albert Hall.

Members put forward their sincere thanks and gratitude to Officers for all the hard work that has been put into driving this project forward on such a tight schedule.

RESOLVED that the Leisure and Community Scrutiny Panel recommends the top-level designs, as outlined in the presentation, to the Executive for approval as part of the planning application to remodel Ferneham Hall.

This item is listed at Agenda item 8(1) for consideration by the Executive.

## **8. LEISURE AND COMMUNITY**

### **(1) Remodelled Ferneham Hall Planning Application**

RESOLVED that the Executive:

- (a) noted the comments of the Leisure and Community Scrutiny Panel; and
- (b) approves the principle of the detailed design for the remodelled Ferneham Hall, as outlined in Appendix B to the report, and that this, including any minor alterations be submitted as part of a planning application.

## **9. PLANNING AND DEVELOPMENT**

### **(1) Response to Transport for the South East's Consultation Draft Transport Strategy for the South East: Consultation Questionnaire**

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

RESOLVED that the Executive approves:

- (a) the Council's response to Transport for the South East's Consultation Draft Transport Strategy for the South East Consultation Questionnaire as outlined in paragraphs 13-38 of this report; and
- (b) subject to the amendment at paragraph 29 to include more detailed reference being made for opportunities for provision of rail stations, including at lower cost, that the Director of Planning and Regeneration be authorised to make any necessary minor amendments following consultation with the Executive Member for Planning and Development prior to the submission to TfSE's submission deadline (10<sup>th</sup> January 2020), provided they do not change the overall direction, shape or emphasis.

## **10. POLICY AND RESOURCES**

### **(1) Beach Hut Site Rent Review**

At the agreement of the Executive Leader, this item was brought forward on the agenda.

Deputations were received in respect of this item from Roy Pharoah, Anthony Pepper, Baz Marie, Andrew Slee and Percy O'Dell, Chairman of the Fareham Beach Hut Association.

During a debate on this item, the Executive Leader proposed an amendment to the recommendation to phase the increase over a 2 or 3 year period to enable an incremental increase in fees year by year. Following further debate, the Executive Leader proposed an annual increase of 5% starting from 01 April 2020.

RESOLVED that the Executive agrees an increase in beach hut site rents by 5% per annum.

- (2) Secure Access to the Western Side of the Solent Airport and provide further car parking for children's play area

RESOLVED that the Executive:

- (a) approves a capital budget of £250,000 to fund improvements to airside security at the West Gate entrance to the Solent Airport and provide further parking for the children's play area to the West of Daedalus Common; and
  - (b) agrees to delegate the award of contract to the Director of Planning and Regeneration following consultation with the Executive Leader.
- (3) Construction of Economic Hangars at Solent Airport Daedalus

RESOLVED that the Executive agrees:

- (a) the appropriate prudential; borrowing up to the maximum sum detailed in the confidential appendix and a capital budget to fund the construction of economic hangar provision at Solent Airport at Daedalus; and
  - (b) to delegate authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Policy and Resources to award the contract for the construction of the new hangars after a procurement exercise in accordance with the Council's Procurement and Contract Procedure Rules 2019.
- (4) Finance Strategy, Revenue Budget and Council Tax 2020-21

RESOLVED that the Executive:

#### **Financial Forecasts (MTFS)**

- (a) approves the Medium-Term Finance Strategy for the period 2019/20 to 2023/24, as set out at Appendix C to the report;



- (b) agrees to submit the updated Pay Policy annexed to the Medium-Term Finance Strategy at Annex C, to Council for approval;

### **Revenue Budgets**

- (c) approves the revised 2019/20 general fund revenue budget, amounting to £9,319,200, as set out in Appendix A and B to the report; and
- (d) approves the base 2020/21 general fund revenue budget amounting to £9,606,500 as set out in Appendix A and B to the report.

### **(5) Fees and Charges 2020-21**

At the invitation of the Executive Leader, Councillor R H Price, JP addressed the Executive on this item.

RESOLVED that the Executive approves the fees and charges for 202/21 as set out at Appendix A, subject to the amendment to Beach Hut fees (see item 10(1)) being increased by 5% per annum.

### **(6) Capital Programme and Capital Strategy 2020-21**

RESOLVED that the Executive:

- (a) endorses the draft Capital Strategy for 2020/21, attached as Appendix A to this report;
- (b) approves the capital programme for the period 2019/20 to 2023/24, amounting to £92.5 million as set out in Annex 1 of the Capital Strategy; and
- (c) agrees to submit the Capital Strategy for 2020/21 to Council for approval.

(The meeting started at 6.00 pm  
and ended at 7.28 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Planning and Development
<b>Subject:</b>	<b>Review of the Council's Pre-Application Planning Advice Service and Charges</b>
<b>Report of:</b>	Director of Planning and Regeneration
<b>Corporate Priorities:</b>	A dynamic, prudent, progressive and best practice Council

**Purpose:**

To advise the Executive of the outcome of a recent review of the Council's pre-application planning advice service and charges.

**Executive summary:**

A review of the Council's pre-application planning advice service has recently been undertaken and found that it was broadly meeting the requirements of customers. The review also established that the Council's current charges for providing pre-application planning advice, represent only partial recovery of the costs of delivering the service. A proposal is therefore being brought to the Executive to increase the level of charging to provide pre-application planning advice.

**Recommendation:**

It is recommended that the Executive:

- (a) agrees the provision of pre-application planning advice based on the service specification set out in Appendix C;
- (b) recommends the proposed increased charges for providing pre-application planning advice set out at Appendix D to Council for approval as part of the Council's budget;
- (c) notes that, subject to the approval of Council as set out in (b) above, the charges will come into effect for all pre-application planning advice requests received on or after the 1<sup>st</sup> April 2020;
- (d) notes that a further report addressing charges in relation to listed building and heritage assets advice, planning performance agreements and design coding work (as set out within Paragraphs 37 and 46-50 of the Briefing Paper) will be presented to a future meeting of the Executive.

**Reason:**

To ensure that the pre-application service meets the needs of customers. To ensure that a greater proportion of the cost of delivering the pre-application planning advice service is recovered from users of the service, reflecting the Council's Medium-term Financial Strategy.

**Cost of proposals:**

If the increased charges proposed in the report are implemented in full, the Council will receive additional income and recover a greater proportion of the cost of delivering the pre-application planning advice service.

**Appendices:**

**A: Fareham's current pre-application planning advice charges**

**B: Comparison of pre-application planning advice charges across Hampshire**

**C: Proposed pre-application planning advice service specification**

**D: Proposed pre-application planning advice charges**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Review of the Council's Pre-Application Planning Advice Service and Charges
<b>Briefing by:</b>	Director of Planning and Regeneration
<b>Portfolio:</b>	Planning and Development

#### INTRODUCTION

1. Fareham Borough Council introduced pre-application planning charges in April 2009 for providing advice on many types of development.
2. Providing pre-application planning advice is a discretionary service, but one strongly encouraged by the Government and welcomed by many applicants. Local planning authorities may charge for providing discretionary services under Section 93 of the Local Government Act 2003. Where charges are made, they must not exceed the cost of providing the service.
3. The pre-application charges introduced in 2009 represented partial recovery of the costs associated with the Council providing the advice, rather than full recovery. Annual increases of 5% have been made to the pre-application charges in recent years, but the current charges still do not reflect full cost recovery.
4. Members will be well aware of the considerable spending pressures this Council faces and therefore the importance of recovering costs where it is appropriate and reasonable to do so.
5. Following a full review of the pre-application planning advice service, it is recommended that many of the charges are increased to recover a greater proportion of the actual cost to the Council for providing the service. Some pre-application advice currently provided free of charge, is proposed to remain free of charge at the present time.

#### EXISTING PLANNING ADVICE SERVICE

6. Providing planning advice is an extremely important and valued part of the Development Management service.
7. Development Management presently ensures that a duty planning officer is available to meet customers in person, Monday-Friday, during office hours. Duty planning officers endeavour to answer customer's enquiries on planning matters during that first contact whenever possible, where questions relate to advice which the Council

does not charge for. Many of the customers are residents of the Borough with enquiries relating to their own property or their neighbourhood.

8. The service also receives numerous informal requests each year for advice on whether planning permission is likely to be granted for proposals before a formal planning application is submitted. Providing this advice in relation to an extension to a residential property is often relatively straightforward; major proposals however involve considerable officer time and can also involve Officers across a number of the Council's Services.
9. There are also a large number of written enquiries received by the service ranging from general questions about planning through to whether or not planning permission is required.
10. Fareham's scheme for pre-application planning advice and charges was first introduced in April 2009. With the exception of the small annual increase in the charges, the scheme has remained essentially unchanged since its introduction.

### **EXISTING PRE-APPLICATION CHARGING SCHEDULE**

11. At the present time pre-application planning advice is provided free of charge for the following proposals:

- Householder extensions and alterations, including all outbuildings, 'granny' annexes, extensions, roof extensions and alterations, hardstandings, satellite dishes, solar panels and similar energy efficiency proposals at a residential property
- Community uses which are non-profit making
- Works solely relating to trees
- Works solely relating to listed buildings
- Adverts directly related to a small businesses
- Lawful use certificates

12. This Council currently charges to provide planning advice for the following types of development:

- New residential dwellings (created through both new build and conversion)
- Provision of retail, commercial, agricultural and industrial floor space
- Provision of educational, hospital, leisure and recreational floor space
- Change of use applications
- Telecommunication/ mast proposals
- Advertisements (not relating to small businesses) and hoardings
- Variation of planning conditions (non-householder)
- Moorings/ pontoons
- Engineering operations
- Means of enclosure/ security measures (non-householder)

13. Fareham's current pre-application charges are based on the scale of the proposal (which are described as Level 1, 2 and 3 development). A fixed fee is currently charged irrespective of the time spent upon it. The amount currently charged for pre-application advice on different scales of development are set out at Appendix A.

14. Following the submission of paid for pre-application enquiries, Officers assess

proposals against Government policy and guidance, adopted and emerging policies and relevant planning history. Officers also consult with internal consultees and often undertake a site visit. Officers then provide feedback on proposals either through meetings with the enquirer or in writing. When meetings are held internal consultees may also be invited to attend.

## **REVIEW OF FAREHAM'S PRE-APPLICATION ADVICE SERVICE**

15. As explained earlier in this report, there has been no fundamental review of the pre-application planning advice service since its introduction in 2009. In undertaking this review Officers have looked at three distinct areas.
16. Firstly, Officers looked at the charges made by other Hampshire local planning authorities for providing pre-application planning advice.
17. Secondly, Officers have reviewed a number of pre-application cases of different levels where pre-application advice was provided. In reviewing these cases Officers have considered how many Officer hours, across all services, was spent in providing the advice.
18. Lastly, feedback from customers of the pre-application planning advice service have been considered. Such feedback relates to the quality of the advice, the speed with which it was provided and whether it represented good value for money in the customer's opinion.

## **PRE-APPLICATION PLANNING ADVICE CHARGES IN OTHER LOCAL AUTHORITIES**

19. In comparing the pre-application charges currently levied at Fareham with the other planning authorities within Hampshire, Officers looked at charges in respect of a number of 'hypothetical' planning proposals. The 'hypothetical' proposals chosen were: an extension to an existing residential house, 1 new dwelling, 50 new dwellings and 1000 square metres of industrial floor space.
20. The table at Appendix B, sets out Fareham's current charges at the top for the four different proposals, followed by the headline charges levied by all other local planning authorities across Hampshire for providing pre-application advice for the same proposals.
21. It should be stressed that these charges set out in the table represent 'headline' charges. Fareham's charges for example include all costs with the exception of external consultant fees. Fareham also gives customers the choice of a meeting or written response. Some local planning authorities only provide written responses and apply additional charges if customers request a meeting as well. Some authorities base their pre-application fee as a percentage of what the planning application fee would be.

## **REVIEW OF PRE-APPLICATION ADVICE PREVIOUSLY PROVIDED**

22. In reviewing the Council's pre-application planning advice charges, a number of 'completed' cases have been reviewed. The review looked at the number of officers involved in providing advice and their time taken in doing so.
23. The Council's Finance Officers provided hourly rates (including all on costs) for Planners at different tiers within the Development Management service along with Officers within other Council services.

24. For all of the 'completed' cases reviewed, the charges levied for the pre-application planning advice, did not cover the full cost of providing the advice based on the time spent on each case using the hourly rates provided by the Council's Finance Officers.

## **FEEDBACK ON CURRENT PRE-APPLICATION SERVICE FROM PLANNING AGENTS**

25. Feedback from customers who have used the Council's pre-application advice service has been obtained through telephone surveys with planning agents, and other feedback received both in writing and verbally.

26. The broad feedback on the existing service has been:

- Level of charges do not discourage use of the service
- Speed of response good
- Choice of either meeting Planners or receiving written response appreciated
- Planners honour pre-application advice when the planning application is submitted

27. Some planning agents requested that any future pre-application scheme should look to achieve the following:

- Need to respond quickly to enquiries to encourage applicants to use the service
- Planners should visit all the sites before providing advice
- The opportunity to discuss pre-application proposals on site would be welcomed
- Internal services should be consulted on proposals and their advice shared
- Following receipt of advice, future clarification/ minor changes should not attract a further cost for applicants
- Make it possible to submit all pre-application enquiries electronically.

### *Response to the service enhancements requested by planning agents*

28. Enabling pre-application planning proposals to be submitted entirely electronically will be implemented as soon as it is practicable to do so.

29. Officers will endeavour to visit sites before any advice is provided, in connection with enquiries where a fee has been paid. Consideration will also be given to where it would be practical for pre-application planning discussions to take place on site.

30. It is the aim of the pre-application service that all relevant services within Fareham Borough Council will be consulted on the proposals. The responses received from those services (with the exception of the Council's own legal advice) could be shared with users of the service.

31. The request that minor clarifications and changes following the provision of pre-application planning advice should not be required to pay a further fee is noted. If a clarification/ change is truly minor and does not require further research or consultation with other services, then this request can be accommodated. Likewise, any clarification or change which requires further research or consultation with other services or requires the provision of a further detailed response will require a further fee. A judgment will need to be taken by the Planner on a case by case basis.

32. A 'Proposed pre-application planning advice service specification', is attached at Appendix C.

## **PROPOSED PRE-APPLICATION SERVICE – PLANNING ADVICE PROVIDED FREE OF**



## **CHARGE**

33. The fact that residents can get advice free of charge when they 'drop in' to the Civic Offices is very popular and has led to a lot of positive feedback about the service. The provision of this service was developed as part of the Vanguard Intervention to ensure that the Development Management service meets the needs of our customers.
34. By proportion, householder planning applications make up the greatest number of planning applications submitted to Fareham Borough Council each year. There is a good take up of the planning advice service in respect of householder proposals, which enables planning officers to work through issues with applicants and/or their agents in advance of planning applications being submitted. The fact that residents can drop into the offices or telephone at any time during the working day means that the opportunity exists to obtain advice at an early stage before proposals are drawn up.
35. In addition to this, the fact that it is possible for applicants and agents to speak directly to Planners means that many customers can obtain advice through their first point of contact. This in turn reduces the number of written requests for advice the Council receives. It is recommended that the Council continues to provide planning advice to residents looking to alter or extend their homes free of charge.
36. It is further recommended that pre-application planning advice relating to the following continue to be provided free of charge at the present time:
- Community uses which are non-profit making
  - Works solely relating to trees
  - Adverts directly related to a small business
  - Lawful use certificates
  - Works solely relating to listed buildings

### *Advice on matters relating to Listed Buildings and other Heritage Assets*

37. With regard to listed buildings in particular, it is evident that a lot of advice has previously been provided to listed building owners free of charge, which often involved the Conservation Planner undertaking site visits to the properties involved. A review will be undertaken shortly looking at how advice could be provided on listed buildings and other heritage assets in future and whether a charge should be levied for providing this advice.

## **PROPOSED PRE-APPLICATION SERVICE – PLANNING ADVICE FOR WHICH A CHARGE IS MADE**

38. Between 1<sup>st</sup> April 2019 and the 15<sup>th</sup> January 2020, the Council received 63 requests for pre-application planning advice, for which a fee was paid. Of these 63 requests, 10 related to 'Level 1 Development', 20 related to 'Level 2 Development' and 33 'Level 3 Development' (as defined at paragraph 13 of this report). The fees paid in connection with these 63 requests total £12,605.
39. From the review of a sample of 'completed' cases, it is evident that this Council did not recover the full cost of providing the pre-application planning advice. It is therefore considered appropriate to increase the charges for providing pre-application planning advice.

40. At the same time, it is proposed to introduce a new charging structure. The reason for this is that whilst the cost of dealing with smaller scale proposals can be predicted with some degree of accuracy, for larger scale schemes an assessment needs to be taken on a case by case basis. By way of example, under the Council's current charging scheme the fee for providing pre-application planning advice on a scheme of 15 houses is the same as it would be for providing advice on a scheme of 1,500 houses.
41. As the scale and complexity of the proposals increase it becomes considerably more difficult to set a fixed fee which ensures that the Council achieves cost recovery for the advice it provides. To address this the new charging schedule proposes a 'Price on Application' (POA) approach to charges for the more complex/ larger scale proposals. In these cases, the Council would provide applicants with a projection of the likely number of Officer hours which would be spent on the project and base the charge upon this. Such an approach should ensure that cost recovery is achieved with the larger, more time and cost intensive schemes.
42. Whilst it is considered appropriate to increase the level of charges, it is important to ensure that the extent of any increase does not discourage customers from using the pre-application planning service. A careful balance in this respect therefore needs to be struck.
43. In order to establish the costs of providing pre-application planning advice, this Council's Finance Officers advised that the following reflects the hourly rates (including all relevant on costs) for a range of Officers within Fareham Borough Council:
- Planner/ Local Scale 6 post: £60
- Senior Planner/ Local Scale 8: £75
- Principal Planner/ Local Scale 10: £90
- Head of Service: £115
44. Based on the information provided by the Council's Finance Officers, the Officer time spent on previous pre-application planning advice cases and having had careful regard for the level of charges set by other local planning authorities within Hampshire, a proposed set of new charges is set out at Appendix D of this report.
45. Officers have reviewed the last 10 pre-application planning advice requests which have been received by the Council and calculated what fee would be payable under the new charges proposed at Appendix B. Of the 10 requests, 4 paid a fee of £158.40, 5 paid a fee of £316.80 and 1 paid a fee of £422.40; a total of £2639.80 was paid for the 10 requests. Under the proposed charging structure, the fees payable for the first 9 requests described would be £3,350. The final request for multiple proposals on a site would have attracted a fee of £1,000.

### **Further Service Enhancements**

#### *Planning Performance Agreements*

46. The need to respond quickly to pre-application planning enquiries is recognised by the Council. The ability to achieve this relies on the actions of the Council, external consultees and the enquirers themselves. To this end Officers will explore whether

this Council should make use of 'planning performance agreements'.

47. A planning performance agreement is a project management tool which the local planning authorities and applicants can use to agree timescales, actions and resources for handling particular applications. They can cover the pre-application and application stages and can also extend through to the post-application stage.
48. Planning performance agreements can be particularly useful in setting out an efficient and transparent process for determining large and/or complex planning applications. They encourage joint working between the applicant and local planning authority and can also help to bring together other parties such as statutory consultees.
49. A planning performance agreement is agreed voluntarily between the applicant and the local planning authority prior to the application being submitted and can be a useful focus of pre-application discussions about the issues that will need to be addressed.

#### *Design Codes- Welborne and other large scale developments*

50. There is also likely to be demands placed on the pre-application planning advice service as a result of proposed allocations within the emerging Fareham Local Plan 2036, and the progression of the Welborne development. With some larger scale developments, the pre-application planning advice service may need to be involved in other planning work including the preparation and review of Design Codes. The potential resource implications to the Council of these additional areas of work will be subject to a separate report to the Executive in the near future.

#### **RISK ASSESSMENT**

51. If the charges are not increased for providing pre-application planning advice, the Council will need to continue funding this part of the service from other revenue budgets.

#### **CONCLUSION**

52. The Executive is invited to approve the Proposed pre-application planning advice service specification set out in Appendix C and to recommend to Council the Proposed pre-application planning advice charges set out at Appendix D.

#### **Enquiries:**

For further information on this report please contact Lee Smith (Ext 4427)



## Fareham's current pre-application planning advice charges

### Level 3 development - £158.40

- provision of 1 or 2 dwellings (including staff accommodation)
- provision of retail, commercial, agricultural and industrial floor space up to 99 m<sup>2</sup>
- provision of educational, hospital, leisure and recreational floor space up to 99 m<sup>2</sup>
- change of use applications involving floor space up to 99 m<sup>2</sup>
- individual telecommunication equipment and masts applications (not including prior approval submissions)
- advertisements and hoardings
- variation of planning conditions (non householder)
- moorings/ pontoons
- engineering operations
- means of enclosure/ security measures (non householder)

### Level 2 development - £316.80

- provision of 3-14 dwellings or the provision of residential development on a site of between 0.1-0.49 hectares in area
- provision of retail, commercial, agricultural and industrial floor space between 100m<sup>2</sup> - 999m<sup>2</sup>
- provision of educational, hospital, leisure and recreational floor space between 100m<sup>2</sup> - 999m<sup>2</sup>
- change of use applications relating to sites or buildings between 100 and 999 m<sup>2</sup>
- telecommunication equipment and masts applications for 10 or more sites (not including prior approval submissions)

### Level 1 development - £422.40

- provision of 15 or more dwellings or residential development of a site more than 0.5 hectares in area
- provision of retail, commercial, agricultural and industrial floor space more than 1000m<sup>2</sup>
- provision of educational, hospital, leisure and recreational floor space more than 1000m<sup>2</sup>
- change of use applications relating to sites or buildings exceeding 1000m<sup>2</sup>

1. In addition to the above costs, there are instances where Officers need to seek advice from outside the Council for which an additional charge is levied. Those seeking the planning advice are asked to meet these costs before the external advice is sought.

2. For each request for a follow-up meeting or more written comments, a further fee is charged on the following basis:

- Level 1 developments - **£211.20 (£176 + £35.20 VAT)**
- Level 2 developments - **£158.40 (£132 + £26.40 VAT)**
- Level 3 developments - **£105.60 (£88 + £17.60 VAT)**

## Appendix B

### Comparison of current Fareham Borough Council pre-application planning charges with other Hampshire Authorities for a range of proposals

Local Planning Authority	Extension to a house	1 House	50 houses	1000 sqm industrial
<b>Fareham</b>	<b>£0</b>	<b>£158</b>	<b>£422</b>	<b>£422</b>
Basingstoke	£0	£138	£5,775	£1,617
East Hampshire	£48	£130	£2,310	£646
Eastleigh	£81.75	£275-£385	£2,110	£1,035
Gosport	£50	£131.50	£1,050	£661.50
Hart	£62.10 – £186.30	£138	£5,775	£POA
Havant	£52 - £98	£130 - £175	£1,150	£565
Isle of Wight	£50 - £200	£150 - £400	£500 - £800	£500 - £800
New Forest DC	£130	£396	£POA	£1,188
New Forest NP	£60	£125	£5,775	£450
Portsmouth	£40	£250	£600	£600
Rushmoor	£40	£240	£720	£720
Southampton	£35	£150	£700	£700
South Downs NP	£48	£240	£1,800	£900
Test Valley	£58	£144	£2,310	£647
Winchester	£0	£420	£990	£702





### Proposed pre-application planning advice service specification

#### Benefits of using our pre-application planning advice service

Providing constructive informal advice to help shape and progress development proposals is an important part of our service. It can help shape schemes positively before too much time and money has been invested. It can also enable us to identify at an early stage, schemes that the Council's Planners do not believe are likely to receive planning permission. In offering a pre-application advice service, we aim to:

- Identify adopted/emerging policies that are relevant to development proposals
- Identify relevant planning considerations
- Identify external consultees, groups and residents with whom you should engage
- Confirm 'local requirement' documents which will be needed in a submission
- Provide an indication of likely financial contributions (if any) which will be sought
- Provide, where possible, an indication of whether officers think the proposal is likely to get a favourable recommendation in the light of current policies
- Where a scheme is not considered acceptable, provide guidance on what needs to be done to address concerns.

#### Pre-application advice- proposals not subject to a charge

We will provide pre-application planning advice on these proposals free of charge:

- Householder extensions and alterations, including all outbuildings, granny annexes, extensions, roof extensions and alterations, hardstandings, satellite dishes, solar panels and similar energy efficiency proposals at a residential property
- Community uses which are non-profit making
- Works solely about trees
- Works solely about listed buildings
- Adverts directly related to a small business
- Lawful use certificates.

The level of advice the Council's Planners can offer depends on the information you provide. If you only give us basic information it is likely that we will only be able to provide broad comments and guidance. We will aim to get a written response to you within 25 working days of receiving your enquiry.

Providing pre-application advice on all other categories of development will be subject to a charge, based on the type and scale of the proposal.

#### Pre-application advice- proposals subject to a charge

Pre-application proposals should ideally as a minimum be accompanied by the following:

- A location plan clearly identifying the site

- A planning statement setting out the proposals and the main issues for which you would like views and guidance
- Photograph(s) of the site and its surroundings
- Sketch proposals of elevations/layouts to appropriate scales
- Schedules of existing buildings, uses and floor spaces

All drawings/statements etc you would like us to provide advice upon should be submitted from the outset. If you subsequently submit these to us, we may well decline to consider them without a further fee.

The quality of advice the Council's Planners can provide depends upon the information you provide. If you submit superficial statements and plans, our advice is likely to be broad, with extensive caveats. If you provide thorough plans and statements, we will be able to give more focused advice.

We are happy to provide a response to your pre-application request either at a meeting or in writing. If you would like a meeting, we will not provide you with a written response, but you are welcome to take notes of the meeting and submit them to the Planner dealing with your proposals for comment/agreement- there is no further charge for this.

Each pre-application planning advice request can only relate to one site and only one proposal will be accepted for each site. If you would like us to provide you with advice on more than one layout or proposal for the same site, you must make a separate request and pay a fee for each one.

## What do we do after receiving proposals for which a charge has been made?

We will acknowledge receipt of your proposal, letting you know the Planner who will be dealing with it and the date they will aim to respond to you by.

The Planner will assess your proposal in relation to:

- Relevant Government policy and guidance;
- Adopted and where relevant emerging planning policies;
- Any relevant planning history.

We will seek views upon the proposals from other sections within the Council where appropriate. Where you have asked us to provide feedback on your proposals at a meeting, the Planner dealing with your case may well invite internal consultees to attend.

Site visits will be undertaken as part of providing pre-application planning advice whenever it is feasible to do so. We will endeavour to accommodate requests to meet on site where it is possible to do so.

We aim to provide a response to all developments subject to a 'fixed fee' within 25 working days wherever possible.

Those pre-application proposals which are subject to POA (price on application), are likely to involve more complicated proposals with a broad range of issues to be considered. For those cases we will aim to provide an indication at the outset as to the timetable by which we will provide informal advice by.

For those pre-application proposals which are POA, the charges will be based on the likely officer time which will be spent dealing with the proposals. The Council will annually publish details of the hourly rates of officers upon which the charges will be based.

Where you have asked us to respond to your proposals in writing, you are welcome to contact the Planner to clarify any written points raised without further charge.

If you wish to submit further details for comment or wish to meet the Planner to discuss revisions after we have provided comments on your proposal, you will need to pay a further fee.

If you submit a formal planning application which is decided by the Planning Committee, the Committee will be made aware of pre-application advice provided. Similarly, the reports associated with planning applications decided by Planners, will make reference to any pre-application advice provided.

## Duty planning officers

We provide a Duty Planning Officer service between 8.45am and 5.15pm, Mondays to Fridays. The Duty Planning Officer will provide guidance on pre-application proposals for developments we do not charge for, but not for proposals subject to a charge.

## What we cannot provide

Whilst we aim to provide thorough pre-application advice, it is informal advice from officers which is not legally binding upon the Council when it makes a formal decision.

Even though Planners may indicate that in their view your proposals are acceptable they cannot guarantee that planning permission will be granted. In taking a final decision, the Planning Committee must consider a wide variety of material planning considerations, and must decide how much importance should be given to each of the planning considerations.

If there is a material change in circumstances or new information comes to light after the date the Council provides its informal advice, this may well have implications for informal pre-application planning advice previously provided.



## Proposed pre-application planning advice charges

<b>Residential</b>	<b>Fee Payable</b>
Extensions or other alterations to an existing dwelling including ancillary development within its curtilage	Free
1 – 9 dwellings*	£250 for first dwelling + £50 for every additional dwelling thereafter
10 – 49 dwellings*	£750 for first ten dwellings + £10 for every additional dwelling thereafter
50+ dwellings*	£POA
New dwellings but where numbers not known	£POA
Elderly persons accommodation, retirement living developments, sheltered apartments, residential care homes falling within Use Class C2,  - 1-9 bedspaces  - 10 – 50 bedspaces  - More than 50 bedspaces	  £250  £500  £750
Other residential uses <i>(including hotels, residential institutions, houses in multiple occupation, etc)</i>	£POA

\* = including change of use of existing floorspace

### **Non-residential**

Provision of floorspace (gross internal area), change of use of existing floorspace (gross internal area) or change of use of land (gross area):  - Up to 100 m2  - 101 – 499 m2  - 500 – 999 m2	  £200  £250  £500
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- More than 1,000 m2 where it relates to proposed uses with Classes B1, B2, B8, or a mix of these uses	£700
- More than 1,000 m2 where it relates to any uses outside of Classes B1, B2 or B8	£POA

### Other

Small scale development not falling into any of the above categories <i>(for example: engineering works, new shop fronts, moorings, means of enclosure, renewable energy plant on existing business premises)</i>	£200
Installation or replacement of telecommunications mast	£200 per site
Minor amendments to an extant planning permission	£100
Advertisements / signage:	
- For the purposes of a community use which is non-profit making (not including education providers)	Free
- On business premises less than 100 m2 gross internal floor area	Free
- All other adverts	£150
Any development or works being carried out by a community use which is non-profit making (not including education providers)	Free
Follow up advice	50% of the original pre-application planning advice fee/ £POA

### Notes:

1. £POA (Price on Application) indicates that a fee will be calculated on a case by case basis, based on a schedule of rates published by the Council and updated annually.

2. Where advice is sought in relation to mixed use proposals, the fee for each element of the scheme should be calculated using the table above and then added together.
3. Where advice is required from external consultants or consultees to whom a payment must be made, the applicant will be expected to meet these costs and they will be in addition to the pre-application advice fee set out above.





# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21</b>
<b>Report of:</b>	Deputy Chief Executive Officer and Section 151 Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report seeks final confirmation of the recommendations to be made to Council, on 21 February 2020, in respect of the revenue budget, capital programme and council tax for 2020/21.

**Executive summary:**

On 6 January 2020, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2020/21. This report updates the Council's budgets to reflect the decisions taken on 6 January 2020.

The capital programme for the years 2019/20 to 2023/24 will be £64,246,000.

The revenue budget for 2020/21 will be £9,606,500. With retained business rates and grants estimated to be £2,456,665 and a deficit to be paid to the collection fund of £47,033, the total amount due from the council tax payers will be £7,196,868.

Taking these changes into consideration, the council tax for 2020/21 will be £165.22 per Band D property. This represents an increase from the council tax set for 2019/20 but would be within the referendum limit set by the Government.

**Recommendation/Recommended Option:**

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 21 February 2020:

- (a) the capital programme and financing of £64,246,000;
- (b) an overall revised revenue budget for 2019/20 of £9,319,200;
- (c) a revenue budget for 2020/21 of £9,606,500;
- (d) the remainder of the surplus in the spending reserve remains in the reserve to cover the anticipated future funding shortfalls as set out in paragraphs 17-20;
- (e) a council tax for Fareham Borough Council for 2020/21 of £165.22 per band D property, which represents a £5.00 increase when compared to the current year and is within referendum limits; and
- (f) an unchanged Council Tax Support scheme for 2020/21.

**Reason:**

To allow the Council to approve the Council Tax for 2020/21.

**Cost of proposals:**

Not applicable

**Appendices:** A: Overall Total Budget for 2020/21

**Background papers:** None

**Reference papers:** None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21
<b>Briefing by:</b>	Deputy Chief Executive Officer and Section 151 Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 6 January 2020 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2019/20 to 2023/24;
  - The revised revenue budget for 2019/20;
  - Fees and charges for 2020/21;
  - The revenue budget for 2020/21; and
  - The council tax for 2020/21.
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 2019/20 TO 2023/24

3. The capital programme for the General Fund for the period 2019/20 to 2023/24 as reported to the 6 January 2020 Executive meeting was £63,396,400. In addition, two new schemes were approved at the January Executive for the following:
  - Secure Access to the Western Side of Solent Airport and further parking for the Children's Play Area - £250,000
  - Construction of Economic Hangars at Solent Airport - £600,000
4. The updated programme is shown in the following table:

	<b>£000s</b>
Streetscene	729
Leisure and Community	20,071
Housing	3,048
Planning and Development	580
Policy and Resources	39,818
<b>TOTAL</b>	<b>64,246</b>

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

	<b>£000s</b>
Capital Receipts	41
Grants and Contributions	17,898
Capital Reserves	4,512
Revenue	3,943
Borrowing	37,852
<b>TOTAL</b>	<b>64,246</b>

6. The programme and projected resources indicate that, by 31 March 2024, there could be a small surplus of capital resources of £6.6 million, which represents a contingency of 10.3% on the overall capital programme.
7. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling £18 million. In the event that these resources do not materialise, the programme will become partly unfunded.

### **REVISED BUDGET 2019/20**

8. In January, the Executive considered in detail the revised budget for 2019/20, which totalled £9,319,200 which is an increase of £652,800 when compared to the base budget for the current year.

### **SERVICE BUDGETS 2020/21**

9. The following table shows the service budgets resulting from the decisions of the Executive on 6 January 2020.

	<b>Base Budget 2020/21 £</b>
<b>Committees</b>	
Licensing and Regulatory Affairs Committee	520,500
Planning Committee	472,600
<b>Executive - Portfolio Budgets</b>	
- Leisure and Community	453,800
- Housing	1,468,500
- Planning and Development	1,584,800
- Policy and Resources	-1,002,000
- Health and Public Protection	221,100
- Streetscene	5,101,900
Accounting Adjustments in Service Portfolios	2,767,300

## SERVICE BUDGETS

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**11,588,500**

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### OTHER BUDGETS 2020/21

10. Following decisions made at the January Executive a minor change has been made to the Other Budgets total which will now be -£1,982,000.

### THE OVERALL BUDGET POSITION FOR 2020/21

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2020/21, detailed in Appendix A, is confirmed as £9,606,500 which is £940,100 above the base budget for 2019/20; and 287,300 above the revised budget above.

### THE AUTUMN STATEMENT AND GOVERNMENT SUPPORT

12. In the 2015 Autumn Statement the Government announced a four-year funding settlement in order to give some certainty to financial planning through to 2019/20.
13. Under the proposals, in 2018/19 and 2019/20, Fareham's Revenue Support Grant would be zero leaving only support from business rates and council tax available to fund revenue services.
14. The Finance Settlement 2017 announced a Fair Funding Review that commenced in January 2018 with a view to implementing the new arrangements from the 2020/2021 financial year. With the General Election in December 2019 the review was delayed with a proposal to take effect from the 2021/22 financial year. Instead the provisional settlement announced on 20/12/19 was that Fareham's Revenue Support Grant would again be zero
15. In the Local Government Finance Settlement 2019 the referendum limits for local authorities were set out and council tax increases that exceed 2% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by a maximum of £5 when compared to the previous level, before a referendum is triggered.
16. With the outcome of this review unclear, 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.

### SPENDING RESERVE

17. The spending reserve exists to cover unforeseen changes in revenue expenditure.
18. The current balance on the reserve stands at £5,526,100 which is £3,100,100 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.

19. The Finance Strategy covers the period through to 2022/23 and is showing a projected shortfall of £1.5m in the final 3 years of the strategy. It would be prudent, and it is recommended, that the remaining surplus over the minimum 5% is left in the spending reserve in order that a balanced budget can be set for the next 4 years.
20. This position will be reviewed once the outcome of the Fair Funding Review is known for the 2021/22 financial year.

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

21. The council tax base for 2020/21 is 43,559.3 Band D equivalent properties.
22. The net rates payable from National Non-Domestic Rates for 2020/21 (after Transitional arrangements and reliefs) is £to follow.

## **COUNCIL TAX FOR 2020/21**

23. With a net budget for 2020/21 of £9,606,500, government support of £2,456,665 and the need to make a payment into collection fund balances of £47,033, the Executive recommends a council tax increase for 2020/21 of £5. This is shown in the following table:

	<b>Base Budget 2019/20</b>	<b>Base Budget 2019/20</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>8,666,400</b>	<b>9,606,500</b>	940,100
Less:			
Government Support	-1,897,692	-2,456,665	-558,973
Collection Fund deficit	106,236	47,033	-59,203
<b>Total due from Council Tax Payers</b>	<b>6,874,944</b>	<b>7,196,868</b>	+321,924
Council Tax base	42,909.6	43,559.3	
Council Tax (Band D)	£160.22	£165.22	
Cash Increase	+ £5.00	+ £5.00	

24. The proposed council tax increase is within government referendum limits.
25. The overall income from taxpayers of £7,196,868 represents approximately 15% of the gross spend by the council for 2020/21 of £46.8million.

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

26. 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.
27. 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.

28. 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.

### COUNCIL TAX SUPPORT 2020/21

29. All billing authorities are responsible for developing their own means-tested schemes, called Local Council Tax Support, to assist working-age people on low incomes pay their council tax. The Government has continued to prescribe in legislation the support to be provided to pensioner-age claimants.

30. Legislation requires that Local Council Tax Support schemes are considered by Full Council on an annual basis even if no major changes are to be made. In previous years the Council has agreed and implemented a scheme based on the following principles:

- Every working-age claimant should pay something towards their council tax
- The amount of Council Tax Support to be capped to a Band C for those claimants living in larger properties
- All non-dependents (such as adult sons or daughters living in the claimant’s property) should pay something towards the household’s council tax bill
- Provide additional financial support to the most vulnerable claimants (such as those receiving a War Pension or who are severely disabled)

31. For 2020/21, it is proposed to retain these key principles and to administer an unchanged scheme.

32. There are currently 3,940 households in the borough receiving Council Tax Support. The caseload and expenditure for the current financial year can be seen below:

	Number of claimants	Cost of Council Tax Support
Pension-age caseload	1,977	£1,911,208
Working-age caseload (vulnerable group)	825	£853,182
Working-age caseload (employed)	332	£168,8103
Working-age caseload (other*)	806	£603,400
<b>Total</b>	<b>3,940</b>	<b>£3,536,600</b>

\*In receipt of an out-of-work benefit such as Job Seekers Allowance or Income Support

33. It is anticipated that an unchanged Council Tax Support scheme for 2020/21, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

## **RISK ASSESSMENT**

34. While all spending plans can be met from within existing resources, growing financial pressures increase the risk that spending plans exceed desirable levels.
35. With the Fair Funding review being delayed until the 2021/22 financial year the future funding support for Fareham remains uncertain. Any changes as a result of the review and the Business Rate Reset are very likely 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.
36. The council will continue to explore opportunities to increase income sources for the Council as well as review other opportunity plans in order that balanced budgets can be made in future years.

## **CONCLUSION**

37. In making a recommendation to Council on the council tax for 2020/21, 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)



## ACTUAL REVENUE BUDGET

	<b>Budget 2019/20 £</b>	<b>Revised 2019/20 £</b>	<b>Budget 2020/21 £</b>
Committees			
Licensing and Regulatory Affairs Committee	516,800	517,300	520,500
Planning Committee	485,700	666,900	472,600
Executive - Portfolio Budgets			
- Leisure and Community	633,000	773,500	453,800
- Housing	1,379,200	1,310,000	1,468,500
- Planning and Development	-333,400	1,695,900	1,584,800
- Policy and Resources	-667,000	-523,600	-1,002,000
- Health and Public Protection	2,151,600	276,000	221,100
- Streetscene	4,903,500	5,226,000	5,101,900
Accounting Adjustments in Service Portfolios	2,232,800	2,767,300	2,767,300
<b>SERVICE BUDGETS</b>	<b>11,302,200</b>	<b>12,709,300</b>	<b>11,588,500</b>
Capital Charges	-2,390,300	-2,927,700	-2,927,700
Direct Revenue Funding	1,125,000	1,125,000	1,510,000
Minimum Revenue Position	905,700	809,800	1,134,300
Interest on Balances	-515,900	-557,800	-695,700
Portchester Crematorium Contribution	-150,000	-160,000	-165,000
New Homes Bonus	-820,900	-820,900	-459,900
Contribution from Reserves	-789,400	-858,500	-378,000
<b>OTHER BUDGETS</b>	<b>-2,635,800</b>	<b>-3,390,100</b>	<b>-1,982,000</b>
<b>BUDGET TOTAL</b>	<b>8,666,400</b>	<b>9,319,200</b>	<b>9,606,500</b>
<b>NET BUDGET</b>	<b>8,666,400</b>	<b>9,319,200</b>	<b>9,606,500</b>

	<b>Budget 2019/20 £</b>	<b>Revised 2019/20 £</b>	<b>Budget 2020/21 £</b>
<b>NET BUDGET</b>	<b>8,666,400</b>	<b>9,319,200</b>	<b>9,606,500</b>
<b>GOVERNMENT SUPPORT</b>			
Non-Domestic Rates	-1,897,692	-2,550,492	-2,456,665
Revenue Support Grant	0	0	0
	<u><b>1,897,692</b></u>	<u><b>2,550,492</b></u>	<u><b>2,456,665</b></u>
 COLLECTION FUND BALANCE (+Deficit/- surplus)	 106,236	 106,236	 47,033
 <b>AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	 <b>6,874,944</b>	 <b>6,874,944</b>	 <b>7,196,868</b>
 <b>COUNCIL TAX BASE</b>	 <b>42,909.4</b>		 <b>43,559.3</b>
 <b>COUNCIL TAX PER BAND D PROPERTY</b>	 <b>£160.22</b>		 <b>£165.22</b>
 <b>CASH INCREASE</b>	 <b>£5.00</b>		 <b>£5.00</b>
 <b>PERCENTAGE INCREASE</b>	 <b>3.22%</b>		 <b>3.12%</b>

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account Budget and Capital Plans 2020/21</b>
<b>Report of:</b>	Deputy Chief Executive Officer and Section 151 Officer
<b>Corporate Priorities:</b>	Providing Housing Choices

**Purpose:**

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2019/20, the base budgets and rent increases for 2020/21.

**Executive summary:**

The Executive recommended, and the Council approved, in February 2019, the base budget and rent increase for 2019/20, for Housing Revenue Account (HRA) services.

This report sets out the Housing Revenue Account revised budget for 2019/20 and base budget for 2020/21 along with the capital programme and financing for the years 2019/20 to 2023/24. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2020.

The Council has adopted a new Affordable Housing Strategy during 2019 and the stock condition survey has been completed. Together, these have informed revisions to the 2020/21 revenue and capital budgets and those for future financial years as part of business planning for the Housing Revenue Account.

Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and 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/Recommended Option:**

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 21 February 2020 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 18 with effect from 1 April 2020;
- (b) rents for Council garages be increased by 4.0% with effect from 1 April 2020;
- (c) the revised budget for 2019/20 be approved; and
- (d) the base budget for 2020/21 be approved.

**Reason:**

To allow the Council to approve the Housing Revenue Account budgets for 2020/21.

**Cost of proposals:**

As detailed in the report.

**Appendices:**

- A: Capital Programme and Financing**
- B: Examples of Rent**
- C: Fees and Charges**
- D: Detailed Revenue Budgets**

**Background papers:** None

**Reference papers:**

- (a) Executive 4 February 2019 – Housing Revenue Account Spending Plans including Capital Programme 2018/19
- (b) Executive 10 July 2019 – General Fund and Housing Revenue Account Outturn 2017/18
- (c) Executive 6 January 2020 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (d) Executive 3 December 2018 – Fareham Housing Development Sites
- (e) Executive 7 October 2019 – Fareham’s Affordable Housing Strategy
- (f) MHCLG - Guidance on Rents for Social Housing February 2019

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Housing Revenue Account Budget and Capital Plans 2020/21
<b>Briefing by:</b>	Deputy Chief Executive Officer and Section 151 Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2019/20 and 2020/21 for the Executive to consider. On 6 January 2020, the Executive approved the Council's Finance Strategy for 2020/21 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.
2. In October 2019 the Council adopted a new Affordable Housing Strategy. The purpose of the strategy is 'to provide more affordable homes, ensuring they are the right homes in the right places for those in need of affordable housing.' The strategy includes three key objectives :
  - To deliver more affordable homes through the planning system
  - To ensure those homes are the right homes in the right places and that they are truly affordable for those that need them
  - To directly deliver more affordable homes by Registered Providers and Fareham Housing, especially targeting those in greater need
3. A stock condition survey has been completed in 2019 and a new asset management system has been commissioned to enable an informed programme of works to be formulated and implemented over the coming years.
4. Together these have informed revisions to the 2020/21 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA.

## CAPITAL PROGRAMME

5. 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>
2019/20	7,386
2020/21	6,822
2021/22	5,450
2022/23	4,239
2023/24	5,252
<b>Total</b>	<b>29,149</b>

6. The capital programme was included in the Capital Strategy that was approved at the 6<sup>th</sup> January Executive.
7. The capital budget for 2019/20 has been reduced by £1,213,000 to reflect a reduction in planned capital works and the correct phasing of construction works at Bridge Road and Highlands Road.
8. The major schemes in 2019/20 and 2020/21 are 5 new houses at Bridge Road, 18 new flats at Highlands Road, 16 new sheltered housing flats at Station Road along with acquisitions of existing homes and improvements to existing stock.
9. The financing of the capital programme is from the Major Repairs Reserve, Revenue Contributions to Capital Outlay, the Capital Housing Development Fund and 1-4-1 capital receipts from Right to Buy sales.
10. In addition to these internal resources a grant bid of £1,278,000 has been approved by Homes England in respect of the Highlands Road development (£71,000 per social rented property) and £270,000 in respect of the Bridge Road development (£41,000 per affordable rented property and £75,000 per social rented property).
11. There are currently four further potential development sites as set out in the table below. These have been reported to the Executive and approved in principle for further feasibility and preliminary actions to be undertaken before final schemes are presented for approval.

<b>Site</b>
Assheton Court redevelopment (Portchester) Sheltered housing scheme to provide 60 – 70 sheltered flats
Stubbington Lane (Hill Head) 11 No. one, two and three bed houses for Shared Ownership and Affordable Rent
Coldeast Scout Hut Site (Park Gate) 7 No. one and two bed apartments for Shared Ownership/Starter Homes.
Wynton Way (Fareham North West)

12. Future developed design reports will detail estimated cost and funding arrangements

along with the process toward to appointment of an appropriate contractor. New build Fareham Housing homes could be funded from a combination of the following: -

- a) Capital Development Fund
- b) Right to Buy initial receipts and Right to Buy 1-4-1 receipts;
- c) Section 106 monies for the purpose of affordable housing provision; (not combined with Right to Buy 1-4-1 receipts
- d) Homes England grant funding (not combined with Right to Buy 1-4-1 receipts); and/or
- e) Additional borrowing on the Housing Revenue Account.

13. Although the increased opportunity for borrowing to enable future development is positive there needs to be caution highlighted. The additional available funds are borrowing, and any additional debt will need to be serviced without undermining the financial stability of the Council's HRA. Careful consideration of the borrowing implications along with flexibility in how the various funding sources are used will be required.

## REVENUE BUDGETS

14. The following table summarises the Housing Revenue Account base and revised budgets for 2019/20, and the base budget for 2020/21. A more detailed breakdown is provided in Appendix D.

	<b>Base Budget 2019/20</b>	<b>Revised Budget 2019/20</b>	<b>Base Budget 2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>HOUSING REVENUE ACCOUNT</b>			
Income	-12,321	-12,388	-12,668
Tenancy Management & Running Costs	2,892	3,155	3,352
Net Interest	1,669	1,681	1,681
Transfer to Debt Repayment Fund	1,140	1,140	1,140
	<b>-6,620</b>	<b>-6,412</b>	<b>-6,495</b>
Revenue Repairs Expenditure	2,705	2,736	2,764
Depreciation set aside into the Major Repairs Reserve	2,538	2,626	2,626
Revenue Contribution to Capital Programme	1,377	1,050	939
<b>Transfer to(-)/from HRA Reserve</b>	<b>0</b>	<b>0</b>	<b>-166</b>

15. The income budget has been revised to include the leaseholder revenue repair service charge payments that are collected. The rent income budget has also been reduced to reflect a growing trend in tenant rent arrears. This will impact on the level of provision made at the end of the year for bad debts.
16. Within Tenancy Management and Running Costs, along with employment cost increases, budget increases have been made for the increasing cost of utilities and the property insurance premium, as well as higher software costs for the new housing ICT systems.
17. The proposed budgets also include a clear set aside of reserves to repay the £49 million housing debt taken on in 2012 when the government changed the national subsidy scheme to a self-financing scheme. These loans become repayable in 35 to 45 years.

18. A summary of all the reserves projected to the end of 2019/20 is set out below:

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>2018/19 Closing Balance £'000</b>	<b>2019/20 Transfers In £'000</b>	<b>2019/20 Transfers Out £'000</b>	<b>2019/20 Closing Balance £'000</b>
HRA Revenue Reserve	To fund unexpected operating costs	1,302	0	0	1,302
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	2,280	1,140	0	3,420
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	280	0	0	280
<b>Total Revenue Reserves</b>		<b>5,362</b>	<b>1,140</b>	<b>0</b>	<b>6,502</b>
Major Repairs Reserve	To fund capital expenditure on HRA assets	1,838	2,626	2,626	1,838
Housing Capital Development Fund	To fund new developments	3,391	0	2,225	1,166
1:4:1 Receipts	To fund 30% of costs of new acquisitions	1,613	737	450	1,900
<b>Total Reserves</b>		<b>12,204</b>	<b>4,503</b>	<b>5,301</b>	<b>11,406</b>

## RENTS

19. In February 2019, after a consultation exercise, the Government issued a Direction to the Rent Standard 2019 along with a Policy Statement on Rents for Social Housing from 1 April 2020 onwards. This permits annual rent increases on both general needs and sheltered housing properties at social and affordable rent of up to CPI (at September of the previous year) + 1 percentage point from April 2020 for a period of at least five years. This rent charge increase will also continue to apply to shared-ownership properties.
20. Following the annual reductions of 1% that have been applied since April 2016 the Council is now able to increase rents, with CPI being at 1.7% in September 2019 and an increase of 2.7% to be achieved from April 2020.
21. Rents for Council garages are not covered by the Government's direction applying to dwellings. It is therefore proposed that garage rents for 2020/21 increase by 50p per week (4.0%).
22. Examples of proposed rents can be seen in Appendix B and the effect on the total rents collected can be seen in Appendix D.

## FEES AND CHARGES

23. The current fees and charges for the HRA and the charges for 2020/21, approved at the 7 January 2019 Executive, are set out in Appendix C.
24. 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

25. The following list of potential risks indicates that it is essential to preserve the account balance held for the Housing Revenue Account. Reserves are held so the Council can:
- Continue to manage and maintain homes
  - Improve and redevelop estates
  - Cover any unexpected expenditure
  - Take advantage of new opportunities to meet housing needs
  - Repay the debt
  - Meet the challenges of any change in Government policy
26. Key risks include changes to the rent policy, an increase in arrears, and other increases in void properties and in the cost of repairs. In particular, if the Government amend their current rent policy so that rents will continue to reduce post 2020, this will put further pressure on the HRA finances.

<b>Examples of Potential and Actual Changes</b>	<b>Effect on Expenditure in Year £'000</b>	<b>Effect on Income in Year £'000</b>
Change in rent policy to decrease rents by 1% beyond 2020		120
Loss of income if void rate rises to 2.5% from 1.26%		140
Increase of 10% on supplies and service costs	41	
Increase of 10% in the depreciation charge	262	
Increase on rent arrears by 10%	60	
Increase of 10% in cost of responsive repairs	276	

### Enquiries:

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

## CAPITAL PROGRAMME AND FINANCING

<b>Housing Capital Programme Improvements to Existing Stock</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Improvements	1,404,400	1,546,000	2,035,000	2,103,400	2,182,400
Voids	600,000	600,000	724,000	748,600	777,000
Modifications	500,000	275,000	281,000	286,600	292,300
Housing Management System	69,000	110,000			
Stock Condition Survey	17,000				
Asset Management System	10,000	30,000			
Vehicles	50,000	40,000			
<b>Acquisitions and New Builds</b>					
Acquisitions	1,500,000	1,200,000	1,100,000	1,100,000	2,000,000
New Build – Bridge Road	1,043,100	115,900			
New Build – Highlands Road	2,092,200	1,394,800			
New Build – Station Road	100,000	1,410,000	1,310,000		
New Build – Assheton Court		100,000			
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>7,385,700</b>	<b>6,821,700</b>	<b>5,450,000</b>	<b>4,238,600</b>	<b>5,251,700</b>
<b>Funded by:</b>					
<b>Improvements to Existing Stock</b>					
RCCO					
Major Repairs Reserve	-2,650,400	-2,601,000	-3,040,000	-3,138,600	-3,251,700
<b>Acquisitions and New Builds</b>					
RCCO	-1,050,300	-938,700	-800,000	-770,000	-1,400,000
1-4-1 Capital Receipts	-450,000	-783,000	-723,000	-330,000	-600,000
Capital Receipts		-600,000	-600,000		
Capital Development Fund	-2,225,000	-1,160,000	-87,000		
Homes England Grants	-1,010,000	-539,000			
Other Grants and Contributions		-200,000	-200,000		
<b>TOTAL FUNDING</b>	<b>-7,385,700</b>	<b>-6,821,700</b>	<b>-5,450,000</b>	<b>-4,238,600</b>	<b>-5,251,700</b>

## HRA EXAMPLES OF RENT

	Property Type	2019/20 Actual Rent £	2020/21 Proposed Rent £	Change per week £	Change per week %
Foster Close	1 Bed Flat	79.44	81.58	2.14	2.70
Grebe Close	2 Bed Bungalow	105.73	108.58	2.85	2.70
Collingwood Court	1 Bed Flat	99.36	102.04	2.68	2.70
Foxbury Grove	2 Bed Flat	88.67	91.06	2.39	2.70
Garden Court	1 Bed Maisonette	79.44	81.58	2.14	2.70
Sicity House	2 Bed Maisonette	86.02	88.34	2.32	2.70
Fairfield Avenue	3 Bed House	103.04	105.82	2.78	2.70
Churchill Close	3 Bed House (shared owner)	89.83	92.25	2.42	2.70
Jubilee Court	4 Bed House	117.75	120.93	3.18	2.70
Average for total stock		89.53	91.95	2.42	2.70
Garages		12.50	13.00	0.50	4.0

## FEES AND CHARGES

	Notes	Fee 2019/20 £	Fee 2020/21 £	% Increase
<b>Sales of Council Houses</b>				
Maximum legal and administration fees in connection with granting a service charge loan	Statutory Charge	100.00	100.00	NIL
Recharge of Officer time in agreeing any consent to freeholders	Fee per occurrence	100.00	100.00	NIL
<b>Repairs to Council Houses</b>				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	50.00	50.00	NIL
Rechargeable works	These will be assessed individually at the time the work is carried out.			
<b>Sheltered Accommodation for the Elderly – Guest Room Charges</b>				
Single occupancy per night	Inclusive of VAT	9.25	10.00	8.1
Per couple per night	Inclusive of VAT	13.25	15.00	13.2
Collingwood Court per room	Inclusive of VAT	23.50	25.00	6.4
Sylvan Court per room	Inclusive of VAT	23.50	25.00	6.4
Baths	Inclusive of VAT	2.00	2.00	NIL
<b>Sheltered Accommodation for the Elderly – Other Charges</b>				
Keys – Key	Inclusive of VAT	5.00	5.00	NIL
Keys – Fob		8.00	8.20	2.5
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.60	0.60	NIL
Dry		0.50	0.50	NIL

## DETAILED REVENUE BUDGET

	<b>Base 2019/20 £'000</b>	<b>Revised 2019/20 £'000</b>	<b>Base 2020/21 £'000</b>
<b>Income</b>			
Rents - Dwellings	-10,928	-10,820	-11,067
Rents – Garages	-321	-331	-340
Rents – Other	-18	-20	-20
Service Charges (Wardens, Extra Assistance, Heating)	-637	-660	-675
Cleaning	-197	-192	-190
Grounds Maintenance	-104	-109	-109
Other Fees and Charges	-62	-52	-57
Leaseholder Service Charges and Insurance	-54	-204	-210
	<b>-12,321</b>	<b>-12,388</b>	<b>-12,668</b>
<b>Expenditure</b>			
<b>Tenancy Management &amp; Running Costs</b>			
General Administrative Expenses	1,526	1,611	1,814
Corporate and Democratic Core	44	66	68
Corporate Management	74	104	102
Corporate Management	0	20	20
Communal Heating Services	86	120	120
Communal Lighting	25	30	30
Rents, Rates and Other Taxes	73	100	101
Communal Cleaning	224	224	209
Grounds Maintenance	204	243	235
Sheltered Housing Service	538	539	555
Bad Debts Provision	13	13	13
Bad Debts Written off	50	50	50
Debt Management Expenses	35	35	35
	<b>2,892</b>	<b>3,155</b>	<b>3,352</b>
<b>Long Term Debt Management</b>			
Interest Payable	1,795	1,795	1,795
Interest Earned on Internal Balances	-126	-114	-114
Transfer to Debt Repayment Fund	1,140	1,140	1,140
<b>Property Repairs and Maintenance</b>			
Revenue Repairs Expenditure	2,705	2,736	2,764
Depreciation	2,538	2,626	2,626
Revenue Contribution to Capital Programme	1,377	1,050	939
<b>Surplus(-)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>-166</b>



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Insurance Services Tender</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report considers the tenders received for the provision of Insurance Services for Fareham Borough Council. The report recommends an award of contract for the services.

**Executive summary:**

Ten borough and district councils in Hampshire have worked collaboratively to procure insurance services from 1 April 2020 using an OJEU Open Procedure in accordance with the Public Contracts Regulations 2015.

The current cost of insurance across the 10 borough and district councils in Hampshire is £4 million a year and for Fareham Borough Council £440,000.

This report provides the Executive with information regarding the tenders received and seeks an award of contract for a 3-year long term agreement with the option to extend for a further 2 years for the provision of insurance services.

**Recommendation:**

It is recommended that the Executive agrees;

- (a) to award the contract to the winning insurer of each Lot, as set out in confidential Appendix A to the report, being the most economically advantageous tender received; and
- (b) that authority be delegated to the Deputy Chief Executive Officer to accept the finalised premiums and associated costs or make alternative arrangements in the event that the tender cannot be accepted by other participating local authorities.

**Reason:**

To provide insurance services for Fareham Borough Council and the other borough and district councils in Hampshire.

**Cost of proposals:**

The value of the insurance services for Fareham Borough Council under the proposed contract would be approximately £392,000. This contract is to be funded from existing revenue budgets.

**Appendices:**                    **A:** Tender Prices and Evaluation Scores (*Exempt By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*)

**Background papers:** None

**Reference papers:** Insurance Services Tender Executive Report, 2 February 2015



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Insurance Services Tender
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The Hampshire Insurance Forum (HIF) consists of all 11 borough and district councils in Hampshire. A joint procurement tender in 2014, enabled the HIF to buy insurance services collaboratively from 1 April 2015 to 31 March 2020, increasing buying power and encouraging competition in the insurance market.
2. The joint tender was very successful recognising savings of over £700,000 across Hampshire and £94,000 for Fareham.
3. Following the previous successful tender, all members of the HIF, except Hart District Council who are seeking to use the newly formed LGA Mutual, agreed to collaborate again for a further 3 year plus optional 2-year contract.
4. The 10 authorities of the HIF currently spend around £4 million a year on insurance premiums covering a number of risk areas including employers and public liability, property material damage, motor, professional negligence, personal accident, terrorism and engineering.
5. The borough and districts have many areas of insurance in common, however there are some differences between authorities, for example:
  - Four of the ten authorities have their own housing stock.
  - Some authorities have a large vehicle fleet, others have outsourced activities such as waste collection and therefore have a smaller fleet.
  - The authorities have different risk appetites, and this is reflected by the different levels of excesses and limits.
6. The HIF appointed a sub-group to coordinate the procurement of a new insurance programme. The sub-group consisted of officers representing Basingstoke & Deane Borough Council, Fareham Borough Council, Gosport Borough Council, Test Valley Borough Council and Winchester City Council.

7. This collaborative approach was fully supported by the Hampshire and Isle of Wight Chief Finance Officers Group (CFO), who agreed to:
- Procure insurance cover from 1 April 2020.
  - Collaborate as a single group of the 10 borough and districts. Whilst each of the 10 will have an individual insurance contract, each authority's claims history and risk management will affect their premium rather than the group's premiums.
  - Place, for all 10 authorities, insurance contracts for each Lot with the same insurer(s).
  - Adopt similar insurance programmes balanced between insured and self-insured risks.
  - Appoint the broker Aon, who assisted with the previous tender, to support insurance programme design and placement.
8. The tender exercise provided an opportunity to review the existing insurance arrangements to confirm their fitness for purpose and to consider alternative programme design options going forward to improve cost efficiency and provide greater reassurance.

#### **TENDER PROCESS AND EVALUATION CRITERIA**

9. Fareham Borough Council has led the procurement process on behalf of the HIF using its e-tendering portal. The specification of requirements, the proposed operation of the service and the tender evaluation process (including criteria and weightings) have been established by the HIF sub-group and Aon.
10. The invitation to tender was issued in October 2019 with the timeline below:

<b>Activity</b>	<b>Date</b>
Dispatch of e-Invitation to Tender	18 October 2019
Deadline for clarifications/questions	15 November 2019
Close date for e-bids responses	29 November 2019
Evaluation period	December 2019 to January 2020
Executive approval to award contract (subject to call-in)	Early February 2020
Issue Contract Award Notification to all bidders (subject to OJEU standstill)	Late February 2020
OJEU standstill ends. Pre-contract mobilisation meetings with awarded bidders.	March 2020
Commencement of the Contract	1 April 2020

11. To encourage competitive quotes and attract specialist insurers in the market, the tender specification was split into 8 Lots. Insurers were invited to submit bids for any or all of the Lots. The Lots comprised the following insurance classes:

<b>Insurance Class</b>
Lot 1 - Property
Lot 2 - Right To Buy
Lot 3 - Crime
Lot 4 - Liability
Lot 5 - Motor
Lot 6 - Engineering
Lot 7 - Personal Accident/Travel
Lot 8 - Terrorism

12. As per the tender document, the quotations received were evaluated in accordance with the criteria listed below:

<b>Award Criteria</b>	<b>Weighting</b>
<b>Price</b> The lowest price scores the maximum marks, with the scoring reduced on a proportionate basis for the remaining tender price responses	<b>60%</b>
<b>Quality – Cover/Underwriting Services/Claims Service/Added Value</b> Extent that cover matches specification, innovations and enhancements, provision of risk management days/bursary	<b>40%</b>
<b>Total</b>	<b>100%</b>

13. Nine tenders were received electronically on 29 November 2019 and were opened by the Procurement Manager.
14. The tender submissions were evaluated by the HIF sub-group and Aon in accordance with the criteria set out in the invitation to tender. The percentage scores for the tenders received are represented in the confidential appendix A.

### **CONTRACT AWARD**

15. Fareham Borough Council will facilitate the intention to award notification on behalf of all HIF authorities and award confirmation once the HIF members own approval processes have been finalised.
16. Award notification letters will be sent to all bidders and candidates via the e-tendering portal. The letter will include a summary of evaluation scores achieved by the relevant bidder versus the winning bid.
17. An OJEU standstill period of 10 calendar days must be applied before the contract can be implemented. Only once implemented will HIF members be able to meet the awarded insurer(s) in order to mobilise for contract start on 1 April 2020.

### **RISK ASSESSMENT**

18. Many of the usual and identifiable risks initially present in this type of project have been negated through the Council's procurement process.
19. The HIF has sought to reduce the risks of this procurement by:
- Procuring via an OJEU Regulation Open Tender.
  - Regular communication amongst HIF members and progress updates to the

CFO's group.

- Appointing an experienced broker to support the procurement process.
- Hosting an Insurer Day in September 2019 inviting interested insurers to meet the HIF sub-group and Aon to explain the collaborative approach and ensure the tender is attractive to the insurance market.

20. Although it is the intention for all 10 authorities to award to the same insurer for each Lot, there is a risk that one or more authorities do not approve the group award decision.
21. The implications of one or more authorities moving away from the group decision would require separate requotes from all insurers for the individual authority/authorities and for the remaining HIF members who have opted for the group approach.
22. It is likely that the existing premiums will increase for the individual authority/authorities and the group as a result.
23. There would be time constraints to obtain the revised premiums in time for a contract start of 1 April 2020.

## **CONCLUSION**

24. Nine tenders were received for the provision of insurance services to Fareham Borough Council and Hampshire borough and district councils for a 3 year long term agreement with the option to extend for a further 2 years. It is recommended that the most economically advantageous tender received from the insurers (as set out in the confidential appendix A) be accepted and contracts awarded.

## **Enquiries:**

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

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 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Treasury Management Strategy 2020/21</b>
<b>Report of:</b>	Deputy Chief Executive Officer and Section 151 Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**

This report considers the draft Treasury Management Strategy and Investment Strategy for 2020/21, 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 Investment Strategy. The document for 2020/21 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval.

In the past 12 months, the Council's **investment** balance has ranged between £12 million and £24 million, and similar levels are expected to be maintained in the forthcoming year. The majority of the Council's investments is expected to be invested in short-term unsecured bank deposits and money market funds with approximately £12m available for longer-term investment.

**Borrowing** levels are expected to increase to a projected £72.5 million at the end of 2020/21 to fund the capital programme. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Strategy has therefore been revised to say the Council will now look to borrow any further long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

**Recommendation:**

It is recommended that the Executive:

- (a) endorses the draft Treasury Management Strategy and Investment Strategy for 2020/21, attached as Appendix A to this report; and
- (b) agrees to submit 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 Investment Strategy have to be approved by full Council.

**Cost of proposals:**

Not applicable

**Appendices:**                    **A:** Treasury Management Strategy and Investment Strategy 2020/21

**Background papers:** None

**Reference papers:**

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2017

CIPFA The Prudential Code 2017

Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 from the Ministry of Housing, Communities and Local Government (MHCLG)

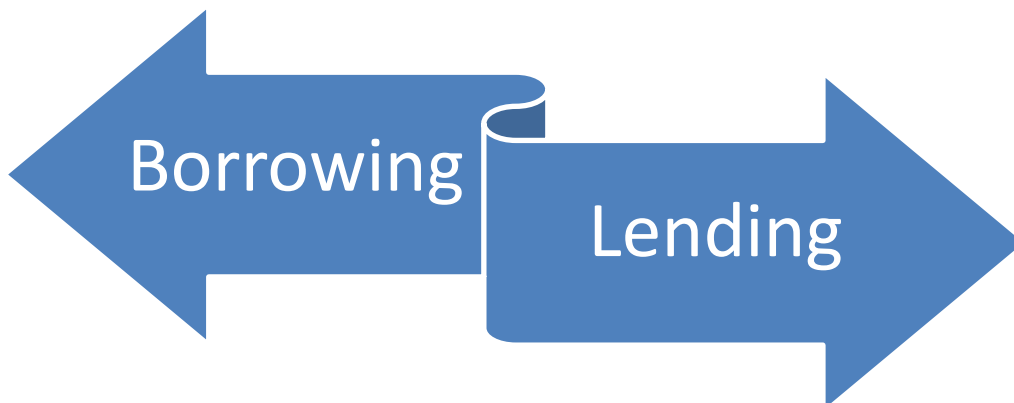
Template for Treasury Management Strategy and Investment Strategy 2020/21 provided by Arlingclose (the Council's current Treasury Advisers)



# FAREHAM

BOROUGH COUNCIL

## TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY 2020/21





# 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;*

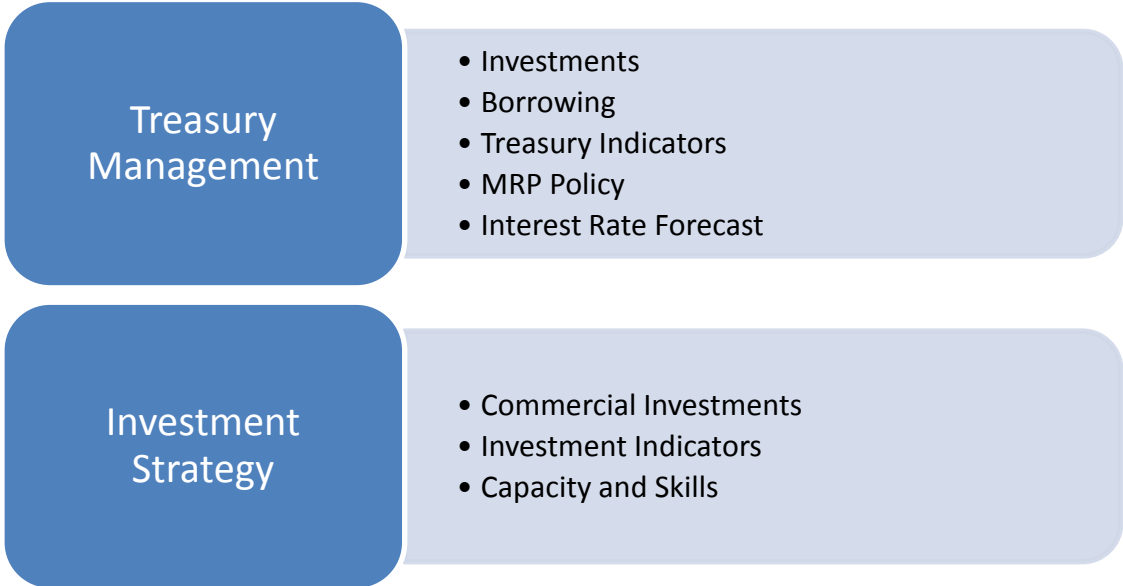
*the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

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 TREASURY MANAGEMENT AND INVESTMENT STRATEGIES

3. These strategies set out the expected approach to treasury management and investment activities for 2020/21. It covers two main areas:



4. The content of the Strategies is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the MHCLG 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.

# TREASURY MANAGEMENT STRATEGY

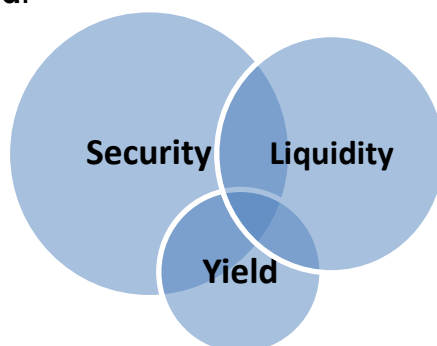
## INVESTMENTS

### Current Portfolio Position

7. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £12 million and £24 million, and similar levels are expected to be maintained in the forthcoming year.

### Treasury Investment Strategy

8. The CIPFA Code requires 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**.



9. 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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
10. If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to **negative interest rates** on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
11. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council where practical and reasonable, aims to further **diversify into more secure and/or higher yielding asset classes**. This is especially the case for the estimated £12m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.
12. Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's **business model** for managing them. The Council aims to achieve value from its internally managed treasury investments by a business

model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

## Approved Counterparties

13. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Credit Rating	Banks Unsecured	Banks Secured	Government
UK Govt	n/a	n/a	£Unlimited 50 years
AAA	£2m 5 years	£4m 20 years	£4m 50 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years
AA	£2m 4 years	£4m 5 years	£4m 15 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years
A+	£2m 2 years	£4m 3 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£2m 5 years
BBB+	£1m 100 days	£2m 6 months	£1m 2 years
None	£1m 6 months	n/a	£4m 25 years
<b>Pooled Funds</b>	£4m per fund		

14. Investment limits are set by reference to the lowest published **long-term credit rating** from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
15. Summary of counterparty types:
- Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
  - Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-

in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- c) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- d) **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term **Money Market Funds** that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

- 16. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks), registered providers (loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing and registered social landlords, formerly known as Housing Associations) and real estate investment trusts, subject to meeting the minimum credit rating criteria and time limits recommended by the Council's treasury advisers.

## **Operational Bank Accounts**

- 17. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

## **Risk Assessment and Credit Ratings**

- 18. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
  - no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
19. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

## Other Information on the Security of Investments

20. The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.
21. The following **internal measures** are also in place:
- Investment and borrowing decisions formally recorded and endorsed using a Counterparty Decision Document.
  - Monthly officer reviews of the investment and borrowing portfolio and quarterly reviews with the Chief Executive Officer.

## Investment Limits

22. The Council’s revenue reserves available to cover investment losses are forecast to be £13 million on 31st March 2020. In order to minimise risk, in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be **£4 million**. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as summarised in the table below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.



	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country
Unsecured investments with Building Societies	£2m in total
Money Market Funds	£20m in total

## Liquidity Management

23. The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

## BORROWING

### Current Portfolio Position

24. The Council's treasury position at 31 March 2019, with forward projections are summarised below.

<b>£'000</b>	<b>2019/20 Revised</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Debt at 1 April	45,510	60,510	72,510	83,510
Expected change in debt	15,000	12,000	11,000	0
<b>Gross Debt at 31 March</b>	<b>60,510</b>	<b>72,510</b>	<b>83,510</b>	<b>83,510</b>

25. Debt at 31 March 2020 is projected to be lower than estimated last year due to the use of internal borrowing rather than borrowing externally to fund the capital programme.

### Borrowing Strategy

26. 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.

27. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
28. 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.
29. By doing so, the Council can 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 modestly.
30. Our treasury advisers 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 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
31. The Council has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
32. Alternatively, the Council may arrange forward starting loans, 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.
33. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

## Sources of Borrowing

34. 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.
  - Any other bank or building society authorised to operate in the UK.
  - Any other UK public sector body.
  - UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
  - Capital market bond investors.
  - UK Municipal Bonds Agency plc (see below) and other special purpose

companies created to enable local authority bond issues.

35. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
  - Hire purchase
  - Private Finance Initiative
  - Sale and leaseback
36. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
37. **Short-Term and Variable Rate Loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
38. **Debt Rescheduling:** 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.
39. **Borrowing Limits:** These have been set as part of the Capital Strategy for 2020/21.

## TREASURY MANAGEMENT INDICATORS

40. The Council measures and manages its exposures to treasury management risks using the following indicators.
41. **Principal sums invested for longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the year end will be:

£M	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Limit on principal invested beyond year end	15	15	15	15

42. The limit has increased from last year by £5 million to reflect the increase in investments in long term pooled funds.

43. **Maturity structure of borrowing:** This treasury indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity structure of borrowing	Upper Limit	Lower Limit
	%	%
- Loans maturing within 1 year	50	0
- Loans maturing within 1 - 2 years	50	0
- Loans maturing within 2 - 5 years	50	0
- Loans maturing within 5 - 10 years	50	0
- Loans maturing in over 10 years	100	100

44. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
45. **Housing Revenue Account (HRA) ratios:** 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.

	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
HRA Debt £'000	49,268	49,268	49,268	49,268
HRA Revenues £'000	12,338	12,668	13,019	13,361
Number of HRA Dwellings	2,391	2,400	2,407	2,445
Ratio of Debt to Revenues %	3.99:1	3.89:1	3.78:1	3.69:1
Debt per Dwelling £	£20,606	£20,528	£20,469	£20,151
Debt Repayment Fund £'000	£3,420	£4,560	£5,700	£6,840

## MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

46. 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)**.
47. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. The main policy adopted is that MRP 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. This calculation will be reviewed on a case by case basis depending on the circumstances and with a view to minimising the impact on the council tax payer.
48. Where expenditure is on an asset which will be held on a short-term basis (up to 5 years), no MRP will be charged. However, the capital receipt generated by the

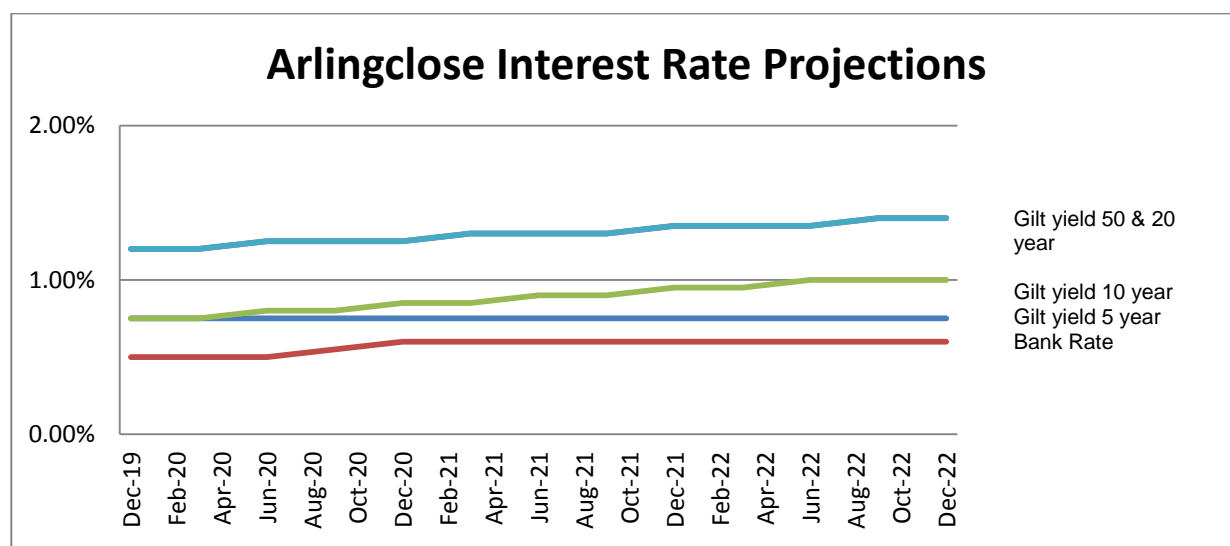
sale of the asset will be used to repay the debt instead.

49. No MRP will be charged in respect of assets held within the HRA, in accordance with MHCLG Guidance and capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

## INTEREST RATE FORECAST

50. The Council's treasury management advisers assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Arlingclose is attached at Annex 1.

51. The following graph and commentary gives the Arlingclose's central view on interest rates.



52. The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

53. Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

## Other Items

54. The CIPFA Code requires the Council to include the following in its Treasury

## Management Strategy.

55. **Policy on Apportioning Interest to the HRA:** On 28 March 2012, the Council borrowed £40 million from the Public Works Loan Board (PWLB) to buy itself out of the HRA subsidy System. The monies were borrowed by the General Fund on behalf of the HRA. The interest on these loans is charged to the HRA on a half-yearly basis at the rate charged by PWLB. A further £9.268 million was lent by the General Fund to the HRA to complete the buyout. Interest on this element is charged at the average weighted rate of the PWLB loans.
56. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
57. The General Fund credits the HRA with interest earned on HRA credit balances calculated on the monthly movement in reserve balances and applied at year end. The rate used is the weighted interest rate on General Fund investments and cash balances.
58. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

## Financial Implications

59. The budget for interest received in 2020/21 for the General Fund is £954,700 and the HRA is £114,000 and the budget for debt interest paid in 2020/21 is £259,000 for the General Fund and £1,794,900 for the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## Other Options Considered

60. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## INVESTMENT STRATEGY

61. The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
62. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.
63. The Council does not currently have any service investments.

## COMMERCIAL INVESTMENTS

64. The Council invests in local and some regional UK commercial property with the intention of making a profit that will be spent on local public services.
65. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£39.6 million**, as summarised below, averaging a return of **6.9%**.

Property Type	Purchase Cost £'000	Current Value £'000
Retail	28,515	26,850
Commercial	10,121	10,650
Other	1,890	2,050

<b>Total</b>	<b>40,526</b>	<b>39,550</b>
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66. The Council's total Commercial property portfolio, shown below, is valued at **£69.9 million** and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

<b>Property Type</b>	<b>Current Value £'000</b>
Retail	42,162
Commercial	18,411
Other	4,373
Office	3,759
Leisure	1,167
<b>Total</b>	<b>69,872</b>

67. In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
68. A fair value assessment of the Council's more recent commercial property purchases has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
69. The Council assesses the risk of loss before entering into and whilst holding property investments. These risks are managed by ensuring:
- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Council's finances;
  - new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term;
  - appropriate checks are carried out to ascertain the tenant's reliability;
  - other "due diligence" is undertaken to protect the Council's investment as far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

## **Proportionality**

70. The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Strategy.



£'000	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gross service expenditure	44,754	47,851	48,342	48,975	49,174
Investment income	3,988	4,266	4,576	4,576	4,576
<b>Proportion</b>	<b>8.9%</b>	<b>8.9%</b>	<b>9.5%</b>	<b>9.3%</b>	<b>9.3%</b>

## INVESTMENT INDICATORS

71. The Council has set the following quantitative indicators to assess the Council's total risk exposure as a result of its investment decisions.
72. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses.

Total Investment Exposure	2018/19 Actual £'000	2019/20 Forecast £'000	2020/21 Forecast £'000
Treasury Management Investments	13,100	12,000	12,000
Commercial Investments	56,662	69,872	69,872
<b>Total</b>	<b>69,762</b>	<b>81,872</b>	<b>81,872</b>

73. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments Funded by Borrowing	2018/19 Actual £'000	2019/20 Forecast £'000	2020/21 Forecast £'000
Treasury Management Investments	0	0	0
Commercial Investments	18,412	31,997	31,242
<b>Total</b>	<b>18,412</b>	<b>31,997</b>	<b>31,242</b>

74. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Investments Net Rate of Return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury Management Investments	2.8%	3.4%	4.6%
Commercial Investments	6.1%	5.3%	6.2%
<b>Total</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.9%</b>

## **CAPACITY AND SKILLS**

### **Training**

75. 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.
76. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
77. Property services officers also regularly attend training courses, seminars and conferences provided RICS (Royal Institution of Chartered Surveyors) accredited/approved providers.

### **Use of Treasury Management Consultants**

78. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
79. 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.
80. 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.

## ARLINGCLOSE ECONOMIC AND INTEREST RATE FORECAST DECEMBER 2019

### Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.

GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the BOE target of 2%. Labour market data continues to be positive. The ILO unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.

Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).

The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial

compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.

## **Credit Outlook**

The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis. Major banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the Bank's approach; timeliness as the results are over 11 months of out date when they are published, being based on end-2018 balance sheets; ringfencing, as the tests ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies

The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable

## **Underlying assumptions**

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

## **Forecast**

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Adoption of BT Telephone Box in Sarisbury Green</b>
<b>Report of:</b>	Director of Leisure and Community
<b>Corporate Priorities:</b>	Protect and Enhance the Environment

**Purpose:**

The purpose of this report is to seek approval to adopt a traditional red BT telephone box in Sarisbury Green.

**Executive summary:**

The growth of the mobile phone industry has inevitably meant that telephone box usage has dropped dramatically, and nearly half of the telephone boxes in the UK have been removed.

BT are currently offering local authorities the opportunity to adopt traditional red telephone boxes in their area under the BT Adopt a Kiosk programme, to be either kept as a heritage feature or to be used by the community for an alternative use. If the telephone box is not adopted, then it will be removed at some point in the future by BT. (Please see Appendix A)

The red telephone box in Sarisbury Green is located on a small area of grass, on Bridge Road that sits within a protected conservation area. (Please see appendix B)

**Recommendation/Recommended Option:**

It is recommended that the Executive agrees that:

- (a) the Council adopts the red telephone box in Sarisbury Green in accordance with the conditions outlined in the report; and
- (b) an allocation of £3,650 to bring the telephone box up to a good state of repair and secure it, and £500 per annum for maintenance and repair is set aside in the Community Funding Budget.

**Reason:**

To retain the iconic red telephone box as a heritage feature in a protected conversation area.

**Cost of proposals:**

£3,650 one off cost and £500 per annum to be funded from the existing Community Funding budget.

**Appendices:**

A: Table of telephone boxes listed for removal by BT

B: Images and location of Sarisbury Green telephone box

**Background papers:** None

**Reference papers:** None



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Adoption of BT Telephone Box in Sarisbury Green
<b>Briefing by:</b>	Director of Leisure and Community
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The growth of the mobile phone industry has inevitably meant telephone box usage has dropped dramatically, and nearly half of the telephone boxes in the UK have been removed.
2. On 12 September 2019, the Council received a list of 14 telephone boxes that were identified for removal due to the low number of call usage, including one in Sarisbury Green that had only 15 calls made from it in the past 12 months.
3. Rather than simply removing the traditional red telephone boxes, BT are offering local authorities the opportunity to adopt them to be either kept as a heritage feature or to be used by the community for an alternative use.
4. From the list provided at appendix A, the Council were given the opportunity to either object to the removals with a valid reason for keeping them or to express an interest in adopting any of them. Only the red telephone boxes can be adopted as part of the BT Adopt a Kiosk programme.
5. The telephone box in Sarisbury Green is located within a conservation area and is the only red telephone box that has been listed for removal.
6. A list of all telephone boxes listed for removal by BT, and the 3 which have been requested to remain by the Council, can be found in Appendix A to this report.

#### BACKGROUND

7. The Adopt a Kiosk programme is run by BT. Since the programme was launched in 2008 more than 5000 communities across the UK have taken the opportunity to turn their telephone box into something different including mini libraries, art galleries or a defibrillator station.

## **ADOPTION PROCESS**

8. A telephone box can only be adopted by a local authority, parish/town council, a registered charity or a private landowner in the position where the telephone box sits. It is not available to individuals or community groups such as residents' associations or commercial organisations.
9. The cost of adopting a telephone box is £1.00, and it is purchased with any and all physical defects. Once it has been adopted, all maintenance and repairs are transferred to the authority.
10. However, if the Council were to adopt the telephone box, the responsibility and maintenance for it can be transferred to a willing community group and an agreement would be drawn up between the Council and the community group.
11. In the past, Sarisbury Residents Association have painted the telephone box to help maintain it. However, when approached to establish whether or not they would be willing to take over the responsibility from the Council to maintain the telephone box on a permanent basis, they declined. The reasons for declining were that they have limited resources in terms of funding and personnel.
12. St Paul's Church in Sarisbury Green were also approached to see if they would like to take on responsibility for the telephone box, however they also declined.
13. Locally, Warsash Residents Association have turned their red telephone box into a defibrillator station with the aid of community funding, however the association applied for the funding on behalf of an individual who was willing to take on the responsibility of it.
14. If the telephone box was to be adopted by the Council, the telephone would be disconnected and removed by BT. BT would continue to be responsible for the electrical supply to power the lighting, and for the payments to the electricity company for that supply. However, BT have the right to disconnect the electricity supply at some point in the future, but they would contact the kiosk owner should this become necessary. Alternatively, the electricity supply can be taken over by the adoptee of which the cost would vary depending on the electricity company.
15. If the telephone box was to be adopted by the Council, the door would be permanently locked to help minimise future maintenance and damage and the would be maintained as a heritage feature.

## **FINANCIAL IMPLICATIONS**

16. The cost to the Council to adopt the telephone box from BT is £1.00.
17. The Council's Property Services team have assessed the maintenance liabilities, and the cost to bring the telephone box up to a good standard of repair, including painting, cleaning, replacing the glass panels with toughened glass or clear perspex and locking it would be £3,650. To maintain the telephone box on an ongoing basis is likely to be up to £500 per annum, depending on damage and weathering.
18. These costs could be funded from the existing Community Funding budget of which there is currently £118,657.

## **CONCLUSION**

19. This report seeks approval to adopt the traditional red telephone box in Sarisbury Green and to fund all repairs and maintenance from the Community Funding budget.

**Enquiries:** For further information on this report please contact Becca Bennett, Leisure and Community Officer. Ext. 4593



**Appendix A – Table of telephone boxes listed for removal by BT and those of which have been requested to remain by the Council.**

<b>Address of phone box</b>	<b>Post code</b>	<b>Number of calls in last 12 months</b>	<b>Requested to remain by the Council</b>	<b>Reason</b>
Mitre Court, Bishopsfield Road, Fareham	PO14 1LN	52	No	
Outside No 105, Highlands Road, Fareham	PO15 6HZ	140	No	
Outside Fareham College, Bishopsfield Road, Fareham	PO14 1NH	66	No	
Outside No 9, Portchester Road, Fareham	PO16 8AD	8	No	
Outside No 35, Stubbington Green	PO14 2LJ	112	Yes	Requested to remain due to the demographic of the area and the relatively high number of phone calls
Outside No 97, Crofton Lane, Fareham	PO14 3QE	9	No	
Outside No 1, Anjou Crescent, Fareham	PO15 5DA	39	No	
Outside No 119, Segensworth Road, Fareham	PO15 5EG	11	No	
Bridge Road, Sarisbury Green	SO31 7EH	15	Yes	Requested to remain due to heritage feature and looking into the possibility of adopting.
Outside No 341, Warsash Road, Fareham	PO14 4LS	9	No	
Near The Ferryman, Warsash Road,	SO31 9HX	0	Yes	Requested to remain as it is closest phone to the

**Appendix A – Table of telephone boxes listed for removal by BT and those of which have been requested to remain by the Council.**

Warsash				water and should be available in case of emergency.
Opposite No 11, Fort Fareham Road, Fareham	PO14 1DG	91	No	
Outside HSBC Bank, Middle Park Road, Southampton	SO31 7GH	96		
Outside Co-op, West Street, Portchester	PO16 9UZ	261	Yes	Requested to keep due to its high number of calls.

Appendix B – Photos and location of the telephone box located in Bride Road, Sarisbury Green





Phonebox location - Bridge Road, Sarisbury Green



January 20, 2020

Scale 1:1,071

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