

**AGENDA FOR THE EXECUTIVE**

**Date:** Monday, 1 February 2021

**Time:** 6.00 pm

**Venue:** Microsoft Teams Virtual Meeting

***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 S D Martin, Planning and Development

Councillor M J Ford, JP, 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 04 January 2021.

**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. Policy and Resources**

**Key Decision**

**(1) Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22 (Pages 11 - 22)**

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

**(2) Housing Revenue Account 2021/22 (Pages 23 - 34)**

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

**Non-Key Decision**

**(3) Treasury Management Strategy 2021/22 (Pages 35 - 58)**

A report by the Deputy Chief Executive Officer.

**(4) Review of Statement of Licensing Policy (Pages 59 - 78)**

A report by the Head of Environmental Health.

**9. Executive Appointments**

To appoint Executive Members to the following bodies for the remainder of the

current municipal year:

- i) Portchester Crematorium Joint Committee (in 2019/20, the Executive appointed Councillors K D Evans and S D Martin). N.B. in the past, the Executive has not appointed 'substitute' members to this Joint Committee. However, the Executive may, if it so wishes, authorise other members of the Executive to act as deputies).
- ii) Joint Member Shared Coastal Management Board (in 2019/20, the Executive appointed Councillor K D Evans as the Borough Council's representative and Councillor P J Davies as deputy)



P GRIMWOOD  
Chief Executive Officer

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

21 January 2021

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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Executive

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

**Date:** Monday, 4 January 2021

**Venue:** Microsoft Teams Virtual Meeting

**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  
S D Martin, Planning and Development  
M J Ford, JP, Streetscene

**Also in attendance:**

Mrs K Mandry, for item 8(1)  
L Keeble, for items 8(1), 9(1), 10(1) & 10(2)  
R H Price, JP, for items 8(1), 9(1) & 10(3)



## 1. APOLOGIES FOR ABSENCE

There were no apologies given for this meeting.

## 2. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 07 December 2020 be confirmed and signed as a correct record.

## 3. EXECUTIVE LEADER'S ANNOUNCEMENTS

The Executive Leader announced the very sad news that Councillor Keith Evans passed away recently after contracting Covid-19. Councillor Evans was ward councillor for Sarisbury from 1988 until 2002 and then ward councillor for Locks Heath from 2004 until 2020. He held various roles on Fareham Borough Council, many of them as Chairman and latterly as Executive Member for Planning and Development.

As a mark of respect, the Executive held a minute's silence in memory of Councillor Evans.

The Executive Leader announced that as a result of the sad loss of Councillor Evans, there would be two changes to the portfolio holders on the Council's Executive, with Councillor S D Martin taking up the role of Executive member for Planning and Development and Councillor M J Ford, JP joining the Executive as the Executive member for Streetscene.

The Executive Leader confirmed the new Executive will comprise:

Policy and Resources - Councillor S D T Woodward  
Health & Public Protection and Deputy Executive Leader – Councillor T M Cartwright, MBE  
Planning and Development - Councillor S D Martin  
Leisure and Community - Councillor Miss S M Bell  
Housing - Councillor F W Birkett  
Streetscene - Councillor M J Ford, JP

The Executive Leader went on to make an announcement in respect of Welborne Garden Village, advising that a consultation would start today (January 4) on revisions to the planning application after proposals emerged for the government and developers, Buckland Development Limited (Buckland), to plug a £40m shortfall in the budget to redevelop junction 10 of the M27.

The Executive Leader explained that the plan to create the 6,000-home Garden Village, to include schools, district shopping centres, a business park and health facilities, had been in jeopardy after £25m funding from the Solent Local Enterprise Partnership towards creating an all-moves junction 10 on the M27 motorway expired last year when it could not be used in time due to the complexities involved in the scheme.

The planning application had previously been approved in October 2019, subject to Buckland signing a Section 106 planning agreement to guarantee provision of the associated infrastructure improvements. The agreement was not signed after it became clear the funding of the junction 10 improvements was increasingly uncertain. Funding for the junction improvements being in place is a pre-commencement condition that the council imposed on the planning consent.

After a year of negotiations with Fareham Borough Council, Buckland, which originally pledged £20m towards the £75M cost of the junction 10 improvements, has agreed to double its contribution to £40m. Fareham Borough Council has also negotiated with the government to increase its contribution to the scheme from £10m to £30m. This means that the £75m cost of upgrading junction 10 can now be secured, as £5m has already been funded by the government via the Solent Local Enterprise Partnership to complete the detailed design work and business case for the junction which is required, not just to serve Welborne, but also to aid the smooth running of the M27.

The Executive Leader stated that the additional early financial commitment being met by Buckland has affected the early viability of the Welborne development as originally approved and the developers have therefore put forward further revisions to the planning application. The previously agreed scheme allowed for 10 per cent (600) affordable homes, with regular reviews during the 30 years of the development that could increase affordable home provision to bring it to the Welborne Plan requirement for 30 per cent. Buckland has indicated it will maintain the initial 10 per cent affordable homes commitment but that the prospects of the profitability of the site enabling that figure to increase to 30 per cent will now be reduced. Any possible increases secured by the planning authority will be in the second half of the development, once 3,000 homes have been completed and the scheme becomes profitable. The revisions to the planning application are now subject to a new three-week consultation and will be brought back before the Council's planning committee towards the end of January, when public consultation feedback will also be reported.

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

Councillor Miss S M Bell declared a personal interest in respect of item 8(1) of the agenda as she lives in Castle Street near to one of the coastal car parks and also sits on the Board of Trustees of St Mary's Church Parish Hall.

#### **5. PETITIONS**

There were no petitions submitted at this meeting.

#### **6. DEPUTATIONS**

There were no deputations made at this meeting.

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

**Planning Committee – 16 December 2020**

### Minute 7 – Introduction Charges for Heritage Advice and Design Codes and the Use of Planning Performance Agreements

The Committee considered a report by the Director of Planning and Regeneration on the introduction of charges for heritage advice and design codes, and the use of Planning Performance Agreements, which will be considered by the Executive at its meeting on 4 January 2021.

Members requested that Officers undertake some investigations into the charging of VAT where there is a set fee, and consider the introduction of fees exclusive of VAT.

RESOLVED that the Committee:-

- (i) notes the proposals the Director of Planning and Regeneration is making to the Executive in respect of charges for heritage advice and design codes, and the use of planning performance agreements; and
- (ii) advises the Executive that it supports the proposals set out in the report, with the recommendation that the proposed fee set out in paragraph 11 of the report is exclusive of VAT.

## **8. HEALTH AND PUBLIC PROTECTION**

### (1) Concessionary and Season Ticket options at Coastal Car Parks

Councillor Miss S M Bell declared a personal interest in respect of this item of the agenda as she lives in Castle Street near to one of the coastal car parks and also sits on the Board of Trustees of St Mary's Church Parish Hall.

At the invitation of the Executive Leader, Councillors L Keeble, Mrs K Mandry and R H Price, JP addressed the Executive on this item.

RESOLVED that the Executive agrees that:

- (a) season tickets be valid for use in any coastal car park;
- (b) no limit is placed on the number of seasons tickets made available to the public;
- (c) season tickets sold to the public, including beach hut owners, will not be transferable between cars; and
- (d) only recognised coastal organisations such as the Sailing Clubs, Titchfield Haven, the Wheelhouse and St Mary's Church will be able to purchase transferable season tickets.

## **9. PLANNING AND DEVELOPMENT**

- (1) Introducing charges for heritage advice and design codes, and the use of Planning Performance Agreements

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

The comments of the Planning Committee were taken into account in considering this item.

In discussing paragraph 11 of the report it was agreed that, following the recommendation made by the Planning Committee, the fee of £150 for any requests for informal planning advice to carry out works or alterations to a listed building should be exclusive of VAT.

RESOLVED that, subject to the amendment outlined above, the Executive:

- (a) agrees the introduction of pre-application planning advice charges for heritage advice as set out at Paragraph 11, and that the charges will come into effect for all related requests received on or after the 1<sup>st</sup> February 2021;
- (b) agrees the introduction of charges in respect of work undertaken on design codes as set out at Paragraph 21, and that the charges will come into effect on the 1<sup>st</sup> February 2021;
- (c) notes the benefits to applicants and this Council of using planning performance agreements along with the potential for the Council to recover some of the abnormal costs it expends in processing related planning applications to agreed timetables; and
- (d) agrees that this Council considers the use of planning performance agreements on any appropriate planning applications received on after 01 February 2021.

## 10. POLICY AND RESOURCES

- (1) Finance Strategy, Revenue Budget and Council Tax 2021/22

At the invitation of the Executive Leader, Councillor L Keeble addressed the Executive on this item.

RESOLVED that the Executive:

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

- (a) approves the Medium-Term Finance Strategy for the period 2020/21 to 2024/25, as set out at Appendix C to the report;

### **Revenue Budgets**

- (b) approves the revised 2020/21 general fund revenue budget, amounting to £9,606,500, as set out in Appendix A and B to the report; and
- (c) approves the base 2021/22 general fund revenue budget amounting to £10,118,200, as set out in Appendix A and B to the report.

(2) Fees and Charges 2021/22

At the invitation of the Executive Leader, Councillor L Keeble addressed the Executive on this item.

RESOLVED that the Executive approves the fees and charges for 2021/22 as set out at Appendix A to the report.

(3) Capital Programme and Capital Strategy 2021/22

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

RESOLVED that the Executive:

- (a) endorses the draft Capital Strategy for 2021/22, attached as Appendix A to the report;
- (b) approves the capital programme for the period 2020/21 to 2024/25, amounting to £86.2 million as set out in Annex 1 of the Capital Strategy; and
- (c) agrees to submit the Capital Strategy for 2021/22 to Council for approval.

(The meeting started at 6.00 pm  
and ended at 7.10 pm).

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 01 February 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22</b>
<b>Report of:</b>	Deputy Chief Executive 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 26 February 2021, in respect of the revenue budget, capital programme and council tax for 2021/22.

**Executive summary:**

On 4 January 2021, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2021/22. This report updates the Council's budgets to reflect the decisions taken on 4 January 2021.

The capital programme for the years 2020/21 to 2024/25 will be £53,902,000.

The revenue budget for 2021/22 will be £10,271,900. With retained business rates and grants estimated to be £2,731,103 and a surplus from the collection fund of £84,393, the total amount due from the council tax payers will be £7,456,404.

Taking these changes into consideration, the council tax for 2021/22 will be £170.22 per Band D property. This represents an increase from the council tax set for 2020/21 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 26 February 2020:

- (a) the capital programme and financing of £53,902,000;
- (b) an overall revised revenue budget for 2020/21 of £9,606,500;
- (c) a revenue budget for 2021/22 of £10,271,900;

(d) a council tax for Fareham Borough Council for 2021/22 of £170.22 per band D property, which represents a £5.00 increase when compared to the current year and is within referendum limits; and

(e) an unchanged Council Tax Support scheme for 2021/22.

**Reason:**

To allow the Council to approve the Council Tax for 2021/22.

**Cost of proposals:**

Not applicable

**Appendices:**                    **A:** Overall Total Budget for 2021/22

**Background papers:**    None

**Reference papers:**        None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	01 February 2021
<b>Subject:</b>	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 4 January 2021 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2020/21 to 2024/25;
  - The revised revenue budget for 2020/21;
  - Fees and charges for 2021/22;
  - The revenue budget for 2021/22; and
  - The council tax for 2021/22.
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 2020/21 TO 2024/25

3. The capital programme for the General Fund for the period 2020/21 to 2024/25 as reported to the 4 January 2021 Executive meeting was £53,902,100.
4. The updated programme is shown in the following table:

	<b>£000s</b>
Public Protection	40
Streetscene	468
Leisure and Community	19,340
Housing	2,732
Planning and Development	6,314
Policy and Resources	25,008
<b>TOTAL</b>	<b>53,902</b>

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

	<b>£000s</b>
Capital Receipts	187
Grants and Contributions	16,403
Capital Reserves	4,431
Revenue	3,731
Borrowing	29,150
<b>TOTAL</b>	<b>53,902</b>

6. The programme and projected resources indicate that, by 31 March 2025, there could be a small surplus of capital resources of £7.5 million, which represents a contingency of 13.9% 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 £16 million. In the event that these resources do not materialise, the programme will become partly unfunded.

#### **REVISED BUDGET 2020/21**

8. In January, the Executive considered in detail the revised budget for 2020/21, which totalled £9,606,500 which is the same when compared to the base budget for the current year. However, to achieve this figure there is a contribution from reserves (£690,200) and COVID grants (£2,993,300) from central government totalling almost £3.7million.

#### **SERVICE BUDGETS 2021/22**

9. The following table shows the service budgets resulting from the decisions of the Executive on 4 January 2021.

	<b>Base Budget 2021/22 £</b>
<b>Committees</b>	
Licensing and Regulatory Affairs Committee	552,700
Planning Committee	482,000
<b>Executive - Portfolio Budgets</b>	
- Leisure and Community	1,641,400
- Housing	1,856,500
- Planning and Development	1,659,500
- Policy and Resources	-705,100
- Health and Public Protection	557,100
- Streetscene	5,399,300
Accounting Adjustments in Service Portfolios	3,249,300
<b>SERVICE BUDGETS</b>	<b>14,692,700</b>

## **OTHER BUDGETS 2021/22**

10. Following decisions made at the January Executive and further information being available a minor change has been made to the Other Budgets total which will now be -£1,854,300.

## **THE OVERALL BUDGET POSITION FOR 2021/22**

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2021/22, detailed in Appendix A, is confirmed as £10,271,900 which is £665,400 above the base budget for 2020/21.
12. As with the revised budget there has been a need to call on reserves and there will be continued support from central government relating to the COVID-19 pandemic. The total of this support (£751,000) and use of reserves (£1,815,500) will be over £2.5 million in 2021/22.

## **THE LOCAL GOVERNMENT FINANCE SETTLEMENT AND GOVERNMENT SUPPORT**

13. The Local Government Finance Settlement was announced on 17 December 2020 and as well as the settlement included some details of how COVID-19 support would be available into 2021/22.
14. The basic level of COVID-19 support will continue after Fareham received over £1.6 million in 2020/21. It is anticipated that the council will receive a further £451,000 in 2021/22.
15. The Sales, Fees and Charges Support scheme will continue through into the first quarter of 2021/22 and will be based on the 2020/21 budget figures for income. In the first 2 rounds of this support Fareham has received over £1.2 million and a further £300,000 has been built into the base budget for 2021/22.
16. The statement also announced a Lower Tier Services Grant which is a new one-off grant to ensure a minimum amount of funding is provided. Fareham as a lower tier authority will receive a sum of just over £150,000 in 2021/22.
17. In the Local Government Finance Settlement 2020 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.
18. As this settlement was for one year only there remains the details of the Fair Funding Review which as a result of the COVID-19 pandemic has been delayed further until at least 2022/23. 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

19. The spending reserve exists to cover unforeseen changes in revenue expenditure.
20. The current balance on the reserve stands at £5,164,700 which is £2,738,700 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.
21. It is important to note that due to the COVID-19 pandemic the revised budget for 2020/21 and base budget for 2021/22 will require almost all of the surplus to be used to offset the additional cost to the council of the pandemic.
22. As well as the requirement to use reserves to balance the budget for 2021/22, the Finance Strategy covers the period through to 2024/25 and is showing a projected shortfall of £1.7m in the final 3 years of the strategy.
23. There remains the unknown of the finance position after the outcome of the Fair Funding Review so any further use of reserves must be carefully considered.

## COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

24. The council tax base for 2021/22 is 43,804.5 Band D equivalent properties.
25. The net rates payable from National Non-Domestic Rates for 2021/22 (after Transitional arrangements and reliefs) is £to follow.

## COUNCIL TAX FOR 2021/22

26. With a net budget for 2021/22 of £12,838,400 a use of reserves and government COVID-19 funding the overall budget position is £10,271,900. With government grant of £153,700, use of business rates of £2,577,405 and with a contribution from the balance on the collection fund of £84,393 amount due from council tax payers will be £7,456,402. This is shown in the following table:

	<b>Base Budget 2020/21</b>	<b>Base Budget 2021/22</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>9,606,500</b>	<b>10,271,900</b>	665,400
Less:			
Government Support	-2,456,665	-2,731,105	-274,440
Collection Fund deficit	47,033	-84,393	-131,426
<b>Total due from Council Tax Payers</b>	<b>7,196,868</b>	<b>7,456,402</b>	+259,534
Council Tax base	43,559.3	43,804.5	
Council Tax (Band D)	£165.22	£170.22	
Cash Increase	+ £5.00	+ £5.00	

27. The proposed council tax increase is within government referendum limits.
28. The overall income from taxpayers of £7,456,402 represents approximately 15% of the gross revenue budget for the council for 2021/22 of £48.4million.

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

29. 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.
30. 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.
31. 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 2021/22**

32. The national Council Tax Benefit scheme was abolished by Central Government on 31 March 2013. Under that scheme, claimants on low incomes could get up to 100% of their council tax paid and Central Government reimbursed local authorities for this expenditure via the Council Tax Benefit subsidy arrangements.
33. Since 1 April 2013, all billing authorities have been 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.
34. 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 and following public consultation, 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)

35. For 2021/22, it is proposed to retain these key principles and to administer an unchanged scheme.
36. There are currently 4144 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	1859	£1,907,696.77
Working-age caseload (vulnerable group)	897	£951,045.92
Working-age caseload (employed)	346	£172,798.81
Working-age caseload (other*)	1042	£827,919.11
Total	4144	£3,859,460.61

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

37. It is anticipated that an unchanged Council Tax Support scheme for 2021/22, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.
38. A public consultation ran from 12 November 2020 to 10 December 2020 and 61 respondents completed the questionnaire. 51 respondents (84%) thought the current Council Tax Support scheme was fair and 56 respondents (92%) agreed that claimants with severe disabilities or in receipt of war pensions should continue to receive additional financial support.

## RISK ASSESSMENT

39. While all spending plans can be met from within existing resources including use of reserves, growing financial pressures increase the risk that spending plans exceed desirable levels.
40. With the Fair Funding review being delayed until the 2022/23 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.
41. 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**

42. In making a recommendation to Council on the council tax for 2021/22, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources(including reserves) 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 2020/21 £</b>	<b>Revised 2020/21 £</b>	<b>Budget 2021/22 £</b>
Committees			
Licensing and Regulatory Affairs Committee	520,500	432,600	552,700
Planning Committee	472,600	599,000	482,000
Executive - Portfolio Budgets			
- Leisure and Community	453,800	1,665,400	1,641,400
- Housing	1,468,500	1,784,900	1,856,500
- Planning and Development	1,584,800	1,664,900	1,659,500
- Policy and Resources	-987,400	-177,500	-705,100
- Health and Public Protection	221,100	1,249,400	557,100
- Streetscene	5,101,900	5,437,100	5,399,300
Accounting Adjustments in Service Portfolios	2,752,700	3,249,300	3,249,300
<b>SERVICE BUDGETS</b>	<b>11,588,500</b>	<b>15,905,100</b>	<b>14,692,700</b>
Capital Charges	-2,927,700	-3,466,100	-3,466,100
Direct Revenue Funding	1,510,000	1,510,000	1,475,000
Minimum Revenue Position	1,134,300	1,100,900	1,315,300
Bad Debt Provision	0	519,900	300,000
Interest on Balances	-695,700	-559,700	-695,700
Portchester Crematorium Contribution	-165,000	-165,000	-165,000
New Homes Bonus	-459,900	-702,100	-239,800
Contribution from Reserves	-378,000	-853,000	-378,000
<b>OTHER BUDGETS</b>	<b>-1,982,000</b>	<b>-2,615,100</b>	<b>-1,854,300</b>
<b>BUDGET TOTAL before COVID Funding</b>	<b>9,606,500</b>	<b>13,290,000</b>	<b>12,838,400</b>
Funding From Reserves	0	-690,200	-1,815,500
Funding From COVID Grants	0	-2,993,300	-751,000
<b>NET BUDGET</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>10,271,900</b>

	<b>Budget 2020/21 £</b>	<b>Revised 2020/21 £</b>	<b>Budget 2021/22 £</b>
<b>NET BUDGET</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>10,271,900</b>
<b>EXTERNAL SUPPORT</b>			
Lower Tier Services Grant	0	0	153,699
Non-Domestic Rates	2,456,666	2,456,666	2,577,404
Revenue Support Grant	0	0	0
	<u><b>2,456,666</b></u>	<u><b>2,456,666</b></u>	<u><b>2,731,103</b></u>
 COLLECTION FUND BALANCE	 47,033	 47,033	 -84,393
 <b>AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	 <b>7,196,867</b>	 <b>7,196,867</b>	 <b>7,456,404</b>
 COUNCIL TAX BASE	 43,559.3		 43,804.5
 COUNCIL TAX PER BAND D PROPERTY	 £165.22		 £170.22
 CASH INCREASE	 £5.00		 £5.00
 PERCENTAGE INCREASE	 3.22%		 3.03%



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 01 February 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account 2021/22</b>
<b>Report of:</b>	Deputy Chief Executive 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 2020/21, the base budgets and rent increases for 2021/22.

**Executive summary:**

The Executive recommended, and the Council approved, in February 2020, the base budget and rent increase for 2020/21, for Housing Revenue Account (HRA) services.

An Emergency Budget for 2020/21 was prepared in response to the impact of the COVID-19 pandemic, approved by the Executive in September 2020.

This report sets out some further revisions to the Housing Revenue Account revised budget for 2020/21 and base budget for 2021/22 along with the capital programme and financing for the years 2020/21 to 2024/25. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2021.

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 26 February 2021 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 21 with effect from 1 April 2021;
- (b) rents for Council garages be increased by 1.5% with effect from 1 April 2021;
- (c) the revised budget for 2020/21 be approved; and
- (d) the base budget for 2021/22 be approved.

**Reason:**

To allow the Council to approve the Housing Revenue Account budgets for 2021/22.

**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 3 February 2020 – Housing Revenue Account Spending Plans including Capital Programme 2019/20
- (b) Executive 6 July 2020 – General Fund and Housing Revenue Account Outturn 2019/20
- (c) Executive 7 September 2020 - Covid-19 Emergency Revised 2020/21 Budget and Financial Recovery Plan
- (d) Executive 4 January 2021 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (e) MHCLG - Guidance on Rents for Social Housing February 2019

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	01 February 2021
<b>Subject:</b>	Housing Revenue Account 2021/22
<b>Briefing by:</b>	The Deputy Chief Executive 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 2020/21 and 2021/22 for the Executive to consider. On 4 January 2021, the Executive approved the Council's Finance Strategy for 2021/22 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 September 2020 the Council approved an Emergency Housing Revenue Account Revised budget for 2020/21, recognising the significant impact experienced as a result of Covid-19. Further considered revisions are proposed, taking account of our experience over the past 9 months, and for the coming financial year.
3. Work to configure the Keystone asset management system and Civica housing systems are well underway with testing currently being undertaken for system rollout over the coming financial year.
4. Together these have informed revisions to the 2021/22 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>
2020/21	6,972
2021/22	9,735
2022/23	6,531
2023/24	4,257
2024/25	4,807
<b>Total</b>	<b>32,302</b>

6. The capital programme was included in the Capital Strategy that was approved at the 4 January Executive.
7. The major schemes in 2020/21 and 2021/22 are 18 new flats at Highlands Road, where work is well underway. A tender process has been completed for 16 new sheltered housing flats at Station Road; it is hoped that work on this site will be commenced by the end of March 2021. A tender process along with preliminary work is being undertaken at Stubbington Lane where 11 houses for Shared Ownership are proposed. Feasibility work is being undertaken for two new houses at Queens Road and a new house at Crossfell Walk.
8. There are currently two further 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 and the appropriate funding sources are presented for approval.

<b>Site</b>
Assheton Court redevelopment (Portchester)
Sheltered housing scheme to provide 60 – 70 sheltered flats
Wynton Way (Fareham North West)

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 and borrowing. The most appropriate form of borrowing will be established by the Council's Finance Team in consultation with the Deputy Chief Executive Officer in order to fund the Stubbington Lane and the former Scout Hut site, Montefiore Drive, Park Gate schemes.
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 £484,000 (£44,000 per shared ownership property) in respect of the Stubbington Lane development.
11. Future developed design reports will detail estimated cost and funding arrangements along with the process toward the 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.
12. Although the opportunity for borrowing to enable future development is positive there needs to be caution highlighted. 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

13. The following table summarises the Housing Revenue Account base and revised budgets for 2020/21, and the base budget for 2021/22. A more detailed breakdown is provided in Appendix D.

	<b>Base Budget 2020/21</b>	<b>Emergency Budget 2020/21</b>	<b>Revised Budget 2020/21</b>	<b>Base Budget 2021/22</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>£'000</b>			
Income	-12,668	-12,142	-12,263	-12,353
Tenancy Management & Running Costs	3,352	3,517	3,587	3,515
Net Interest	1,681	1,697	1,697	1,697
Transfer to Debt Repayment Fund	1,140	1,140	1,140	1,140
	<b>-6,495</b>	<b>-5,788</b>	<b>-5,839</b>	<b>-6,001</b>
Revenue Repairs Expenditure	2,764	2,264	2,096	2,600
Depreciation set aside into the Major Repairs Reserve	2,626	2,685	2,693	2,706
Revenue Contribution to Capital Programme	939	839	1,050	695
<b>Transfer to(-)/from HRA Reserve</b>	<b>-166</b>	<b>0</b>	<b>0</b>	<b>0</b>

14. The income budget has been reduced to reflect the continuing trend in rising tenant rent arrears. Changes in circumstances and financial stability for some of our tenants is impacting on rent being paid. In the current year a higher level of rent income has been foregone for properties that are void for longer periods than we would usually have expected. Service Charge actuals have been completed for 2019/20 and were slightly higher than budgeted, this additional income has been included in the revised budget for 2020/21 as these are realised.
15. Within Tenancy Management and Running Costs increases have been made for increased employee costs, an enhanced cleaning regime and for increased Council Tax charges made in respect of void properties. A budget provision has also been made in the current financial year to reflect the overlap of housing systems as we move to full reliance on a new system. A higher provision for bad debt is also maintained for 2021/22 for arrears that we are not able to recover.
16. The property repairs and maintenance area has seen a significant drop in expenditure incurred with external contractors in the early part of the 2020/21 and a fall in demand for responsive repairs when only emergency works were being completed as a result of lockdown restrictions and working arrangements. As services returned to a higher volume of call outs and contractor engagements for jobs, expenditure had risen again. The second lockdown will also have had an impact on works we are able to complete, but it is hoped for a shorter term, and the budget for 2021/22 is set for operations at a full capacity level.
17. We have been able to continue with stock repurchases and in the financial year to date have bought back 8 properties to replenish our housing stock. This has taken us slightly ahead of the budget, and this budget area has been further revised to support the Capital Programme.

18. 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 31 to 40 years.
19. A summary of all the reserves projected to the end of 2020/21 is set out below:

Reserve	Purpose of Reserve	2019/20 Closing Balance £'000	2020/21 Transfers In £'000	2020/21 Transfers Out £'000	2020/21 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	798	0	0	798
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	3,420	1,140	0	4,560
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	287	0	0	287
<b>Total Revenue Reserves</b>		<b>6,005</b>	<b>1,140</b>	<b>0</b>	<b>7,145</b>
Major Repairs Reserve	To fund capital expenditure on HRA assets	2,317	2,693	2,693	2,317
Housing Capital Development Fund	To fund new developments	2,677	0	2,094	583
1:4:1 Receipts	To fund 30% of costs of new acquisitions and Station Road development	1,890	200	503	1,587
<b>Total Reserves</b>		<b>12,889</b>	<b>4,033</b>	<b>5,290</b>	<b>11,632</b>

## RENTS

20. 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.
21. 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 a low level of 0.5% in September 2020 and an increase of 1.5% to be achieved from April 2021.
22. Rents for Council garages are not covered by the Government's Direction applying to dwellings and in recent years have been increased by 50p per annum. In light of the exceptional circumstances experienced by our tenants this year and the low level of CPI it is proposed that garage rents for 2020/21 increase by 20p per week (1.5%) in line with rent increases.
23. 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

24. The current fees and charges for the HRA and the charges for 2021/22, approved at the 4 January 2021 Executive, are set out in Appendix C.
25. 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

26. 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
27. 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 reduce post 2021, 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 2021		115
Loss of income if void rate rises to 5% from 4%		109
Increase of 10% on supplies and service costs	48	
Increase of 10% in the depreciation charge	270	
Increase on rent arrears by 10%		70
Increase of 10% in cost of responsive repairs	260	

### 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>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Improvements	1,457,300	2,000,000	2,010,000	2,110,500	2,216,000
Voids	800,000	700,000	724,000	760,200	798,200
Modifications	275,000	275,000	281,000	286,620	292,400
Housing Management System	110,000				
Asset Management System	50,000				
Vehicles		40,000			
<b>Acquisitions and New Builds</b>					
Acquisitions	1,500,000	1,200,000	1,200,000	1,100,000	1,500,000
New Build – Bridge Road	120,000				
New Build – Highlands Road	2,295,000	358,000			
New Build – Station Road	175,000	2,296,000	282,000		
New Build – Assheton Court	100,000				
New Build – Stubbington Lane	50,000	2,165,900	252,100		
New Build – Queens Road	20,000	450,000			
New Build – Crossfell Walk	20,000	250,000			
New Build – Coldeast Scout Hut			1,782,000		
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>6,972,300</b>	<b>9,734,900</b>	<b>6,531,100</b>	<b>4,257,320</b>	<b>4,806,600</b>
<b>Funded by: Improvements to Existing Stock</b>					
Major Repairs Reserve	-2,692,300	-3,015,000	-3,015,000	-3,157,320	-3,306,600
<b>Acquisitions and New Builds</b>					
RCCO	-1,050,000	-694,700	-950,400	-770,000	-1,050,000
1-4-1 Capital Receipts	-502,500	-1,048,800	-444,600	-330,000	-450,000
Capital Receipts	-122,500	-1,377,500			
Capital Development Fund	-2,094,000	-583,000	-87,000		
Homes England Grants	-511,000		-315,000		
Other Grants and Contributions		-850,000			
Borrowing		-2,165,900	-1,719,100		
<b>TOTAL FUNDING</b>	<b>-6,972,300</b>	<b>-9,734,900</b>	<b>-6,531,100</b>	<b>-4,257,320</b>	<b>-4,806,600</b>

## HRA EXAMPLES OF RENT

	Property Type	2020/21 Actual Rent £	2021/22 Proposed Rent £	Change per week £	Change per week %
Foster Close	1 Bed Flat	81.58	82.80	1.22	1.50
Grebe Close	2 Bed Bungalow	108.58	110.21	1.63	1.50
Collingwood Court	1 Bed Flat	102.04	103.57	1.53	1.50
Foxbury Grove	2 Bed Flat	91.06	92.43	1.37	1.50
Garden Court	1 Bed Maisonette	81.58	82.80	1.22	1.50
Sicily House	2 Bed Maisonette	88.34	89.67	1.33	1.50
Fairfield Avenue	3 Bed House	105.82	107.41	1.59	1.50
Churchill Close	3 Bed House (shared owner)	92.25	93.63	1.38	1.50
Jubilee Court	4 Bed House	120.93	122.74	1.81	1.50
Average for total stock		91.99	93.37	1.38	1.50
Garages		13.00	13.20	0.20	1.5

## FEES AND CHARGES

	Notes	Fee 2020/21 £	Fee 2021/22 £	% 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	10.00	10.00	NIL
Per couple per night	Inclusive of VAT	15.00	15.00	NIL
Collingwood Court per room	Inclusive of VAT	25.00	25.00	NIL
Sylvan Court per room	Inclusive of VAT	25.00	25.00	NIL
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	5.20	2.0
Keys – Fob		8.20	8.35	1.8
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.60	0.62	8.3
Dry		0.50	0.55	10.0

## DETAILED REVENUE BUDGET

	<b>Base 2020/21 £'000</b>	<b>Revised 2020/21 £'000</b>	<b>Base 2021/22 £'000</b>
<b>Income</b>			
Rents - Dwellings	-11,100	-10,662	-10,766
Rents – Garages	-321	-330	-331
Rents – Other	-18	-20	-20
Service Charges (Wardens, Extra Assistance, Heating)	-637	-634	-643
Cleaning	-197	-177	-185
Grounds Maintenance	-104	-112	-114
Other Fees and Charges	-61	-61	-61
Leaseholder Service Charges and Insurance	-229	-267	-233
	<b>-12,668</b>	<b>-12,263</b>	<b>-12,353</b>
<b>Expenditure</b>			
<b>Tenancy Management &amp; Running Costs</b>			
General Administrative Expenses	1,814	1,920	1,853
Corporate and Democratic Core	68	68	69
Corporate Management	102	89	83
Corporate Management	20	20	20
Communal Heating Services	120	105	115
Communal Lighting	30	35	35
Rents, Rates and Other Taxes	101	183	186
Communal Cleaning	209	230	240
Grounds Maintenance	235	235	235
Sheltered Housing Service	555	542	544
Bad Debts Provision	13	65	50
Bad Debts Written off	50	60	50
Debt Management Expenses	35	35	35
	<b>3,352</b>	<b>3,587</b>	<b>3,515</b>
<b>Long Term Debt Management</b>			
Interest Payable	1,795	1,795	1,795
Interest Earned on Internal Balances	-114	-98	-98
Transfer to Debt Repayment Fund	1,140	1,140	1,140
<b>Property Repairs and Maintenance</b>			
Revenue Repairs Expenditure	2,764	2,096	2,600
Depreciation	2,626	2,693	2,706
Revenue Contribution to Capital Programme	939	3,144	1,278
Contribution from Capital Development Fund		-2,094	-583
<b>Surplus(-)/Deficit for Year</b>	<b>-166</b>	<b>0</b>	<b>0</b>

**Enquiries:**

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

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 01 February 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Treasury Management Strategy 2021/22</b>
<b>Report of:</b>	The Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

**Purpose:**  
This report considers the draft Treasury Management Strategy and Investment Strategy for 2021/22, 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 2021/22 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval. There have been no significant changes proposed to the strategies.

In the past 12 months, the Council's **investment** balance has ranged between £14 million and £44 million. The higher balances are due to COVID-19 related Government grants received in advance and are expected to reduce 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.

The COVID-19 pandemic has increased the risk that the Bank of England will 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 reducing the value of investments.

**Borrowing** levels are expected to increase to a projected £72.7 million at the end of 2021/22 to fund the capital programme. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.

**Recommendation:**

It is recommended that the Executive:

- (a) endorses the draft Treasury Management Strategy and Investment Strategy for 2021/22, 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 Ministry for Housing Communities and Local Government (MHCLG), 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 2021/22

**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 2021/22 provided by Arlingclose (the Council's Treasury Advisers)

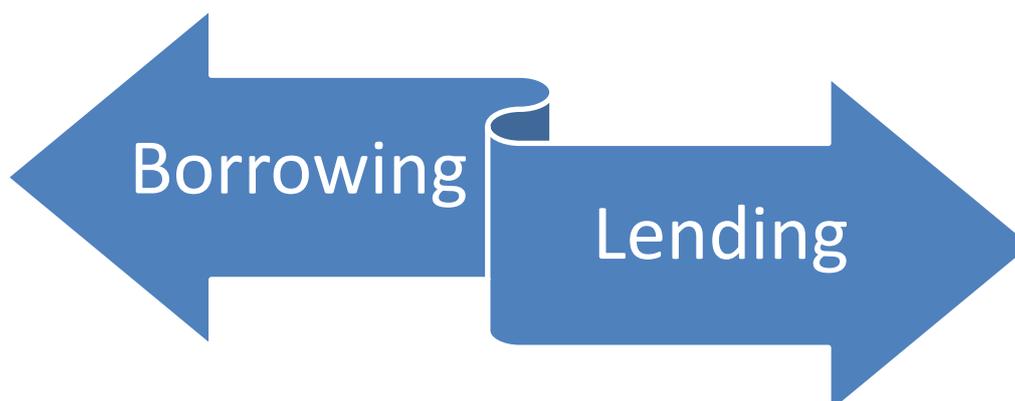
**Enquiries:**

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

# FAREHAM

BOROUGH COUNCIL

## TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY 2021/22





# 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;*

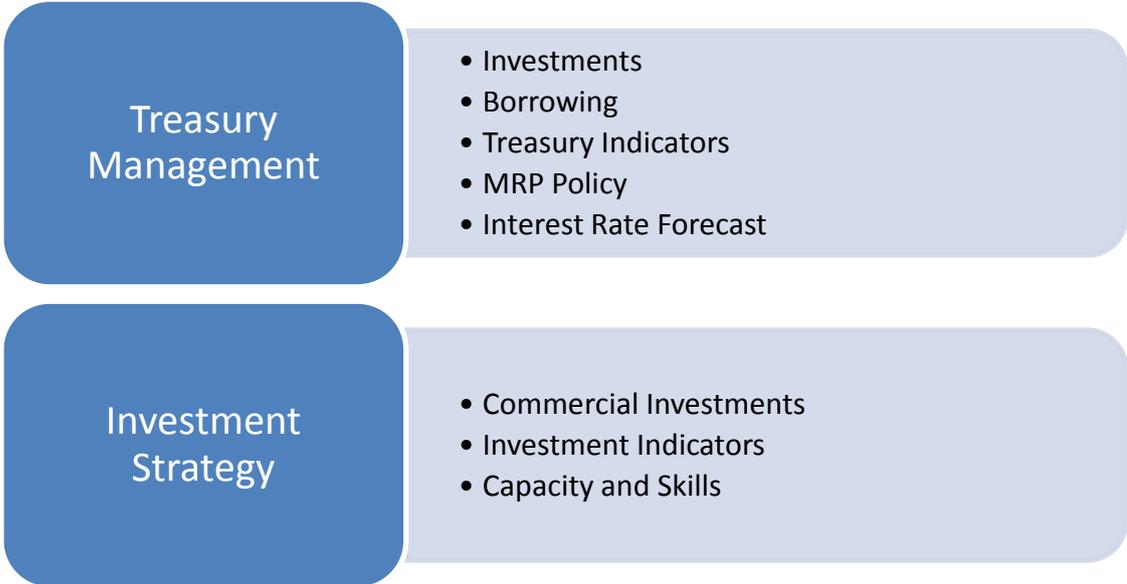
*the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

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 2021/22. 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

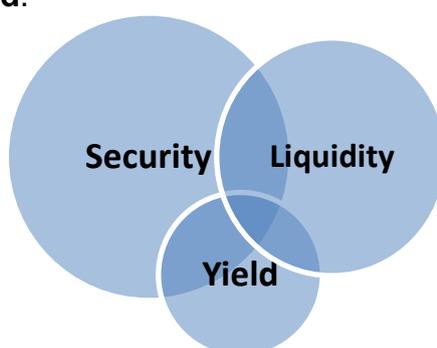
## INVESTMENTS

### 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 £14 million and £44 million. The higher balances are due to COVID-19 related Government grants received in advance and are expected to reduce 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. The COVID-19 pandemic has increased the risk that the Bank of England will 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. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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 has diversified **into more secure and/or higher yielding asset classes**. This is the case for the estimated £12 million that is available for longer-term investment. The Council's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification represents a continuation of the strategy adopted in 2018/19.
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 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 limits shown.

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local authorities and other government entities	25 years	£4m	Unlimited
Secured investments*	25 years	£4m	Unlimited
Banks (unsecured)*	13 months	£2m	Unlimited
Building Societies (unsecured)*	13 months	£2m	£4m
Money market funds*	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£4m	£20m

14. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published **long-term credit rating is no lower than A-**. 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. For entities without published credit ratings, investments may be either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2 million per counterparty as part of a diversified pool.
16. Summary of counterparty types:
- 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 Government are deemed to be zero risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
  - Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- c) **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. 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. See below for arrangements relating to operational bank accounts.
- d) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- e) **Strategic Pooled Funds:** Bond, equity and property funds that 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.
17. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks), registered providers (loans to, and bonds issued or guaranteed by, registered providers of social housing or 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**

18. 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 £4 million 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**

19. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.
20. 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

21. 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.
22. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
23. 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

24. The Council’s revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2021. 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 entities under the same ownership will be treated as a single organisation for limit purposes.
25. Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as 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 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

## Liquidity Management

26. 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.
27. The Council will spread its liquid cash over at least **four providers** (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## BORROWING

### Current Portfolio Position

28. The Council's borrowing position at 31 March 2020, with forward projections are summarised below.

<b>£'000</b>	<b>2020/21 Revised</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Debt at 1 April	57,700	59,700	72,700	81,700	79,700
Expected change in debt	2,000	13,000	9,000	(2,000)	(2,000)
<b>Gross Debt at 31 March</b>	<b>59,700</b>	<b>72,700</b>	<b>81,700</b>	<b>79,700</b>	<b>77,700</b>

29. Debt at 31 March 2021 is projected to be lower than originally estimated last year due to the use of internal borrowing rather than borrowing externally to fund the capital programme.

### Borrowing Strategy

30. 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.
31. 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.
32. 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.

33. 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.
34. 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 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
35. The Council has previously raised all of its long-term borrowing from the PWLB but will consider 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.
36. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
37. 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.
38. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

## **Sources of Borrowing**

39. The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
  - 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 and other special purpose companies created to enable local authority bond issues.
40. 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

41. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is 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.
42. **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.
43. **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.
44. **Borrowing Limits:** These have been set as part of the Capital Strategy for 2021/22.

## TREASURY MANAGEMENT INDICATORS

45. The Council measures and manages its exposures to treasury management risks using the following three treasury management indicators.
46. *Treasury Management Indicator 1 - 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	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Limit on principal invested beyond year end	15	15	15	15	15

47. *Treasury Management Indicator 2 - 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

48. 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.
49. *Treasury Management Indicator 3 - 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.

	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £'000	49,268	49,268	49,268	49,268	49,268
HRA revenues £'000	12,263	12,353	13,039	13,571	13,994
Number of HRA dwellings	2,401	2,422	2,422	2,414	2,406
Ratio of debt to revenues %	4.02:1	3.99:1	3.78:1	3.63:1	3.52:1
Debt per dwelling £	£20,518	£20,340	£20,340	£20,407	£20,475
Debt repayment fund £'000	£4,560	£5,700	£6,840	£7,980	£9,120

## MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

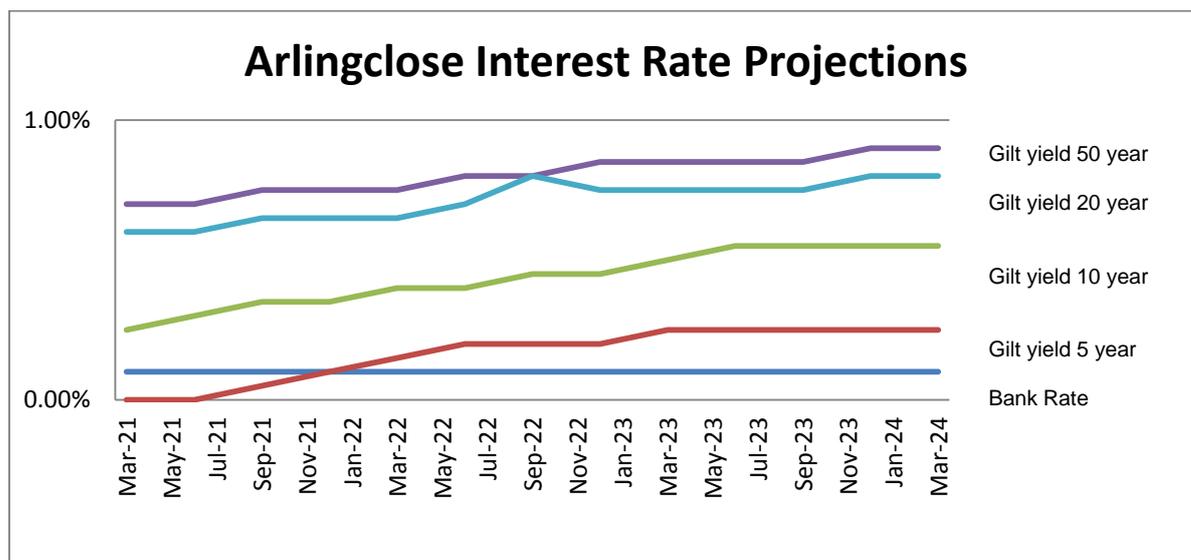
50. Where the Council finances capital expenditure by debt, it must **put aside resources to repay that debt** in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**.
51. The Council is required to set an annual policy on the 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.
52. 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.
53. No MRP will be charged in respect of assets held within the HRA, in accordance with MHCLG Guidance and capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

## INTEREST RATE FORECAST

54. 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.

55. The following graph and commentary gives the Arlingclose’s central view on interest rates.



56. The Council’s treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the Bank of England (BoE) and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
57. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

## Other Items

58. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.
59. **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.

60. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
61. 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.
62. **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

63. The budget for interest received in 2021/22 for the General Fund is £818,700 and the HRA is £98,000 and the budget for debt interest paid in 2021/22 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 that forecast, performance against budget will be correspondingly different.

### Other Options Considered

64. 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
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## INVESTMENT STRATEGY

65. 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).
66. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.
67. The Council does not currently have any service investments.

## COMMERCIAL INVESTMENTS

68. 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.
69. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£35.3 million**, as summarised below, averaging a return of **6.8%**.

Property Type	Current Value £'000
Retail	22,195
Commercial	11,078
Other	2,050
<b>Total</b>	<b>35,323</b>

70. The Council's total Commercial property portfolio, shown below, is valued at **£64.3 million** and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

Property Type	Current Value £'000
Retail	36,077
Commercial	18,796
Other	4,403

Office	3,786
Leisure	1,202
<b>Total</b>	<b>64,264</b>

71. 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.
72. 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

73. 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	2019/20 Actual	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Gross service expenditure	50,017	46,353	45,281	46,251	46,603	46,836
Investment income	4,442	4,521	4,308	4,521	4,521	4,521
<b>Proportion</b>	<b>8.9%</b>	<b>9.8%</b>	<b>9.5%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.7%</b>

## INVESTMENT INDICATORS

74. The Council has set the following three investment indicators to assess the Council's total risk exposure as a result of its investment decisions.
75. *Investment Indicator 1 - Total risk exposure:* The first indicator shows the Council's total exposure to potential investment losses.

Total Investment Exposure £'000	2019/20 Actual	2020/21 Revised	2021/22 Estimate
Treasury Management Investments	16,300	12,000	12,000
Commercial Investments	64,068	64,068	64,068
<b>Total</b>	<b>80,368</b>	<b>76,068</b>	<b>76,068</b>

76. *Investment Indicator 2 - 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.

<b>Investments Funded by Borrowing £'000</b>	<b>2019/20 Actual</b>	<b>2020/21 Revised</b>	<b>2021/22 Estimate</b>
Treasury Management Investments	0	0	0
Commercial Investments	31,790	31,042	30,272
<b>Total</b>	<b>31,336</b>	<b>31,042</b>	<b>30,272</b>

77. *Investment Indicator 3 - 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.

<b>Investments Net Rate of Return</b>	<b>2019/20 Actual</b>	<b>2020/21 Revised</b>	<b>2021/22 Estimate</b>
Treasury Management Investments	3.0%	2.8%	3.5%
Commercial Investments	3.6%	2.2%	1.1%
<b>Total</b>	<b>3.6%</b>	<b>2.3%</b>	<b>1.6%</b>

## **CAPACITY AND SKILLS**

### **Training**

78. 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.
79. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
80. 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**

81. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
82. 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.
83. 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

### Economic Background – January 2021

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

## **Credit Outlook – January 2021**

After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

## **Underlying assumptions – December 2020**

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare

capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.

- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

## **Forecast – December 2020**

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 01 February 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Review of Statement of Licensing Policy</b>
<b>Report of:</b>	Head of Environmental Health
<b>Corporate Priorities:</b>	Strong, Safe, inclusive and healthy communities

**Purpose:**

This report sets out the Statement of Licensing Policy (Licensing Policy) that details the Council's approach to promoting the four licensing objectives when making decisions under the Licensing Act 2003. The Policy is reviewed every five years and has taken account of changes in legislation, regulations and guidance. The renewed Policy is attached as Appendix A to this report and is being presented to the Executive for approval, before adoption at full Council.

**Executive summary:**

The Council has an existing Licensing Policy which has been reviewed without there being any substantive policy changes. It sets out the standards and criteria for applications received according to the Licensing Act 2003 and how those applications will be determined and the licensing objectives promoted.

**Recommendation/Recommended Option:**

It is recommended that the Executive:

- (a) agrees the updated Licensing Policy, as detailed in Appendix A to the report;  
and
- (b) recommends the policy to Council for adoption.

**Reason:**

Section 5 of the Licensing Act 2003 ("the Act") requires the licensing authority to prepare and publish a Statement of Licensing Policy every five years. This outlines the general approach of the licensing authority when making licensing decisions under the Act and can be reviewed and revised by the authority at any time.

**Cost of proposals:**

There are no financial implications for the Council arising from consideration of this proposal.

**Appendices:**                    **A:** Statement of Licensing Policy

**Background papers:**   None

**Reference papers:**        None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	01 February 2021
<b>Subject:</b>	Review of Statement Licensing Policy
<b>Briefing by:</b>	Head of Environmental Health
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The Licensing Act 2003 took effect on 25 November 2005 and provided a unified system of regulation for the sale of alcohol, the provision of regulated entertainment and late-night refreshment. Most significantly it transferred to the local authority, as part of these new provisions, liquor licensing, which was previously carried out by the Magistrates' Court. The Council is the licensing authority in its area for the discharge of licensing functions under the Licensing Act 2003.
2. The Licensing Policy reflects the requirements of the Licensing Act 2003 and the associated guidance and regulations. It also demonstrates how the Council will promote the four licensing Objectives in making decisions under the Act. Section 5 requires each licensing authority to publish a statement of policy in respect of its licensing functions at the beginning of each five-year period. This policy must be kept under review and such revisions must be made at such times as it considers appropriate.
3. The present five-year period ends in March 2021 and therefore a Licensing Policy for 2021-2026 must be determined and published.
4. Consultation took place during December 2020 and a report was taken to the Licensing and Regulatory Affairs Committee where the Head of Environmental Health reported in more detail on the consultation response received.
5. There are no significant risk considerations in relation to this report.

#### Enquiries:

For further information on this report please contact Ian Rickman. (Ext 4773)



**FAREHAM**  
BOROUGH COUNCIL

# Licensing Act 2003

Statement of Licensing Policy

April 2021 – March 2026

## 1. Introduction

- 1.1 The Licensing Act 2003 requires licensing authorities to publish a "statement of licensing policy" every five years, which sets out how they intend to exercise their functions. The policy sets out a general approach to making licensing decisions. Each application will be considered on its own individual merits. The discretion of the licensing authority in relation to applications is only used if relevant representations are made
- 1.2 The Policy relates to all those licensing activities identified as falling within the provisions of the Act (Part 1 Section 1) namely:
- Retail sale of alcohol;
  - Supply of alcohol to club members;
  - The supply of hot food and/or drink from any premises between 11 p.m. and 5 a.m.;
  - Provision of "Regulated Entertainment" – to the public, to club members or with a view to profit. "Regulated Entertainment" is defined as:
    - A performance of a play
    - An exhibition of a film;
    - An indoor sporting event;
    - Boxing or wrestling entertainment;
    - A performance of live music;
    - Any playing of recorded music;
    - A performance of dance;
- 1.3 The Legislative Reform (Entertainment Licensing) Order 2014 and the Deregulation Act 2015 provide significant exemptions to some of the activities. These include licensed premises music exemptions.
- 1.4 The licensing authority has a duty under the Act to carry out its functions with a view to promoting the four licensing objectives, which are:
- Prevention of crime and disorder
  - Public safety
  - Prevention of public nuisance
  - Protection of children from harm
- 1.5 The Licensing Authority must also have regard to this Statement of Licensing Policy and any statutory guidance issued by the Secretary of State. That does not mean that it has to follow the policy and guidance slavishly. It can depart from it if, it has properly taken it into account, it has good reason to do so and where it is appropriate to do so to promote one or more of the licensing objectives.

- 1.6 In promoting the licensing objectives, the licensing authority has a number of key aims and purposes which should be principal aims for everyone involved in licensing work and are therefore integral to the Policy. They include:
1. Protecting the public and local residents from crime, anti-social behaviour and noise nuisance caused by irresponsible licensed premises;
  2. Giving the police, licensing officers and responsible authorities the powers they need to effectively manage and police the night-time economy and take action against those premises that are causing problems;
  3. Recognising the important role which licensed premises play in our local communities and economy by minimizing the regulatory burden on business, encouraging innovation and supporting responsible premises;
  4. Providing a regulatory framework for alcohol which reflects the needs of local communities and empowers local authorities to make and enforce decisions about the most appropriate licensing strategies for their local area; and
  5. Encouraging greater community involvement in licensing decisions and giving local residents the opportunity to have their say regarding licensing decisions that may impact upon them.

- 1.7 Whilst promotion of public health is not a specifically cited licensing objective as set out in the Act, we would seek to encourage and support where appropriate, any voluntary initiatives that premises may wish to adopt to help reduce alcohol harm within our communities.

## **Consultation**

- 1.8 In accordance with section 5 of the Act and prior to the publication of this Policy the licensing authority consulted with:

- Chief Officer of Police for the area (Hampshire Police)
- Hampshire Fire and Rescue Authority
- Persons/bodies representative of local holders of premises licences;
- Persons/bodies representative of local holders of club premises certificates;
- Persons/bodies representative of local holders of personal licences;

- 1.9 Policy will come into effect in April 2021 and remain in force for a period of five years. During this time the policy will be subject to regular review.

## **2. Profile**

- 2.1 Fareham is located in an area of some 30 square miles along the south coast of Hampshire between Portsmouth and Southampton. It is well connected to the M27 motorway, has good rail links to London and other major centres and easy access to the ferry ports and Southampton international airport.
- 2.2 The population of 112,800 is expected to grow by 5.4%, between 2021 and 2031, with a growing number in the population aged 45 or more. Black and minority ethnic groups make up a small proportion of the population in comparison to the rest of the south east region.
- 2.3 Within Fareham's boundaries there are 6 nationally important sites of special scientific interest, 92 sites of importance for nature conservation and 4 nature

reserves. The Borough has many historic buildings, 13 conservation areas, nearly 600 listed buildings plus 7 historic parks and gardens of regional or local importance.

- 2.4 Fareham is a thriving business area with low unemployment. Many of Fareham's businesses are of local origin with a high survival rate from start-up. The growth in jobs at Whiteley, Segensworth and the Solent Business Park has reduced the number of residents commuting to work elsewhere. The proportion of Fareham's working age population that are in work is higher than both the regional and national rates and the average annual salary for a full-time worker living in Fareham is significantly higher than national average earnings.
- 2.5 Fareham is a safe and healthy place compared to many other parts of the country. The total number of recorded crimes in Fareham has been falling in recent years. Based upon the number of crimes recorded, Fareham's Community Safety Partnership is in the top quartile when compared to other similar authorities.
- 2.6 The health of people living in Fareham is generally good when compared to other areas. Life expectancy is higher than the national average for men and women and over the last 10 years, the rate of death from all causes, and early death rates from cancer and from heart disease and stroke, have all fallen and remain lower than the national average.
- 2.7 Deprivation levels across the Borough are generally very low, but there are pockets of deprivation where unemployment is much higher and educational achievement is much lower when compared to other parts of the Borough.
- 2.8 The impact of harmful drinking and alcohol dependence is much greater for those in the lowest income bracket and those experiencing the highest levels of deprivation. The reasons for this are not fully understood. People on a low income do not tend to consume more alcohol than people from higher socio-economic groups. The increased risk is likely to relate to the effects of other issues affecting people in lower socio-economic groups (PHE (2016) Health Matters: harmful drinking and alcohol dependence. Available at <https://www.gov.uk/government/publications/health-matters-harmful-drinking-and-alcohol-dependence/health-matters-harmfuldrinking-and-alcohol-dependence>)
- 2.9 Development at Welborne, a new community to the north of Fareham, is planned to have its first occupancy at the end of 2021 / start of 2022, comprising around 6,000 homes, commercial buildings and community facilities.

### **3.0 The Impact of Alcohol on Fareham**

- 3.1 The priorities for Public Health England in Fareham include alcohol and related disease.
- 3.2 Public Health England state "Alcohol consumption is a contributing factor to hospital admissions and deaths from a diverse range of conditions. Alcohol misuse is estimated to cost the NHS about £3.5 billion per year and society as a whole £21 billion annually.

## **4. Licensing Process**

- 4.1 Applicants are strongly encouraged to seek advice at the earliest possible stage from the licensing authority and other responsible authorities before making an application.
- 4.2 Applicants will need to comply with the statutory requirements or risk their application being invalid.
- 4.3 The licensing authority will expect individual applicants to address the licensing objectives in their operating schedule/licence application (operating schedule was the term originally used referring to the volunteered conditions in an application), having regard to the type of premises (which includes a vessel i.e. ship or boat), the licensable activities to be provided, the operational procedures, the nature of the location and needs of the local community.
- 4.4 It is recommended that applicants obtain planning permission and building regulation approval along with all other necessary permissions and licences for the premises prior to an application being submitted.
- 4.5 When formulating their operating schedule/licence application applicants will be expected to make themselves aware of any relevant planning and transportation policies, tourism and cultural strategies or local crime prevention strategies and to have taken these into account where appropriate.
- 4.6 When determining applications, the licensing authority will have regard to any guidance issued by the Government. In particular, account will be taken of the need to encourage and promote live music, dancing and theatre for the wider cultural benefit of the community as a whole. If representations are made concerning the potential for limited disturbance in a particular neighbourhood, the licensing authority's consideration of those representations will be balanced against the wider benefits to the community.
- 4.7 When determining applications, the only conditions which should be imposed on a premises licence or club premises licence are those that are appropriate to promote one or more of the four licensing objectives. In particular, regard will be had to any local crime prevention strategies.

#### **Operating schedule/licence applications**

- 4.8 The operating schedule/licence application must form part of the completed application form for a premises licence. It should include information, which is necessary to enable a responsible authority or other person to assess whether and what steps have been taken or are proposed in order to promote the licensing objectives.
- 4.9 As and when appropriate the applicant should provide in the operating schedule/licence application such further relevant additional information/evidence where there is an apparent departure from the promotion of the licensing objectives.
- 4.10 It is strongly recommended that applicants and/or their legal advisors discuss with Council Licensing Officers and representatives of responsible authorities the draft

operating schedule/licence application before it is formally submitted. This will help ensure it properly addresses all relevant issues that might give rise for concern. This may avoid the necessity for a hearing if the application otherwise passes without representation.

### **Representations**

4.11 There is a prescribed period during which the licensing authority can receive a written representation to an application. This is usually 28 days from the date the licensing authority receives the application but varies depending on the type of application under consideration.

4.12 “Relevant representations” can include positive, supportive representations as well as objections.

### **Decision Making Process**

4.13 It will be the licensing authority’s policy to provide an efficient and cost-effective service to all parties involved in the licensing process. With the exception of the approval and review of this Policy, decisions on licensing matters will be taken in accordance with an approved scheme of delegation.

4.14 In accordance with Guidance the licensing authority has delegated licensing functions to sub-committees or in appropriate cases, to officials supporting the licensing authority as follows:

<b>Matter to be dealt with</b>	<b>Sub Committee / Panel</b>	<b>Officers</b>
Application for personal licence	If a police objection	If no objection made
Application for person licence with unspent convictions	All cases	
Application for premises licence/club premises certificate	If a relevant representation made	If no relevant representation made
Application for provisional statement	If a relevant representation made	If no relevant representation made
Application to vary premises licence/club premises certificate	If a relevant representation made	If no relevant representation made
Application to vary designated premises supervisor	If a police objection	All other cases
Request to be removed as designated premises supervisor		All cases
Application for transfer of premises licence	If a police objection	All other cases
Applications for interim authorities	If a police objection	All other cases
Application to review premises licence/club premises certificate	All cases	
Decision on whether a complaint is irrelevant frivolous vexatious etc.		All cases in consultation with the Chairman
Decision to object when local authority is a consultee and not the relevant authority		All cases

<b>Matter to be dealt with</b>	<b>Sub Committee / Panel</b>	<b>Officers</b>
considering the application		
Determination of a police objection to a temporary event notice		All cases
Determination of application to vary premises licence at a community premises to include alternative licence condition	If a police objection	All other cases
Decision whether to consult other responsible authorities on minor variation application		All cases
Determination of minor variation application		All cases

4.15 If no relevant representations are received then the authorisation will be issued automatically with, in the case of a premises licence or club premises certificate, such conditions attached as are mandatory or are consistent with the operating schedule/licence application accompanying the application. The licensing authority will have no conditions attached to the licence.

4.16 Where relevant representations are made and not withdrawn, the licensing authority must hold a hearing before the Licensing Panel (sub-committee) who will take such of the following steps as it considers appropriate for the promotion of the licensing objectives.

4.17 The steps are:

- grant the licence subject to the operating schedule/licence application modified to such extent as the Panel considers appropriate for the promotion of the licensing objectives, and subject to the relevant mandatory conditions;
- exclude from the scope of the licence any of the licensable activities to which the application relates;
- to refuse to specify a person in the licence as the premises supervisor;
- reject the application.

### **Applications for Large Events**

4.18 Events that the Council believe may require a co-ordinated approach to manage may be subject to a Safety Advisory Group (SAG) process. This will be at the discretion of the Council. Applicants will need to demonstrate to the members of the SAG they are supporting the licensing objectives.

4.19 An Event Management Plan needs to be submitted at least 6 months prior to the event to allow for the SAG process to be undertaken before any required licensing process.

### **Shops Selling Alcohol (Off Licences)**

- 4.20 In 2013 the British Beer and Pub Association estimated that twice as much alcohol is bought in off-licensed premises as from pubs or other licensed premises. This was after years of seeing a steady increase in the amount of alcohol sold in off licences. Pre-loading with alcohol before a night out is much more frequent. This change in habit has the potential to negatively impact on the licensing objectives with on-licensed premises most at risk of the consequences. There are additional increased potential risks such as easier access to alcohol by children (given that consumption is not monitored / regulated), theft, increased street drinking and an increase in crime and disorder.
- 4.21 To address theft and access by children to alcohol the layout of premises, CCTV, where alcohol will be displayed and what steps will be undertaken to support the licensing objectives will be considered.
- 4.22 Avoiding the sale of beers, lagers and ciders over 6.5% ABV which are sold in plastic bottles or metallic cans, (Note: this does not include premium, craft or specialist products as these are not a target for problem drinkers);
- 4.23 Taking steps to consider the display of alcohol in such a manner that will not unduly encourage people to drink irresponsibly and equally limit the exposure children have to alcohol advertising;
- 4.24 Refraining from placing alcohol products amongst, near or next to confectionary that would usually be consumed by children or young people (which would include till point toys or stickers).

### **Temporary Event Notices (TENS)**

- 4.22 The Licensing Act 2003 enables certain organised events for fewer than 500 people to take place following notification to the licensing authority, the Police and Environmental Health.
- 4.23 Guidance on giving Notice can be found in the Home Office Fact Sheet. [www.gov.uk/government/publications/temporary-events-notices-factsheet](http://www.gov.uk/government/publications/temporary-events-notices-factsheet).
- 4.24 Although the statutory legal minimum time required for the notification of a temporary event to the licensing authority, Police and Environmental Health is ten working days, or five working days for a late temporary event, it is essential that proper consideration of the proposed event is given. Statutory guidance allows the licensing authority to publicise its preferred timescale for notification.
- 4.25 Late temporary event notices must be received with five clear working days' notice. A Notice received on a Monday morning would already be too late for an event the following Saturday.
- 4.26 The licensing authority will encourage bona fide community events. Giving TENS for existing licensed premises will not be encouraged where the proposal is simply to regularly extend the existing hours of operation.
- 4.27 The licensing authority expects those who have given notice of a temporary event to have identified any particular issues having regard to their type of premises

and/or activities, and to have in place written policies for addressing issues such as drunkenness, crime/disorder and drugs on their premises and for ensuring staff are trained on these policies.

## **5. Management of Premises**

### **Designated Premises Supervisor**

- 5.1 Any premises where alcohol is sold under a premises licence must have a designated premises supervisor (DPS). The DPS will be named in the premises licence, a summary of which must be displayed on the premises. A DPS must be a personal licence holder. Every sale of alcohol must be made or authorised by a person who holds a personal licence (or must be made or authorised by the management committee in the case of community premises).
- 5.2 The Licensing Act 2003 does not require a DPS or any other personal licence holder to be present on the premises at all times when alcohol is sold. However, the DPS and the premises licence holder remain responsible for the premises at all times.
- 5.3 The licensing authority will normally expect the DPS to have been given the day-to-day responsibility for running the premises and as such it is expected that the DPS would usually be present at the licensed premises on a regular basis. The local Police Licensing Officer can advise what level of presence would be acceptable for any given premises.
- 5.4 The premises licence holder will be expected to ensure that the DPS has experience commensurate with the size, capacity, nature and style of the premises and licensable activities to be provided.
- 5.5 Within all licensed premises, whether or not alcohol is to be sold, the licensing authority will expect there to be proper management arrangements in place which will ensure that there is an appropriate number of responsible, trained/instructed persons at the premises to ensure the proper management of the premises and of the activities taking place, as well as adherence to all statutory duties and the terms and conditions of the premises licence.

### **Door Supervisors**

- 5.6 The premises licence holder and DPS should ensure that their premises do not increase the fear of crime as well as actual crime in their locality. To this end they should ensure, so far as is possible, that customers do not cause nuisance or disorder outside the premises and that measures to ensure the safety of customers and prevention of nuisance are in place. Door supervisors have an important role in managing customers, not only on the doors but also in the immediate area of premises.

### **Dispersal Policies**

- 5.7 The licensing authority accepts that licensed premises can have a diffuse impact. People can cause disturbance when returning to residential areas from later-opening premises elsewhere and people who use off-licences may locate to a

remote spot to drink. These problems may not be within the direct control of any particular licensed premises. However, premises licence holders are generally expected to take measures to encourage people to leave their premises quietly and considerately. The Licensing Authority would encourage premises to adopt a dispersal policy where appropriate.

### **Risk Assessment**

- 5.8 The licensing authority will expect that appropriate and satisfactory general and technical risk assessments, management procedures and documentation have been made available to the relevant responsible authorities and to the licensing authority, that demonstrate that the public will be safe within and in the vicinity of the premises.
- 5.9 At the time of drafting this policy the country was being affected by the COVID-19 Pandemic. In that Licensed premises are closed, and events cannot take place. Hopefully we will come to a point where some of those restrictions will be lifted, although it's expected that for a long time to come, people wishing to carry out licensable activities, will need to have a Covid-19 Risk Assessment in place. Any applications that are made whilst Coronavirus restrictions are in place will need to be accompanied by a COVID-19 Risk Assessment. Any Licences or permissions granted whilst there are still national or local restrictions on activities, do not take precedent over those restrictions.
- 5.10 As a minimum the following matters must be taken into consideration:
- Whether the premises already have a licence which specifies the maximum number of people that can be present and, whether a risk assessment has been undertaken as to the maximum number of people who can be present in various parts of the premises, so that they can be operated safely and can be evacuated safely in the event of an emergency.
  - Whether there are procedures in place to record and limit the number of people on the premises with opportunities for "pass outs" and readmission.
  - Whether patrons can arrive at and depart from the premises safely.
  - Whether there may be overcrowding in particular parts of the premises;
  - Whether music and dance venues and performance venues will use equipment or special effects that may affect public safety (e.g. moving equipment, vehicles, pyrotechnics, strobe lights, smoke machines).
  - Whether there are defined responsibilities and procedures for medical and other emergencies and for calling the emergency services.
  - COVID measures needed to ensure the activities are COVID Safe.

### **Promoters**

- 5.10 The premises licence holder, DPS and personal licence holders remain responsible for activities taking place on premises when promotions take place. In addition, the licensing authority will expect premises licence holders to have in place written agreements to ensure that when hiring out venues to promoters, the responsibility for the management of the premises is clear. The Promoter and its employees or agents shall comply in all respects with all conditions, requirements and regulations of the local authority, licensing authority, police authority and fire authority and have regard to good practice for licensed premises.

## **Takeaway Premises (Late Night Refreshment Houses)**

- 5.11 The Licensing Authority considers that it will normally be inappropriate to grant a premises licence permitting the sale of alcohol at premises which are principally used for selling hot food for consumption off the premises (“takeaway” premises).
- 5.12 It is recognised that takeaway premises open late at night can be associated with disorder as persons under the influence of alcohol having left, or in some cases being ejected from, late night venues congregate there. Applicants are recommended to have clear written policies for dealing with disorder and nuisance.
- 5.13 Operators of takeaway premises (including mobile units) must have suitable arrangements in place for the containment and disposal of their waste in accordance with the Environmental Protection Act 1990 and subsidiary regulations. Operators of premises where food or drink is provided in disposable containers for consumption elsewhere than on the premises are expected to consider the potential for litter near their premises and take steps to actively reduce the amount of litter generated from their premises. Applicants are also asked to consider the type of packaging container, whether it is always necessary and whether it can be sourced from sustainable materials.
- 5.14 Where the Licensing Authority considers it appropriate, it may impose conditions on a premises licence to require the operator of premises serving customers with hot food or drink to provide litter bins in the vicinity of the premises in order to prevent the accumulation of litter from its customers. It may require the proprietor to service those litter bins as part of their own waste management arrangements.

## **External Areas**

- 5.15 The introduction of the requirement for smoke free public places under the Health Act 2006 has led to an increase in the number of people outside licensed premises. The provision of tables and chairs outside premises can enhance the attractiveness of a venue, but regard should be had to the need to ensure that the use of such areas will not cause nuisance to the occupiers of other premises in the vicinity. In particular, those with authorisations are expected to manage persons smoking in the vicinity of premises so they do not impede access to the premises and do not cause disturbance. In addition, they are expected to provide secure ash trays or wall mounted cigarette bins for patrons so as to minimise litter.
- 5.16 Licensees should also be aware of the possibility of breakages of drinking glasses and glass bottles in outside areas. Consideration should therefore be given to the use of toughened or non-glass drinking vessels and other management controls to avoid or lessen the likelihood of broken glass in these areas
- 5.17 The licensing authority has a number of concerns with respect to the development of external areas to licensed premises, and will consider imposing conditions to improve the management of the outside area or prohibiting or restricting the use of these areas in order to promote the public nuisance objective.

## **Vehicles**

5.18 Under the Act, alcohol may not be sold on or from a moving vehicle and therefore any application for such will be refused. However, applications for Premises Licences will be considered for the sale of alcohol from parked or stationary vehicles relating solely to the place where the vehicle is parked and the sale of alcohol will take place.

### **6. Cumulative Impact/Special Saturation Policy**

- 6.1 The licensing authority will not take the “need” for an establishment into account when considering an application, as this is a matter for the market. The licensing authority however recognises that the cumulative impact of the number, type and density of licensed premises in a given area, may lead to serious problems of nuisance and disorder in the vicinity of the premises.
- 6.2 If representations are received from a responsible authority or other persons suggesting that an area has become saturated with licensed premises, such degree of concentration making it a focal point for large groups of people to gather in surrounding areas, possibly away from the premises themselves, the licensing authority will consider on an evidential basis if this impact has an adverse effect on the promotion of the licensing objectives in addition to that created by the individual premises.
- 6.3 In these circumstances, the licensing authority will assess whether the imposition of conditions can address these problems or if the adoption of a special policy of refusing applications for new Premises Licences or Club Premises Certificates is needed because the area is saturated with licensed premises and that granting of any more would undermine at least one of the licensing objectives.
- 6.4 When considering whether to adopt a special saturation policy the Licensing Authority will consider a range of issues including the following:
- Evidence of identification of concern about crime and disorder or public nuisance;
  - Where it can be demonstrated that nuisance and/or disorder is arising as a result of customers from licensed premises, identifying the area from which problems are arising and the boundaries of that area;
  - Following consultation and subject to that consultation, inclusion of a special policy about future Premises Licence or Club Premises Certificate applications from that area; and
  - Publication of the special policy.
- 6.5 If a special policy is adopted it creates a rebuttable presumption that licence and certificate applications or material variations will normally be refused if relevant representations are received. Accordingly applicants will need to address the special policy issues in their operating schedule/licence applications in seeking to rebut the presumption. Applicants would need to demonstrate that the operation of the premises involved would not add to the cumulative impact already being experienced.

- 6.6 If implemented, the licensing authority would regularly review any special saturation policies to see whether they have had the intended effect and are still required.
- 6.7 The licensing authority will not normally use special saturation policies solely;
- As grounds for removing a licence when representations are received about problems with existing licensed premises, or;
  - To refuse modifications to a licence, except where the modifications are directly relevant to the policy, for example where the application is for a significant increase in the capacity limits.
- 6.8 The licensing authority also recognises that, within this policy, it may be able to approve licences that are unlikely to add significantly to the saturation and will consider the circumstances of each individual application having regard to the licensing objectives.
- 6.9 The licensing authority, having regard to the evidence currently available, considers that at present there is no particular part of the district where a cumulative impact exists, leading to an adverse impact upon the fulfilment of the licensing objectives. However, the cumulative impact of licensed premises will be kept under review.
- 6.10 Other mechanisms, both within and outside the licensing regime that are available for controlling cumulative effect are:
- Planning controls;
  - Positive measures to create a safe and clean environment in partnership with local businesses, transport operators and other Local Authority services;
  - Application of the powers of the Council to designate parts of the area as places where alcohol may not be consumed publicly;
  - Police enforcement of the normal law concerning disorder and anti-social behaviour, including the issue of fixed penalty notices;
  - The prosecution of any holder of a Personal Licence or member of staff at such premises who is selling alcohol to people who are drunk;
  - The confiscation of alcohol from adults and children in designated areas;
  - Application of Police powers to close for up to 24 hours, any licensed premises or temporary event on the grounds of disorder, the likelihood of disorder, or excessive noise emanating from the premises; and
  - Application of Police powers, other Responsible Authorities, local residents or businesses to seek a formal review of a licence/certificate.

## **7. Children**

- 7.1 A child is anyone under the age of 18 years unless otherwise stated.
- 7.2 This statement of licensing policy does not seek to limit the access of children to any premises unless it is necessary for the prevention of physical, moral or psychological harm.

- 7.3 When considering applications for premises licences, the licensing authority will take into account the history of a particular premises and the nature of the activities proposed to be provided when considering any options appropriate to prevent harm to children. The relevant matters include premises:
- where there have been convictions for serving alcohol to minors or with a reputation for underage drinking;
  - with a known association with drug taking or dealing;
  - where there is a strong element of gambling on the premises;
  - where entertainment of an adult or sexual nature is commonly provided;
  - where the supply of alcohol is the exclusive or primary purpose of the service at the premises.
- in these circumstances, conditions may be attached to any licence to:
- limit the hours when children may be present;
  - restrict the age of persons on premises;
  - exclude children from all or part of the premises when certain activities may take place;
  - require an adult to accompany a child;
  - set out a requirement for the presence of adult staff according to a set adult/child ratio where children are attending regulated entertainment;
  - exclude people under 18 from the premises when any licensable activities are taking place.
- 7.4 Where no licensing restriction is considered necessary, however, it is at the discretion of the premises licence holder or club to decide whether or not to admit children; however the licensing authority strongly supports the use of Challenge 25 policies, the recording of all refusals and training on all age restricted activity.
- 7.5 Where premises give film exhibitions, licensees must ensure that children are prevented from viewing age-restricted films classified according to the British Board of Film Classification.
- 7.6 Except as in 5.3 above the authority will not impose conditions restricting the admission of children to any premises believing this should remain a matter of discretion of the licence holder. The licensing authority encourages family friendly policies. It will take strong measures to protect children where any licence holder is convicted of serving alcohol to children, where premises have or acquire a known association with drug taking or dealing, where gambling takes place on the premises or where entertainment of an adult or sexual nature is commonly provided. In such circumstances while it may sometimes be necessary to impose a complete ban on the admission of children this would be rarely imposed, it would be more likely to require conditions as referred to above.
- 7.7 Where a large number of children are likely to be present on any licensed premises, for example, a children's show or pantomime, then conditions will be imposed requiring the presence of an appropriate number of adult staff to ensure public safety and their protection from harm including control of access and egress and consideration may be given to include conditions concerning child/adult ratios

- 7.8 The licensing authority recognises the great variety of premises for which licences may be sought. These will include theatres, cinemas, restaurants, pubs, nightclubs, cafes, takeaways, community halls and schools. Access by children to all types of premises will not be limited in any way unless it is considered appropriate to do so in order to protect them from harm
- 7.9 In the case of premises which are used for film exhibitions conditions will be imposed restricting access only to those who meet the required age limit in line with any certificate granted by the British Board of Film Classification or, in a specific case where there are very good local reasons a certificate given to the film by the licensing authority itself.
- 7.10 Where no restriction or limitation is imposed the issue of access will remain a matter for the discretion of the individual licensee or club.
- 7.11 The wide range of premises that require licensing means that children can be expected to visit many of these, often on their own, for food and/or entertainment.
- 7.12 The Act details a number of offences designed to protect children in licensed premises and the licensing authority will work closely with the police and other appropriate agencies to ensure the appropriate enforcement of the law, especially relating to the sale and supply of alcohol to children.

## **8. Enforcement**

- 8.1 It is essential that premises are maintained and operated so as to ensure the continued promotion of the licensing objectives and compliance with the approved operating schedule/licence application, the specific requirements of the 2003 Act and any licence conditions imposed. The licensing authority, in partnership with the responsible authorities, will make arrangements to monitor premises.
- 8.2 The licensing authority will work closely with the Police, Trading Standards and the other responsible authorities, liaising on a regular basis to establish enforcement protocols and concordats to ensure an efficient deployment of resources engaged in enforcing licensing law and inspecting licensed premises, in order to ensure that resources are targeted at problem and high-risk premises.
- 8.3 The Act details a number of offences designed to protect children in licensed premises and the licensing authority will work closely with the police, Trading Standards and other appropriate agencies to ensure the appropriate enforcement of the law, especially relating to the sale and supply of alcohol and tobacco products to children.
- 8.4 The premises licence holder is responsible to ensure the four licensing objectives are upheld:
- Prevention of crime and disorder
  - Public Safety
  - Prevention of public nuisance
  - Protection of children from harm

8.5 Where there is evidence to suggest the licensing objectives are being undermined, enforcement action will be taken in accordance with the principles of better regulation and the Regulator's Compliance Code. The aim is to have well run premises operating in our borough. Problems at premises will be identified by the relevant authorities and the licence holder will have responsibility to resolve the problem. Failure to address or respond to problems or isolated serious failures will normally result in a review application.