

FAREHAM

BOROUGH COUNCIL

AGENDA FOR THE EXECUTIVE

Date: Monday, 7 February 2022

Time: 6.00 pm

Venue: Collingwood Room - Civic Offices

Executive Members:

Councillor S D T Woodward, Policy and Resources (Executive Leader)

Councillor T M Cartwright, MBE, Health and Public Protection (Deputy Executive Leader)

Councillor I Bastable, Streetscene

Councillor F Birkett, Housing

Councillor S D Martin, Planning and Development

Councillor Mrs S M Walker, Leisure and Community

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 10 January 2022.

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. Housing

Key Decision

(1) Extension of Void Property Works and Component Improvement Package Works Contract 2019/2022 (Pages 11 - 16)

A report by the Deputy Chief Executive Officer.

9. Health and Public Protection

Key Decision

(1) Renewal of Environmental Health Partnership Agreement (Pages 17 - 20)

A report by the Director of Leisure and Community.

10. Planning and Development

Key Decision

(1) Fareham Coastal Defence Study (Fareham Quay and Alton Grove to Cador Drive) (Pages 21 - 40)

A report by the Director of Planning and Regeneration.

11. Policy and Resources

Key Decision

- (1) **Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2022/23** (Pages 41 - 52)

A report by the Deputy Chief Executive Officer.

- (2) **Housing Revenue Account 2022/23** (Pages 53 - 64)

A report by the Deputy Chief Executive Officer.

Non-Key Decision

- (3) **Gambling - Review of Statement of Principles** (Pages 65 - 108)

A report by the Director of Leisure and Community.

- (4) **Treasury Management Strategy 2022/23** (Pages 109 - 130)

A report by the Deputy Chief Executive Officer.

- (5) **Capital Programme and Capital Strategy 2022/23** (Pages 131 - 152)

A report by the Deputy Chief Executive Officer.



P GRIMWOOD
Chief Executive Officer

www.fareham.gov.uk

27 January 2022

**For further information please contact:
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FAREHAM

BOROUGH COUNCIL

Minutes of the Executive

(to be confirmed at the next meeting)

Date: Monday, 10 January 2022

Venue: Council Chamber - Civic Offices

Present:

S D T Woodward, Policy and Resources (Executive Leader)

T M Cartwright, MBE, Health and Public Protection (Deputy Executive Leader)

I Bastable, Streetscene

F Birkett, Housing

S D Martin, Planning and Development

Mrs S M Walker, Leisure and Community

Also in attendance:



1. APOLOGIES FOR ABSENCE

There were no apologies for absence given for this meeting.

2. MINUTES

RESOLVED that the minutes of the meeting held on Monday 07 December 2021 be confirmed and signed as a correct record.

3. EXECUTIVE LEADER'S ANNOUNCEMENTS

The Executive Leader announced that the Council has received the proposed hearing timetable and guidance from the Inspector in relation to the Local Plan examination, alongside a series of 'matters and issues' questions which provide the Council and representors the opportunity to prepare written statements in advance of the hearing sessions. The Inspector, Helen Hockenfull, is proposing hearing sessions starting on 8th March and running into early April. At the moment, the proposal is that hearings take place virtually, although her guidance states that if COVID-19 restrictions change, it may be possible to hold the hearings face to face. The programme officer will shortly be writing to those who commented on the Publication Local Plan with a further invite to confirm attendance at the hearings and support for those who wish to produce written statements in advance. The Council's website is being kept up to date with examination information and the Planning Strategy team is on hand to support residents who may wish to engage with the examination.

4. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

5. PETITIONS

There were no petitions submitted at this meeting.

6. DEPUTATIONS

There were no deputations made at this meeting.

7. REFERENCES FROM OTHER COMMITTEES

There were no references from other Committees

8. HOUSING

(1) Fareham Borough Council Interim First Homes Policy

RESOLVED that the Executive:

- (a) approves the Fareham Borough Council Interim First Homes Policy, as provided at Appendix A to the report, for publication; and

- (b) grants the Deputy Chief Executive Officer delegated authority to undertake factual updates on the application process as and when further clarity is provided by the government.
- (2) Conversion works at 92 Gordon Road, 1 Arundel Drive and 1A Arundel Drive

RESOLVED that the Executive:

- (a) notes the updates relating to the acquisition of properties at Gordon Road and Arundel Drive, including the intended use and works to those properties. Also noting the potential for officers to seek some Homes England grant funding;
- (b) agrees the funding mechanism and costs associated with the works required at 92 Gordon Road; and
- (c) agrees that an appropriate lead contractor be appointed for the works at 92 Gordon Road. This appointment to be delegated to the Deputy Chief Executive Officer, following consultation with the Executive Member for Housing.

9. LEISURE AND COMMUNITY

- (1) The Queen's Platinum Jubilee Proposals

RESOLVED that the Executive agrees:

- (a) the formal naming of the public open space at Daedalus as 'Queen Elizabeth II Platinum Jubilee Park' in commemoration of The Queen's Platinum Jubilee;
- (b) a tree planting scheme to commemorate The Queen's Platinum Jubilee at Abbey Meadows, Titchfield;
- (c) permission for officers to formally approach English Heritage to request that a beacon lighting ceremony is hosted at Portchester Castle;
- (d) that the Council promotes the Big Jubilee Lunch; and
- (e) expenditure of £11,500 to fund the commemorative events and activities.

10. PLANNING AND DEVELOPMENT

- (1) Council Owned Trees - Ash Dieback Disease

RESOLVED that the Executive:

- (a) approves the annual inspection of the Council's ash trees;
- (b) agrees that £294,345 is allocated from the General Fund Reserves to cover the costs of the necessary tree works and felling resulting from Ash Dieback Disease;

- (c) notes that Officers will continue to monitor the actions taken by other authorities in respect of Ash Dieback and will continue to explore opportunities with other authorities to manage Ash Dieback, particularly where this would achieve notable cost savings; and
- (d) notes that a report for information will be presented to the Planning and Development Scrutiny Panel on an annual basis setting out the number of ash trees which required work/felling in the preceding 12 months and the cost of the associated inspections and works.

11. POLICY AND RESOURCES

- (1) Finance Strategy, Revenue Budget & Council Tax 2022/23

RESOLVED that the Executive:

Financial Forecasts (MTFS)

- (a) approves the Medium-Term Finance Strategy for the period 2021/22 to 2025/26, as set out at Appendix C to the report;
- (b) agrees to submit the updated Pay Policy, annexed to the Medium-Term Finance Strategy at Annex C, to Full Council for approval;

Revenue Budgets

- (c) approves the revised 2021/22 general fund revenue budget, amounting to £10,494,800, as set out in Appendices A and B to the report; and
- (d) approves the base 2022/23 general fund revenue budget amounting to £10,744,400, as set out in Appendices A and B to the report.

- (2) Fees and Charges 2022/23

RESOLVED that the Executive approves the fees and charges for 2022/23 as set out at Appendix A to the report.

- (3) Welborne Delivery - Disposal of Residential Property

RESOLVED that the Executive agrees to delegate authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Policy and Resources, to enter into an Option Agreement with Welborne Land Limited for the disposal of three residential properties at Welborne Garden Village.

- (4) Member IT Review

RESOLVED that the Executive approves:

- (a) the committee process becoming paperless in early 2022/23 following a programme of training and support for all Members; and
- (b) up to 31 new laptop devices be purchased at a cost of up to £30,225.

(The meeting started at 6.00 pm
and ended at 6.27 pm).

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Housing
Subject:	Extension of Void Property Works and Component Improvement Package Works Contract 2019-2022
Report of:	The Deputy Chief Executive Officer
Corporate Priorities:	Providing Housing Choices

Purpose:

This report considers the extension of the existing contract for Void Property Works and Component Improvement Package Works for the Council's building portfolio for a further two years.

Executive summary:

This report provides the Executive with information on of the existing contract with Mountjoy Ltd for Void Property Works and Component Improvement Package Works and its performance. Approval is sought to extend the existing contract for a further 2 years.

Recommendation/Recommended Option:

It is recommended that the Executive agrees that the existing contract with Mountjoy Ltd be extended for a further 2 years from its existing expiry date of 30 April 2022.

Reason:

To comply with the Council's statutory duty to its tenants and to maintain the Councils assets to a good standard.

Cost of proposals:

The annual projected cost for this extension for both void works and component improvement package works is £1.370 million and £1.466 million. The elements particular to the contract have been included in the Revenue Budget and Capital Programme for the Housing Revenue Account.

Appendices: None

Background papers: None

Reference Papers:

Report to the Executive 7 February 2022 – Housing Revenue Account 2022/23

Report to the Executive 4 February 2019 – Award of Tender - Void Property Works and Component Improvement Package Works Contract 2019-2022

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Extension of Void Property Works and Component Improvement Package Works Contract 2019-2022
Briefing by:	The Deputy Chief Executive Officer
Portfolio:	Housing

INTRODUCTION

1. On the 4 February 2019 the Executive awarded a contract to Mountjoy Ltd to undertake void property repair and improvement works; and component improvement package works to occupied dwellings across the borough to the Council's building portfolio for a period for 3 years with a proviso to extend for a further 2 years.
2. The option to extend the contract for a further 2 years was subject to satisfactory performance by the contractor.

CONTRACTOR PERFORMANCE

3. The contract offers a number of Key Performance Indicators designed to monitor the contractor performance in a number of key areas.
4. The primary indicator of performance for this contract and contractor is the number of void properties being handed back on time following the maintenance and improvement works. Our percentage is currently 100%.
5. Customer satisfaction is monitored by Mountjoy and detailed information is presented to the Council at progress meetings. The most recent results demonstrate that 100% of customers were satisfied with the service provided.
6. All invoices are checked for validity and quality. In the last 12 months the variance between applications for payment and agreement payment is at an acceptable level. Large variances are generally due to interpretation of the schedule of rate description which can be ambiguous. Additional schedule of rate items have been introduced over the term of the contract to reduce time spent on agreeing final accounts for both Council officers and Mountjoy's accounts department.
7. A percentage of all work completed on this contract is reviewed by Council surveyors and the level of issues identified is very low. The work is considered to be of a high standard in respect of materials and workmanship. Mountjoy also conduct Quality Checks on 100% of all voids, kitchens, bathrooms, and disabled adaptations. They

conduct checks on 10% on any reactive works. These checks are carried out to make sure all Mountjoy staff are complying with the high standards they set, as well as ensuring all the tenants' requirements have been met.

8. Complaints are recorded and investigated. In the last 12 months there have been no formal complaints recorded from the hundreds of dwellings served on this contract per annum. This results in a compliance level of 100%.
9. There have been no recorded incidents of health and safety events in the last 12 months on the existing contract. Mountjoy also conduct Health and Safety Audits on their operatives to ensure they are conducting the work in a safe and professional manner. Quality Checks has a compliance level of 100%.
10. The contractor's performance against the contractual requirements is demonstrated as being more than satisfactory therefore supporting the recommendations of this report. The contractor's performance would continue to be monitored in the same manner should the contract be extended as recommended.
11. Contract monitoring is undertaken by way of monthly progress meetings and 6 monthly strategic reviews.
12. At the monthly meetings the Council receive Mountjoy's operational report for information and scrutiny. This report provides information on operations, finance, performance and Health & Safety.
13. The strategic reviews focus on higher level matters including delivery and demand, financial projection, improvements, environmental strategy etc. These are attended by Mountjoy Directors and the Council's Head of Service. The appointed tenant representative will be invited to join this meeting following Covid restrictions being reduced.

SOCIAL VALUE

14. In October 2021 Mountjoy carried out re-decoration and some general fabric repairs to improve the hair salon facilities for Fareham Housing at Crofton Court sheltered accommodation as part of their Social Value commitment, investing & supporting the local community. All Mountjoy staff have one paid volunteering day per year and they regularly carry out community projects to support the local area. This was very much appreciated by the residents at Crofton Court.
15. Mountjoy have a good apprenticeship scheme across all roles within the company to help the succession plan.
16. Mountjoy have a work experience scheme offered to those locally in education, or who are unemployed or returning to work. Typically, these are in 1-week blocks, with targeted engagement campaigns used to promote opportunities.

FINANCIAL IMPLICATIONS

17. These works would be funded from the existing Housing Revenue Account revenue and capital budgets for Council Housing properties.
18. The total projected cost for this work over the extended two-year term will be £2.836 million.

Housing Programme	2022/23	2023/24
Improvements to Existing Stock	£1,370,000	£1,466,000
Improvements	400,000	428,000
Voids (capital and revenue)	870,000	931,000
Adaptation	100,000	107,000

19. The contract contains a formula for an annual increase in cost of the works. The contractor has agreed that this will continue to be the basis for future annual increases.
20. The market in this sector is demonstrating that building maintenance costs are increasing due to a myriad of reasons; examples of this being post -Covid demand for building contractors and tradespersons, building material costs, Brexit, etc.
21. Desktop soft market testing by comparing framework contractors' costs against tendered rates secured under this contract for similar work. This supported the recommendation of this report continues to offer value for money to the Council.

CONCLUSION

22. The Council has a statutory duty to provide decent housing for its tenants and to maintain the building portfolio assets.
23. Based on the contractor performance information detailed above, Mountjoy Ltd is considered as performing to a good standard and will continue to provide value for money to the Council.
24. Mountjoy Ltd has confirmed they will accept an extension of the contract for a further 2 years based on the existing terms of the contract.
25. In order to discharge the Council's duty, it is recommended that the existing contract with Mountjoy Ltd is extended by 2 years from its existing expiry date 30 April 2022.

Enquiries:

For further information on this report please contact Shaun Barnett. (Ext 4825)

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Health and Public Protection
Subject:	Renewal of Environmental Health Partnership Agreement
Report of:	Director of Leisure and Community
Corporate Priorities:	Protect and enhance the environment

Purpose:

That the Executive delegates authority to the Chief Executive Officer to renew the Environmental Health Partnership Agreement with Gosport Borough Council on an open-ended basis with appropriate clauses to allow for future reviews and/or termination.

Executive summary:

The latest agreement between the two Councils in respect of the Environmental Health Partnership was for a period of 5 years from 01 April 2014 until 31 March 2019. Prior to the pandemic, work was underway to renew the agreement, however progress has been hampered over the last couple of years or so. The current Partnership Agreement has technically expired and a new one needs to be put into place for the legal and financial security of both Councils.

Recommendation/Recommended Option:

It is recommended that the Executive agrees to delegate authority to the Chief Executive Officer to renew the Environmental Health Partnership Agreement with Gosport Borough Council on an open-ended basis with appropriate clauses to allow for future reviews and/or termination.

Reason:

The Environmental Health Partnership is continuing to offer good value for money, resilience and a good quality Service to Fareham Borough Council. The Agreement, which underpins it, has expired and it would be prudent to see a new partnership agreement put into place as detailed above.

Cost of proposals:

The cost of this proposal can be met from within existing budgets.

Appendices: None

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Renewal of Environmental Health Partnership Agreement
Briefing by:	Director of Leisure and Community
Portfolio:	Health and Public Protection

INTRODUCTION

1. In 2009 there was a national drive towards sharing services between public authorities, mainly driven by efficiency and transformation agendas. At that time the Council started to explore any opportunities that may exist, following the establishment of the very successful Building Control Partnership that was formed some years earlier initially with Gosport Borough Council. It was recognised at that time that there may be an opportunity to share a single Environmental Health Service particularly as most of the management team within Environmental Health at Gosport Borough Council were nearing retirement age.
2. Due to the complex nature of setting up any such arrangement, it was agreed between the two Councils in late 2009 to share a joint Head of Environmental Health from 1st January 2010 and that officers would undertake further work to investigate the development and delivery of environmental health services through joint working on a fully shared basis.

FORMAL PARTNERSHIP ARRANGEMENTS

3. At the beginning of 2011 a Memorandum of Understanding was agreed by the two Councils to formalise the sharing of a Head of Environmental Health. This initial arrangement was set out on a three-year term, with each Council meeting half the cost of the Head of Environmental Health.
4. The partnership worked well from the outset, delivering savings to both Councils and also enabling greater efficiency and resilience in their Service provision.
5. On 1st April 2014 the former Gosport employees were transferred to Fareham for employment purposes (TUPE) and an initial 5-year agreement between the two Authorities was put into place.
6. The latest agreement between the two Councils in respect of the partnership was for a period of 5 years from 1 April 2014 until 31 March 2019. Prior to the pandemic, work was underway to renew the agreement, however progress has been hampered over the

last couple of years or so. It is now proposed to make the agreement open ended, albeit subject to clauses that would enable termination of the arrangement if it no longer suited both Councils.

7. There is a Partnership Panel which oversees the operation of the Partnership, which is represented by Officers and elected members from each Council. The Panel is satisfied that the partnership continues to offer the benefits already detailed above and recommend that the Partnership agreement is now renewed on an open-ended basis, subject to the protection of both Councils detailed above.
8. Gosport Borough Council are also reviewing these arrangements and seeking approval of the new agreement from the relevant Board at the end of January.

CONCLUSION

9. The current Partnership Agreement has technically expired and a new one needs to be put into place for the legal and financial security of both Councils.
10. The Environmental Health Partnership is continuing to offer good value for money resilience and a good quality Service to Fareham Borough Council. The Agreement which underpins it has expired and it would be prudent to see a new partnership agreement put into place as detailed above.

Enquiries:

For further information on this report please contact Lindsey Ansell (Ext 4567)

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Planning and Development
Subject:	Fareham Coastal Defence Study (Fareham Quay and Alton Grove to Cador Drive)
Report of:	Director of Planning and Regeneration
Corporate Priorities:	Protect and enhance the environment

Purpose:

To seek approval to undertake a coastal defence study to develop Flood and Coastal Erosion Risk Management (FCERM) scheme options for the Fareham Quay and Alton Grove to Cador Drive frontages, to reduce flood and erosion risk alongside the impacts of those risks on historic coastal landfill.

The project will also provide an opportunity to investigate additional broader outcome opportunities important to Fareham Borough Council (FBC) and the wider Fareham community relating not only to the environment, but also to the improvement of the public realm, regeneration, enhancement of amenities, improvement of recreation opportunities, access and community health and wellbeing.

Executive summary:

Fareham Quay is situated at the end of Fareham Creek in the north corner of Portsmouth Harbour (Appendix A), the frontage is tidally dominated, relatively sheltered and subject to wind driven waves.

Located within three kilometres of Fareham Quay, the Alton Grove to Cador Drive frontage, north of Portsmouth Harbour near Portchester (Appendix A), is fronted by a shallow intertidal foreshore. Given the exposure to the prevailing south and south westerly winds, the frontage is susceptible to wave overtopping when strong winds combine with high tidal conditions. Both coastal frontages and existing defences are owned and maintained by FBC and are now reaching the end of their serviceable life.

Across both frontages, a significant number of properties are at risk of an extreme tidal flood event during the next 100 years. Further to this, both coastal frontages are identified as historic coastal landfill sites. Continued erosion of defences in these locations could also risk exposing further landfill and potentially pollute the environmentally important Portsmouth Harbour.

The aim is to undertake a combined FCERM coastal defence study for the Fareham Quay and Alton Grove to Cador Drive frontages. The Study will assess and develop longer-term coastal management options, reducing flood and erosion risk and

addressing historic landfill issues, as recommended in the River Hamble to Portchester Strategy (RHPS) (2016) and the North Solent Shoreline Management Plan (2010).

The study will also put forward a proposal and outline design to try and secure further funding for detailed designs and to implement and construct the preferred option.

Recommendation/Recommended Option:

It is recommended that the Executive:

- (a) approves commencement of the Fareham Coastal Defence Study; and
- (b) agrees that the Director of Planning and Regeneration is given delegated authority to procure and deliver the works, subject to the award of contract being made through an Individual Decision of the Executive Member for Planning and Development.

Reason:

If no coastal defences were in place, 49 properties across both areas are at tidal flood risk from a 1/100-year extreme tidal event today, substantially increasing to a total of 400 properties at risk during the same event in 100 years (Appendix B).

Further to this, both sites are former landfill sites, with historical operation of landfill activities from as early as 1932. The RHPS, identified the Fareham Quay frontage as a 'medium risk' landfill site. The area is currently defended by a poor condition block wall which has several recent failures requiring remediation. The Alton Grove to Cadour Drive frontage has been identified as a 'high-risk' site as most of the area is undefended and subject to erosion with areas of poor condition concrete sandbag walls. Continued erosion of defences in these locations could also risk exposing further landfill and potentially pollute the environmentally important Portsmouth Harbour.

Due to the apparent risks at both these sites and following adoption of the RHPS, both Fareham Quay and Alton Grove to Cadour Drive were identified as priority sites to progress coastal flood and erosion risk management schemes.

Sea defence damage and failures present an on-going and increasing risk to public safety. Since 2012, various maintenance activities have taken place at both sites. If no future planned maintenance is undertaken, sections of the frontage at both sites will continue to fail, as recently seen during Storm Barra (7th December 2021) at Salterns recreation ground.

The Fareham Coastal Defence Study and associated schemes are included in the Environment Agency's Capital Investment Programme, although it is likely that limited grants will be available for the delivery of the schemes. Funding for the study was approved by the Southern Regional Flood and Coastal Committee (SRFCC) in December 2020 along with funding from FBC.

Cost of proposals:

£487,500 (incl. 30% contingency) of funding has already been secured for this study, £457,500 from SRFCC and £30,000 from existing coastal budgets at FBC.

A more detailed breakdown of the budget, costs and spending profile is identified in confidential Appendix C.

Appendices:

A: Study Location Plan

B: Flood and Erosion Risk

C: Confidential - Estimated costs of proposals

D: High level timeline

Background papers: None.

Reference papers:

North Solent SMP: Minutes of Executive meeting 08/11/2010

River Hamble to Portchester Coastal Flood Risk &

Management Strategy proposed for Adoption: Minutes of Executive Meeting 20/04/2015

SCOPAC Contaminated Landfills Study Report:

<https://southerncoastalgroup-scopac.org.uk/scopac-research/scopac-landfills-study/>

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Fareham Coastal Defence Study (Fareham Quay and Alton Grove to Cador Drive)
Briefing by:	Director of Planning and Regeneration
Portfolio:	Planning and Development

INTRODUCTION

1. Fareham Borough Council's (FBC) coastal team, Coastal Partners, propose to undertake a coastal defence study to develop Flood and Coastal Erosion Risk Management (FCERM) scheme options for the Fareham Quay and Alton Grove to Cador Drive frontages, to reduce flood and erosion risk alongside the impacts of those risks on historic coastal landfill.
2. The project will appraise and develop preferred options for coastal management and prepare an outline design for the preferred scheme option for each location. The study will put forward a proposal to try and secure further funding for detailed designs and to implement and construct the preferred option.
3. The project will also provide an opportunity to investigate additional broader outcomes important to FBC and the wider community, not just in relation to the environment, but also to improve the public realm, regeneration, enhance amenities, improve recreation opportunities, access and community health and wellbeing.
4. The study will carry out a number of tasks; reviewing the background data, carrying out surveys and investigations, coastal process review, option appraisal, environmental screening and scoping, stakeholder engagement, broader outcomes and identify beneficiaries / contributors to fund the detailed design and construction phase.

LOCATION

5. Both sites are located in the north of Portsmouth Harbour within 3km of each other (Appendix A), with a number of properties close to the foreshore and recreational grounds.

BACKGROUND

6. Fareham Quay is situated at the end of Fareham Creek in the north corner of Portsmouth Harbour (Appendix A), the frontage is tidally dominated, relatively sheltered and subject to wind driven waves.

7. Present day at Fareham Quay, with no defences in place, there are 29 properties at risk of flooding (1/100-year event). In 100 years' time (2115), with sea level rise, this increases to 163 properties at risk of flooding under the same conditions, with a further 5 properties at risk of erosion (Appendix B).
8. The majority of the scheme area is located over a former landfill site which lies immediately behind the seawall. Landfill activities have been identified from historical operations on the site from as early as 1932. The frontage was identified as a 'medium risk' landfill site as part of the RHPS Strategy. This area is currently defended by a poor condition masonry block wall. The current defences prevent erosion of the site at present, however as the area is within the tidal flood zone, it is unclear without further investigation whether leaching of landfill occurs through the wall during periods of tidal inundation, and what the chemical constituents of this leachate would be.
9. Located within three kilometres from Fareham Quay, Alton Grove to Cador Drive, North of Portsmouth Harbour near Portchester (Appendix A), is fronted by shallow intertidal foreshore. Given the exposure to the prevailing south and south westerly winds, the frontage is susceptible to wave overtopping when strong winds combine with high tidal conditions.
10. Harbour View Road Recreation Ground is defended partly by a section of poor condition sea wall, with the remaining frontages undefended. Landfill activities have again been identified from historical operations on the site again from as early as 1932. The frontage was identified as a 'high-risk' landfill site as part of the RHPS. Most of this area is undefended and is subject to erosion. There is also a section of poor condition concrete sandbag wall, presenting a risk of tidal flooding.
11. Present day at Alton Grove to Cador Drive, with no defences in place, there are 20 properties at risk of flooding (1/100-year event). In 100 years' time (2115), with sea level rise, this increases to 237 properties at risk of flooding from the same event, with a further 1 property at risk of erosion (Appendix B).
12. Across both frontages, a significant number of properties (400) are at risk of an extreme tidal flood event during the next 100 years. Further to this, both coastal frontages are identified as historic coastal landfill sites. Continued erosion of defences in these locations could also risk exposing further landfill and potentially pollute the environmentally important Portsmouth Harbour.
13. Sea defence damage and failures present an on-going and increasing risk to public safety. At both sites, sections of the sea wall are in a very poor condition. Continued deterioration of the existing defences threatens to expose the landfill behind and places both sites at increasing risk of flooding and erosion, which may result in the unknown contents of the landfill spilling out into the internationally environmentally designated Portsmouth Harbour. Both coastal frontages and existing defences are owned and maintained by FBC and are now reaching the end of their serviceable life. Given the present poor condition of the coastal defences, ad-hoc maintenance would be insufficient to mitigate health and safety risks associated with potential localised structure failure.
14. The 2017 SCOPAC Coastal Landfill Study, funded by SRFCC levy, identified both areas as key sites to protect from flooding and erosion given the level of risk posed by former landfill in these locations. Alternative options such as landfill remediation or removal were shown to be unaffordable.

15. The Fareham Coastal Defence Study will provide a case study to further develop the understanding regarding protecting coastal landfill sites in the Solent region. Through the SRFCC, the outcomes of this study will be used to inform future coastal landfill projects both locally, regionally and nationally, sharing learning on the challenges and opportunities of appraising and designing options where coastal landfill exists. It will also provide evidence for the need for further investment for the national challenge of protecting legacy landfill at the coast.

LINKS TO STRATEGIES

16. The study falls within two policy units in the North Solent Shoreline Management Plan, adopted by FBC in 2010 and approved by the Environment Agency in 2011.
17. Fareham Quay lies within policy unit 5a23 (A27-Fleetlands) of the North Solent Shoreline Management Plan (SMP2). The management policy for this unit is to "Hold the Line". The site also sits within Strategic Management Zone 2 (SMZ2) of the RHPS, adopted by FBC and approved by the Environment Agency in 2015. The Strategy makes recommendations to sustain a minimum 1:100-year (1% annual chance) Standard of Protection against flooding through phased implementation of new defences.
18. Alton Grove to Cador Drive lies within policy unit 5a21 (Farlington Marshes to Cador Drive) of the North Solent Shoreline Management Plan (SMP2). The management policy for this unit is to "Hold the Line". The site also sits within Strategic Management Zone 1 (SMZ1) of the RHPS. The Strategy makes recommendations to maximise the life of existing defences then sustain a minimum 1:100-year (1% annual chance) standard of protection from 2030 (phased) in addition to protecting or remediating currently eroding former landfill sites.
19. Following completion and adoption of the RHPS, both Fareham Quay and Alton Grove to Cador Drive were identified as priority sites to progress schemes development. As such, a modest sum of funding was secured from FCRM Grant in Aid to develop additional evidence at each location, with the aim to further understand the sites and help progress future appraisal work. The outputs of that work will support this study.
20. The sites were also identified as key priorities for the Borough during a Coastal Management Member Briefing workshop held on 20th January 2016.
21. The proposed study falls under the Fareham Borough Council Corporate Strategy 2017-2023. Specifically, the Corporate Objective to: Protect and Enhance the Environment.

LEGAL IMPLICATIONS

22. The land at both sites is predominately owned and maintained by Fareham Borough Council, with small stretches of frontage owned privately north of Salterns Quay recreation ground.
23. As landowner, Fareham Borough Council is responsible for flood and erosion protection, together with the management of the coastal landfill sites.
24. Any future defence works following this study will be undertaken under the Land Drainage Act 1991, or Coast Protection Act 1949, where Fareham Borough Council has permissive powers to carry out coast protection work, providing certain conditions specified within the Acts are met.

ENVIRONMENTAL IMPLICATIONS

25. The local area has inter-tidal habitats which have international (Portsmouth Harbour Special Protection Area (SPA) and Ramsar), and national (Portsmouth Harbour Site of Special Scientific Interest (SSSI)) designations of nature conservation importance. These designations cover habitats, plants, invertebrates and birds. Both sites are located nearby or within these sites which are designated in part for their importance for over-wintering birds.
26. As previously mentioned, both sites are located over a former landfill site, with historical operation of landfill activities from as early as 1932. Through the RHPS, the Fareham Quay frontage was identified as a 'medium risk' landfill site. The area is currently defended by a poor condition block wall. Along the frontage at Alton Grove to Cadour Drive, this has been identified as 'high-risk'. Most of the area is undefended and subject to erosion with areas of poor condition concrete sandbag wall.
27. Potential impacts on the site shall be assessed so that the impacts of the scheme do not adversely affect the natural environment. This will be assessed through the study and normal consenting process in consultation with the relevant environmental bodies.

FINANCIAL IMPLICATIONS

28. £487,500 (incl. 30% risk contingency) of funding was secured for this study. £457,500 of which was secured from the SRFCC in March 2021 allocated over a two-year period (2022/23,2023/24). This funding will be used alongside the £30,000 of funding contributed from existing FBC coastal budgets.
29. If risk is not realised, then there is an opportunity to reinvest this back into the project, to maximise value for money.
30. The secured funding is for this study only. There will be a further gateway / decision point for the council prior to the next stage (detailed design and construction) taking place, subject to securing funding.
31. Although Fareham Quay & Alton Grove to Cadour Drive are not directly adjacent locations, they are located very close together (3km), consequently there are significant efficiencies in delivering as one project, estimated as ~£162k.
32. At present, both schemes sit within the Environment Agency's capital investment programme. However, under current Defra rules, these future schemes are unlikely to be fully funded by Government.
33. Coastal Partners have been pioneering a more open approach since it formed in 2012 by truly working with others to facilitate place shaping and place making through the delivery of its projects.
34. When delivering our projects, we identify additional objectives shared with our partners rather than just constructing flood defences. This in turn enables opportunities to secure additional funding and enhancements to the projects being delivered. As part of this study, broader outcomes and additional funding will be investigated in order to deliver as wide a range of objectives as possible which not only delivers important flood and erosion protection but also looks to improve the area for the community in terms of amenity, recreation, access, heritage and community health and well-being.

PARTNER ENGAGEMENT

35. A Project Board will be set up to agree key project decisions and will comprise representatives from FBC, the Environment Agency, the study consultant (when appointed) and with additional support from FBC legal and financial assurance officers. The Project Board is accountable for the success of the project and will provide overall guidance and direction.
36. A steering group will be set up with a number of key partners and interested parties along this frontage including FBC officers, the Environment Agency, Natural England and Historic England.
37. A Stakeholder Engagement Plan is being developed as a live document that outlines a framework for engagement with project partners and interested parties throughout the development of the study.
38. A mapping exercise will take place in the spring this year with the Coastal Partners project team, FBC officers, and the Environment Agency, to identify potential partners and interested parties and gauge their level of interest in and support of the project to help plan engagement going forwards.
39. Early engagement with statutory consultees and key interested parties will be vital for the success of the project and targeted stakeholder engagement activities will also be key.
40. The Coastal Partners project team will integrate and collaborate with the FBC communications team throughout delivery of the study. Members will be kept up to date through papers and briefings as required.

PROCUREMENT

41. A Procurement Strategy to procure professional services for the study is in the process of being prepared, and it is recommended that the Director of Planning and Regeneration be given delegated authority to procure and deliver the works, subject to the award of contract being made through an Individual Decision of the Executive Member for Planning and Development.
42. Professional services, required for the execution of this project, shall be procured and managed through the **Southern Coastal Group: Coastal, Flood and Infrastructure Professional Services Framework - 2022-2026**.

PROJECT TIMELINE

43. Following procurement of consultant support, the study is due to start in July 2022 and run for approximately 18 months until December 2023.
44. The current high-level project timeline is included in Appendix D.

CONCLUSIONS

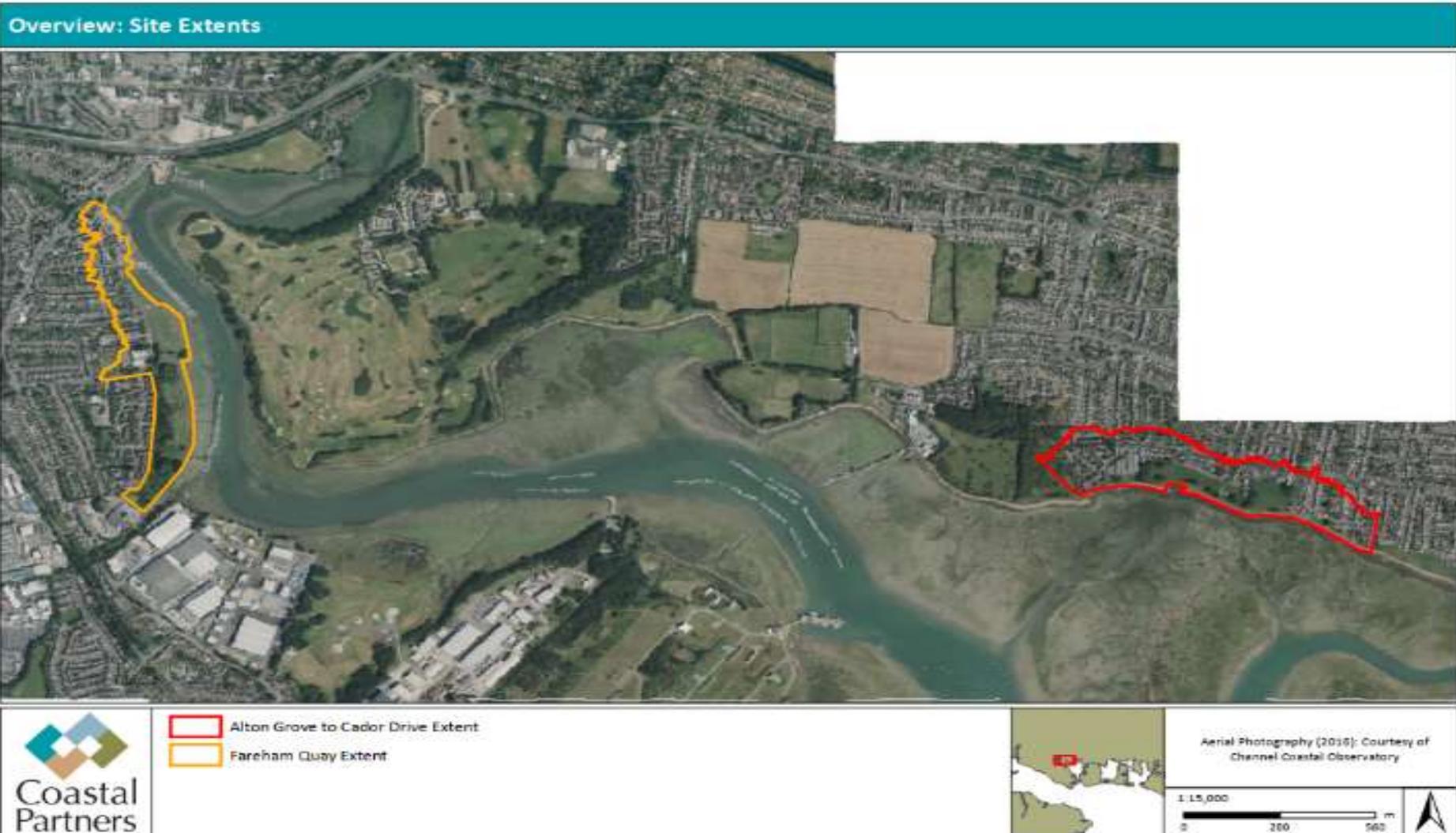
45. The approval of the commencement of the Fareham Coastal Management Studies by the Executive will allow the funded study to identify options for flood and erosion protection which are required to protect life, property and former coastal landfill sites.

46. The project will also provide an opportunity to investigate additional broader outcomes important to FBC and the wider community, not just in relation to the environment, but also to enhance amenity, improve access and community health and wellbeing.

Enquiries:

For further information on this report please contact Adam Sennitt, Project Manager, Coastal Partners (adam.sennitt@havant.gov.uk).

Fareham Coastal Defence Study (Fareham Quay and Alton Grove to Cador Drive) – study location plan



Fareham Coastal Management Study – Tidal Flood and Erosion Risk

Fareham Quay

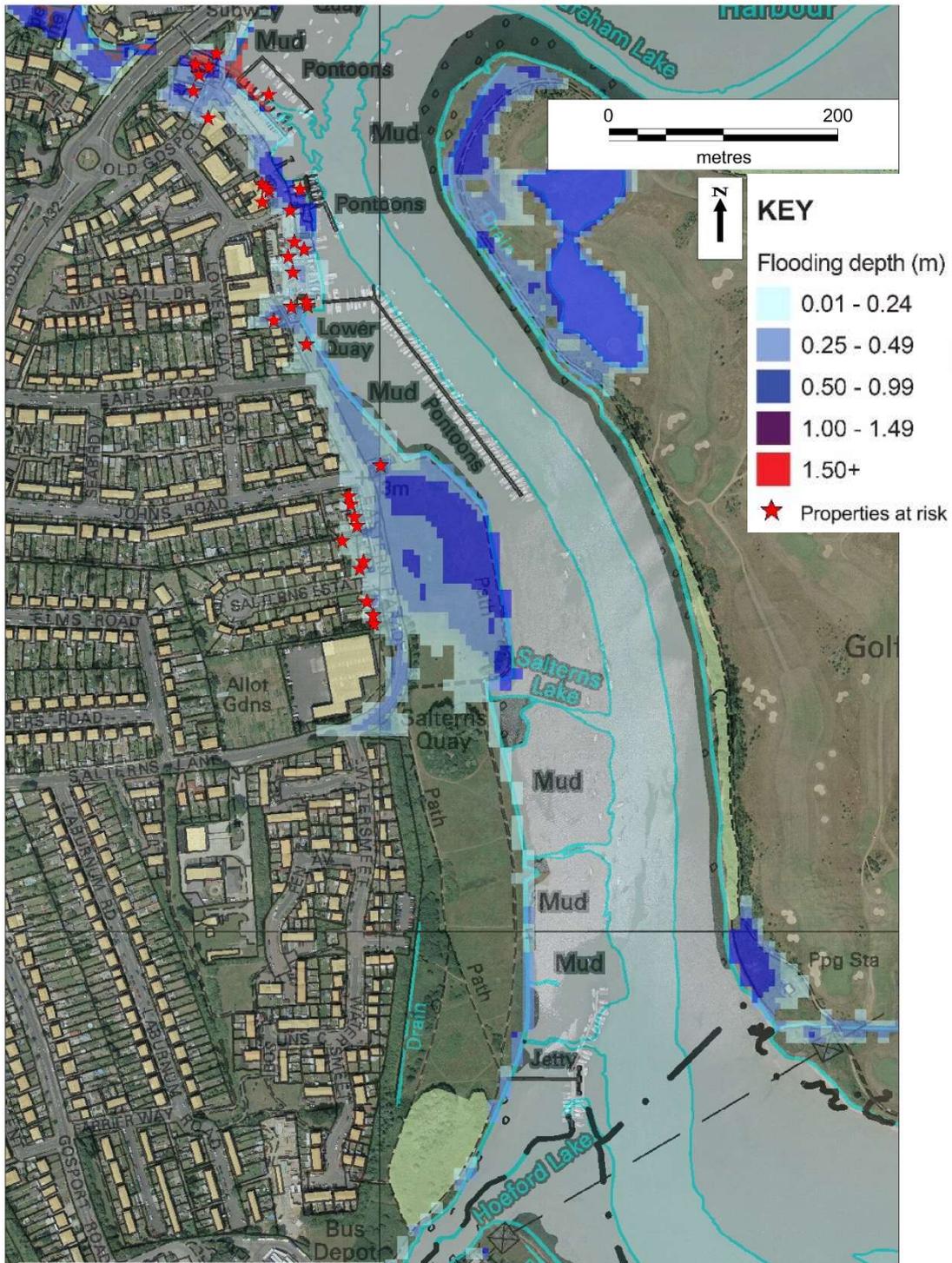


Figure 1: Modelled flood extent, depth and properties at risk during a 1 in 100 year event in 2015 (present day)

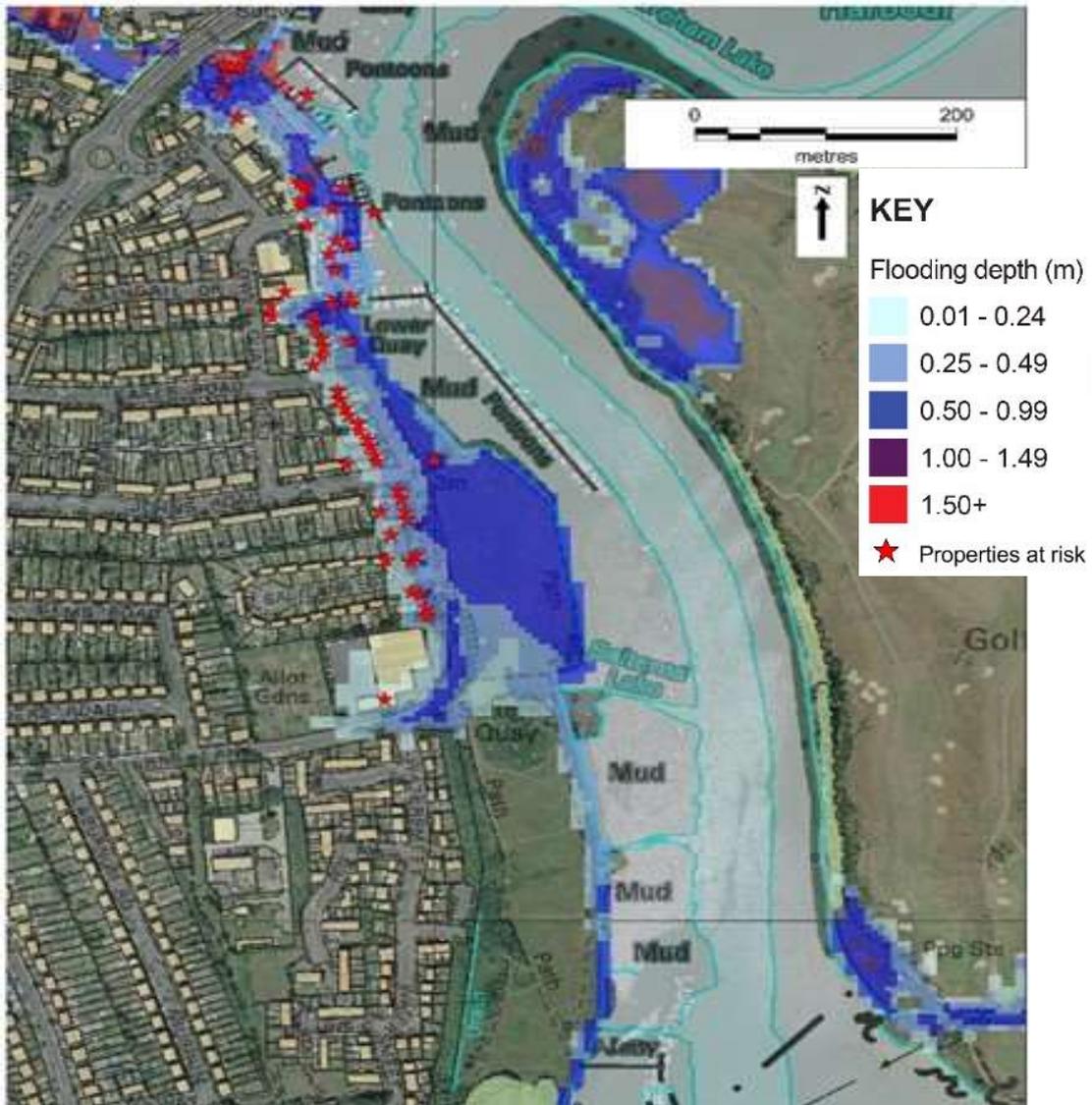


Figure 2: Modelled flood extent, depth and properties at risk during a 1in100 year event in 2060

Year	Number of properties at risk from a 1:100 year flood event	Number of properties at risk from erosion	Total
2015	29		29
2060	51	5	56
2115	163	5	168

Table 1: Number of properties at flood and erosion risk, Fareham Quay

Alton Grove to Cador Drive



Figure 3: Modelled flood extent, depth and properties at risk during a 1 in 100 year event in 2015



Figure 4: Modelled flood extent, depth and properties at risk during a 1 in 100 year event in 2060

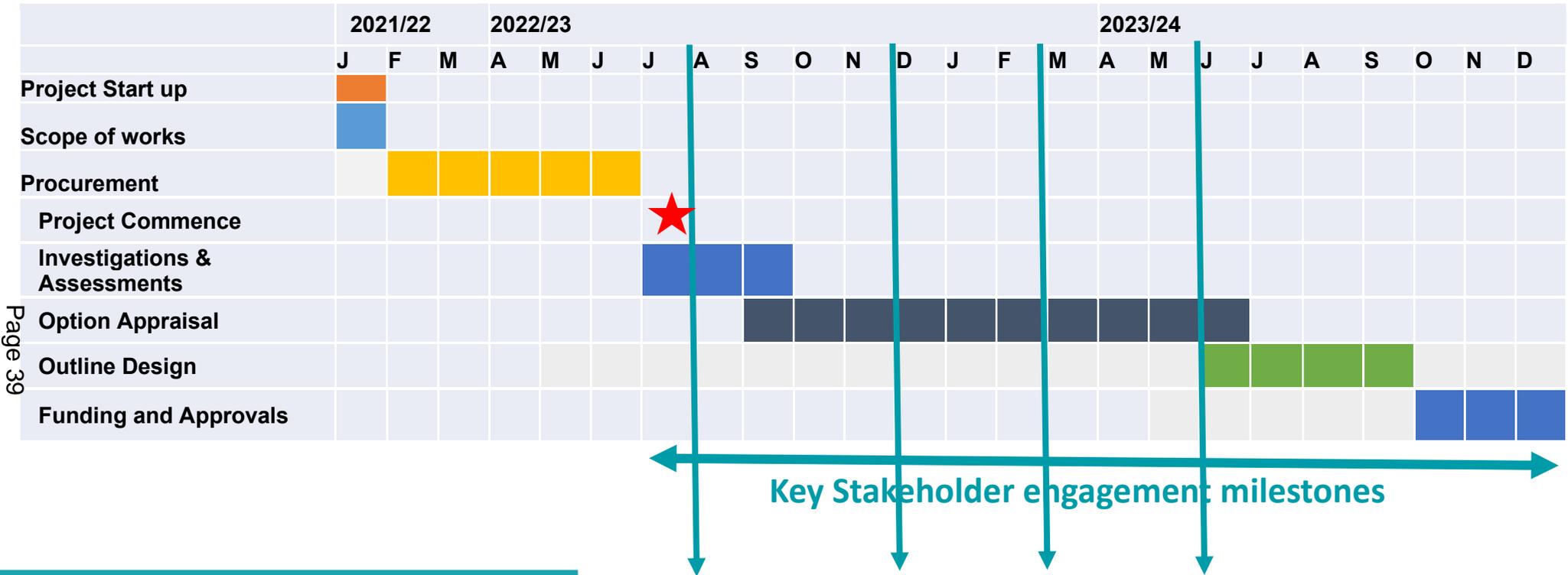
Year	Number of properties at risk from a 1:100 year flood event	Number of properties at risk from erosion	Total
2015	20	0	20
2030	25	0	26
2060	77	0	77
2115	237	1	238

Table 2: Number of properties at flood and erosion risk, Alton Grove to Cador Drive

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

Document is Restricted

Fareham Coastal Defence Study – High level timeline



Page 39

Key Dates

- Start procurement Feb 2022
- Appoint consultant Jun 2022
- Commence project Jul 2022
- 18-month project, complete Dec 2023

Introduction engagement

Longlist engagement

Shortlist engagement

Public engagement on draft preferred option

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 22-23
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:

This report seeks final confirmation of the recommendations to be made to Council, on 25 February 2022, in respect of the revenue budget, capital programme and council tax for 2022/23.

Executive summary:

On 10 January 2022, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2022/23. This report updates the Council's budgets to reflect the decisions taken and other known changes since 10 January 2022.

The capital programme for the years 2021/22 to 2025/26 will be £44,990,900.

The revenue budget for 2022/23 will be £10,788,000. With retained business rates and grants estimated to be £3,117,262 and a payment to the collection fund of £39,398, the total amount due from the council tax payers will be £7,710,136.

Taking these changes into consideration, the council tax for 2022/23 will be £175.22 per Band D property. This represents an increase of £5 per year from the council tax set for 2021/22 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 25 February 2022:

- (a) the capital programme and financing of £44,990,900;
- (b) an overall revised revenue budget for 2021/22 of £10,494,800;
- (c) a revenue budget for 2022/23 of £10,788,000;

(d) a council tax for Fareham Borough Council for 2022/23 of £175.22 per band D property, which represents a £5.00 per year increase when compared to the current year and is within referendum limits; and

(e) an unchanged Council Tax Support scheme for 2022/23.

Reason:

To allow the Council to approve the Council Tax for 2022/23.

Cost of proposals:

Not applicable

Appendices: **A:** Overall Total Budget for 2022/23

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2022/23
Briefing by:	Deputy Chief Executive Officer
Portfolio:	Policy and Resources

INTRODUCTION

1. On 10 January 2022 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
 - The revised revenue budget for 2021/22;
 - Fees and charges for 2022/23;
 - The revenue budget for 2022/23; and
 - The council tax for 2022/23.
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 2021/22 TO 2025/26

3. The capital programme for the General Fund for the period 2021/22 to 2025/26 is being reported elsewhere on this agenda as part of the Capital Strategy Report and totals £44,990,900.
4. The updated programme is shown in the following table:

	£000s
Health and Public Protection	40
Streetscene	437
Leisure and Community	18,513
Housing	3,774
Planning and Development	684
Policy and Resources	21,543
TOTAL	44,991

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

	£000s
Capital Receipts	1,354
Grants and Contributions	16,951
Capital Reserves	4,435
Revenue	3,561
Borrowing	18,690
TOTAL	44,991

6. The programme and projected resources indicate that, by 31 March 2026, there could be a small surplus of capital resources of £6 million, which represents a contingency of 13% 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 2021/22

8. In January, the Executive considered in detail the revised budget for 2021/22, which totalled £10,494,800 which is £222,900 higher when compared to the base budget for the current year. However, to achieve this figure there is a contribution from reserves (£404,200) and COVID grants (£1,179,000) from central government totalling almost £1.6million.

SERVICE BUDGETS 2022/23

9. The following table shows the service budgets resulting from the decisions of the Executive on 10 January 2022.

	Base Budget 2022/23 £
Committees	
Licensing and Regulatory Affairs	574,400
Planning	439,500
Executive - Portfolio Budgets	
- Leisure and Community	-17,500
- Housing	2,083,000
- Planning and Development	1,636,600
- Policy and Resources	44,400
- Health and Public Protection	662,400
- Streetscene	4,897,400
Accounting Adjustments in Service Portfolios	3,147,200
SERVICE BUDGETS	13,467,400

OTHER BUDGETS 2022/23

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 -£2,679,400.

THE OVERALL BUDGET POSITION FOR 2022/23

11. Taking account of the information referred to in the preceding paragraphs, the overall total budget for 2022/23, detailed in Appendix A, is confirmed as £10,788,000 which is £516,100 above the base budget for 2021/22.
12. Although the situation with COVID-19 remains unclear going into the new financial year it is anticipated that there will be no further support from central government relating to the pandemic.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT AND GOVERNMENT SUPPORT

13. The Local Government Finance Settlement was announced on 16 December 2021 and confirmed that it would again be a one year settlement for 2022/23.
14. The statement also announced the Lower Tier Services Grant (LTSG) which was new for 2021/22 would continue for another year into 2022/23 albeit without an increase to the grant. There would also be a one-off services grant that together with the LTSG will be worth around £219,500 to Fareham next financial year.
15. In the Local Government Finance Settlement 2021 the referendum limits for local authorities were set out and council tax increases that exceed 2% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by a maximum of £5 when compared to the previous level, before a referendum is triggered.
16. 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 2023/24. With the outcome of this review unclear, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its corporate priority to minimise council tax increases.

SPENDING RESERVE

17. The spending reserve exists to cover unforeseen changes in revenue expenditure.
18. The current balance on the reserve stands at £5,987,800 which is £3,569,800 over the minimum required balance of 5% of Gross Expenditure as set out in the approved Medium Term Finance Strategy.
19. It is important to note that due to the COVID-19 pandemic the revised budget for 2021/22 (£404,000) and base budget for 2022/23 (£1,103,100) will require some of the surplus to be used to offset the additional cost to the council of the pandemic.

20. As well as the requirement to use reserves to balance the budget for 2022/23, the Finance Strategy covers the period through to 2025/26 and is showing a projected shortfall of £1.1m in the final 3 years of the strategy that could use a further proportion of the remainder of the surplus leaving a balance of £962,700.
21. 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

22. The council tax base for 2022/23 is 44,002.6 Band D equivalent properties.
23. The net rates payable from National Non-Domestic Rates for 2022/23 (after Transitional arrangements and reliefs) will not be available until 31 January 2022 as it comes from the business rate return that is not due to be finalised until that day. It will therefore be tabled at the meeting.

COUNCIL TAX FOR 2022/23

24. With a net budget for 2022/23 of £10,788,000 and government funding of £3,117,262 along with a contribution to the collection fund of £39,398 this will leave an amount due from council tax payers of £7,710,136. This is shown in the following table:

	Base Budget 2021/22	Base Budget 2022/23	Variation
	£	£	£
Total Budget	10,271,900	10,788,000	516,100
Less:			
Government Funding	-2,731,105	-3,117,262	-386,157
Collection Fund deficit	-84,393	39,398	123,791
Total due from Council Tax Payers	7,456,402	7,710,136	+253,734
Council Tax base	43,804.5	44,002.6	
Council Tax (Band D)	£170.22	£175.22	
Cash Increase (per year)	+ £5.00	+ £5.00	

25. The proposed council tax increase is within government referendum limits.
26. The proposed council tax of £175.22 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

	2021/22	2022/23	Increase
Band A	£113.48	£116.81	£3.33
Band B	£132.39	£136.28	£3.89
Band C	£151.31	£155.75	£4.44
Band D	£170.22	£175.22	£5.00
Band E	£208.05	£214.16	£6.11
Band F	£245.87	£253.10	£7.23
Band G	£283.70	£292.03	£8.33
Band H	£340.44	£350.44	£10.00

27. The overall income from taxpayers of £7,710,136 represents approximately 16% of the gross revenue budget for the council for 2021/22 of £46.7million.

ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)

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

COUNCIL TAX SUPPORT 2022/23

31. 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)

32. For 2022/23, it is proposed to retain these key principles and to administer an unchanged scheme.

33. There are currently 3,941 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	1801	£1,929,008
Working-age caseload (vulnerable group)	974	£1,085,104
Working-age caseload (employed)	209	£109,072
Working-age caseload (not employed)	957	£804,379
Total	3941	£3,927,563

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

34. It is anticipated that an unchanged Council Tax Support scheme for 2022/23, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

RISK ASSESSMENT

35. 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.

36. With the Fair Funding review being delayed until the 2023/24 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.

37. 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

38. In making a recommendation to Council on the council tax for 2022/23, 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)

APPENDIX A

ACTUAL REVENUE BUDGET

	Budget 2021/22 £	Revised 2021/22 £	Budget 2022/23 £
Committees			
Licensing and Regulatory Affairs	552,700	479,800	574,400
Planning	482,000	854,800	439,500
Executive - Portfolio Budgets			
- Leisure and Community	1,641,400	851,000	-17,500
- Housing	1,856,500	1,800,100	2,083,000
- Planning and Development	1,659,500	1,588,900	1,636,600
- Policy and Resources	-705,100	-1,007,900	44,400
- Health and Public Protection	557,100	818,000	662,400
- Streetscene	5,399,300	5,603,200	4,897,400
Accounting Adjustments in Service Portfolios	3,249,300	3,147,200	3,147,200
SERVICE BUDGETS	14,692,700	14,135,100	13,467,400
Capital Charges	-3,466,100	-3,385,900	-3,385,900
Direct Revenue Funding	1,475,000	1,475,000	1,475,000
Minimum Revenue Position	1,315,300	1,132,300	1,490,900
Bad Debt Provision	300,000	300,000	150,000
Interest on Balances	-695,700	-695,700	-678,800
Portchester Crematorium Contribution	-165,000	-170,000	-170,000
New Homes Bonus	-239,800	-239,800	-108,800
Contribution from Reserves	-378,000	-473,000	-1,451,800
OTHER BUDGETS	-1,854,300	-2,057,100	-2,679,400
BUDGET TOTAL before COVID Funding	12,838,400	12,078,000	10,788,000
Funding From Reserves and COVID Grants	-2,566,500	-1,583,200	0
NET BUDGET	10,271,900	10,494,800	10,788,000

	Budget 2021/22 £	Revised 2021/22 £	Budget 2022/23 £
NET BUDGET	10,271,900	10,494,800	10,788,000
EXTERNAL SUPPORT			
Lower Tier Services Grant	153,700	153,700	219,500
Non-Domestic Rates	2,577,405	2,800,305	2,897,762
Revenue Support Grant	0	0	0
	<u>2,731,105</u>	<u>2,954,005</u>	<u>3,117,262</u>
COLLECTION FUND BALANCE	-84,393	-84,393	39,398
AMOUNT DUE FROM COUNCIL TAX PAYERS	7,456,402	7,456,402	7,710,136
COUNCIL TAX BASE	43,804.5		44,002.6
COUNCIL TAX PER BAND D PROPERTY	£170.22		£175.22
CASH INCREASE(per year)	£5.00		£5.00
PERCENTAGE INCREASE	3.22%		2.94%

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account 2022/23
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	Providing Housing Choices

Purpose:

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2021/22, the base budgets and rent increases for 2022/23.

Executive summary:

The Executive recommended, and the Council approved, in February 2021, the base budget and rent increase for 2021/22, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2021/22 and base budget for 2022/23 along with the capital programme and financing for the years 2021/22 to 2025/26. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2022.

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 25 February 2022 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 23 with effect from 1 April 2022;

- (b) rents for Council garages be increased by 3.8% with effect from 1 April 2022;
- (c) the revised budget for 2021/22 be approved; and
- (d) the base budget for 2022/23 be approved.

Reason:

To allow the Council to approve the Housing Revenue Account budgets for 2022/23.

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 1 February 2021 – Housing Revenue Account 2021/22
- (b) Executive 7 June 2021 – Town Centre Property Acquisition
- (c) Executive 5 July 2021 – General Fund and Housing Revenue Account Outturn 2020/21
- (d) Executive 7 December 2021 – Local Authority Delivery phase 2 (LAD2) Funding Scheme for energy efficiency measures to Council Homes – Update
- (e) Executive 7 December 2021 – Fareham Housing Disposal at 12 Hartlands Road and development of land adjacent to 51 Bellfield
- (f) Executive 10 January 2022 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (g) MHCLG - Guidance on Rents for Social Housing February 2019

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Housing Revenue Account 2022/23
Briefing by:	Deputy Chief Executive Officer
Portfolio:	Policy and Resources

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2021/22 and 2022/23 for the Executive to consider. On 10 January 2022, the Executive approved the Council's Finance Strategy for 2022/23 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans along with Rent Standard 2019 and the Policy Statement on Rents for Social Housing from 1 April 2020 onwards.
2. Work to configure the Civica housing system is well underway with testing currently being undertaken for system rollout over the coming financial year.
3. Together these have informed revisions to the 2022/23 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA.

CAPITAL PROGRAMME

4. 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.

Year	£'000
2021/22	6,762
2022/23	7,898
2023/24	5,587
2024/25	4,320
2025/26	4,250
Total	28,817

5. The capital programme was included in the Capital Strategy that was approved at the 10 January 2022 Executive.
6. During the current financial year, the major scheme of 18 new flats at Highlands Road was completed in July 2021. A tender process has been completed for 16 new sheltered housing flats at Station Road; and for 11 houses for Shared Ownership at

Stubbington Lane. Although start of construction works on site has been delayed due to delays arising from the Highway S278 Agreement completion by Hampshire County Council works commenced at Station Road in December 2021. It is anticipated that work at Stubbington Lane will be underway by February 2022.

7. Tender preparation / feasibility work is being undertaken for two new houses at Queens Road and a new house at both Crossfell Walk and Bellfield, along with nine new affordable home ownership flats on the former Coldeast Scout Hut site on Montefiore Drive.
8. There are currently three 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. Consultation with residents is well underway at Assheton Court and will inform further work on this development.

Site
Assheton Court redevelopment (Portchester) Sheltered housing scheme to provide 60 – 70 sheltered flats
Wynton Way (Fareham North West)
Menin House regeneration (Fareham North West)

9. In addition to the capital programme approved in January, town centre property acquisitions for housing were approved at the 7 June 2021 Executive. These have been included in the HRA and General Fund Capital programmes and will be financed by existing Housing Capital Receipts and a small contribution from the Capital Development Fund.
10. The financing of the capital programme is from the Major Repairs Reserve, Housing Capital Receipts, 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 development schemes at Stubbington Lane, Station Road and the former Scout Hut site, Montefiore Drive, Park Gate.
11. In addition to these internal resources, grant bids of £484,000 have been approved by Homes England in respect of the Stubbington Lane development (£44,000 per shared ownership property) and £172,000 (£86,000 per social rent property) in respect of the Queens Road development. A grant bid for the 9 flats for Shared Ownership flats at the former Coldeast Scout Hut site on Montefiore Drive is in the process of being prepared and will be submitted at the earliest opportunity.
12. 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) Other Housing Capital receipts (not combined with Right to Buy 1-4-1 receipts)
 - d) Section 106 monies for the purpose of affordable housing provision; (not combined with Right to Buy 1-4-1 receipts)
 - e) Homes England grant funding (not combined with Right to Buy 1-4-1 receipts); and/or

f) Additional borrowing on the Housing Revenue Account.

13. 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.
14. At its meetings of the 11 October and 7 December 2021, the Executive discussed the LAD2 funding opportunity to improve Council owned homes. LAD2 is the second phase of the Government Local Authority Delivery scheme. The intention of LAD is to improve the household energy efficiency for those on low incomes. The funding and contract mechanisms were also approved at this meeting to enable the Council to improve the energy efficiency in more of its housing stock.
15. The LAD2 scheme stipulates that the Council will be required to contribute towards improvement costs. This contribution will typically be up to £5,000 or 1/3 of the works, per property. The Executive has approved a total budget of £500,000 to contribute towards the costs of the scheme, over the next 2-3 financial years to ensure this funding opportunity can be utilised. This also allows for a small contingency / flexibility to best use the grant opportunity available. This cost to the HRA will utilise existing budgets for improvements to Council stock rather than any new budgetary provision. In many instances it will allow us to access grant funding toward work that would have already fallen within our planned maintenance programme.

REVENUE BUDGETS

16. The following table summarises the Housing Revenue Account base and revised budgets for 2021/22, and the base budget for 2022/23. A more detailed breakdown is provided in Appendix D.

	Base Budget 2021/22	Revised Budget 2021/22	Base Budget 2022/23
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000
Income	-12,353	-12,510	-12,983
Tenancy Management & Running Costs	3,515	3,724	3,825
Net Interest	1,697	1,697	1,697
Transfer to Debt Repayment Fund	1,140	1,140	1,140
	-6,001	-5,949	-6,321
Revenue Repairs Expenditure	2,600	2,784	2,818
Depreciation set aside into the Major Repairs Reserve	2,706	2,765	3,103
Revenue Contribution to Capital Programme	695	400	400
Transfer to(-)/from HRA Reserve	0	0	0

17. The income budget has been increased to reflect proposed increases in rent and service charges. Changes in circumstances and financial stability for some of our tenants continue to impact on rent being paid, however, the Housing Rents Arrears Officer works closely with customers and in the year to date the level of arrears has largely remained constant. Service Charge actuals have been completed for 2020/21 and were slightly higher than budgeted, this additional income has been included in the revised budget for 2021/22 as these are realised.

18. Within Tenancy Management and Running Costs increases have been made for employee costs and for communal heating and lighting costs. A budget provision has also been made to reflect the overlap of housing systems as we move to full reliance on a new system.
19. The property repairs and maintenance area has seen a return to operations at full capacity and efforts have been made to address backlogs where they have arisen. A budget increase for this area is proposed to reflect the employment costs of our building maintenance team as well as higher costs that our suppliers face and that are inevitably passed on to us.
20. The Revenue Contribution to Capital programme budget has been reduced as we do not anticipate such a high number of former council homes being bought back in the current financial year.
21. 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 30 to 39 years.
22. A summary of all the reserves projected to the end of 2021/22 is set out below:

Reserve	Purpose of Reserve	2020/21 Closing Balance £'000	2021/22 Transfers In £'000	2021/22 Transfers Out £'000	2021/22 Closing Balance £'000
HRA Revenue Reserve	To fund unexpected operating costs	579	0	0	579
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	4,560	1,140	0	5,700
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	361	0	0	361
Total Revenue Reserves		7,000	1,140	0	8,140
Major Repairs Reserve	To fund capital expenditure on HRA assets	2,318	2,765	2,760	2,323
Housing Capital Development Fund	To fund new developments	1,285	0	748	537
1:4:1 Receipts	To fund 40% of costs of new acquisitions and Station Road development	1,539	0	600	939
Total Reserves		12,142	3,905	4,108	11,939

RENTS

23. 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. This means the Council is now able to increase rents, with CPI being at

3.1% in September 2021 and an increase of 4.1% to be achieved from April 2022

24. Rents for Council garages are not covered by the Government's Direction applying to dwellings, but a similar principle is applied. It is proposed that garage rents for 2022/23 increase by 50p per week (3.8%) slightly below that of rent increases.
25. 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

26. The current fees and charges for the HRA and the charges for 2022/23, approved at the 10 January 2022 Executive, are set out in Appendix C.
27. 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

28. 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
29. 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 2022, this will put further pressure on the HRA finances.

Examples of Potential and Actual Changes	Effect on Expenditure in Year £'000	Effect on Income in Year £'000
Change in rent policy to decrease rents by 1% beyond 2023		122
Loss of income if void rate rises to 5% from 4%		122
Increase of 10% on supplies and service costs	46	
Increase of 10% in the depreciation charge	270	
Increase on rent arrears by 10%		60
Increase of 20% in cost of responsive repairs	520	

Enquiries:

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

CAPITAL PROGRAMME AND FINANCING

Housing Capital Programme	2021/22	2022/23	2023/24	2024/25	2025/26
Improvements to Existing Stock	£	£	£	£	£
Improvements	1,842,000	2,000,000	2,193,200	2,210,000	2,400,000
Voids	643,000	719,000	720,200	798,000	800,000
Modifications	275,000	281,000	286,600	292,000	300,000
Vehicles		40,000			
Acquisitions and New Builds					
Acquisitions	1,247,000	500,000	750,000	750,000	750,000
New Build – Highlands Road	540,000	537,000			
New Build – Station Road	1,000,000	1,149,000	423,000		
New Build – Assheton Court	100,000	100,000			
New Build – Stubbington Lane	1,000,000	1,072,000	378,000		
New Build – Queens Road	50,000	514,000	105,000		
New Build – Crossfell Walk	15,000	255,000			
New Build – Coldeast Scout Hut	50,000	731,000	731,000	270,000	
TOTAL CAPITAL EXPENDITURE	6,762,000	7,898,000	5,587,000	4,320,000	4,250,000
Funded by:					
Improvements to Existing Stock					
Major Repairs Reserve	-2,760,000	-3,000,000	-3,200,000	-3,300,000	-3,500,000
Vehicles – RCCO		-40,000			
Acquisitions and New Builds					
RCCO	-400,000	-400,000	-450,000	-450,000	-450,000
1-4-1 Capital Receipts	-600,000	-660,000	-469,000	-300,000	-300,000
Capital Receipts	-612,000	-255,000			
Capital Development Fund	-748,000	-537,000			
Homes England Grants	-306,000	-764,000	-37,000		
Other Grants and Contributions	-50,000	-342,000	-105,000	-270,000	
Borrowing – Station Road	-600,000	-689,000	-254,000		
Borrowing – Stubbington Lane	-686,000	-830,000	-378,000		
Borrowing – Coldeast Scout Hut		-381,000	-694,000		
TOTAL FUNDING	-6,762,000	-7,898,000	-5,587,000	-4,320,000	-4,250,000

HRA EXAMPLES OF RENT

	Property Type	2021/22 Actual Rent £	2022/23 Proposed Rent £	Change per week £	Change per week %
Rose Court	1 Bed Flat	84.85	88.33	3.48	4.1
Grebe Close	2 Bed Bungalow	110.21	114.73	4.52	4.1
Collingwood Court	1 Bed Flat	103.57	107.82	4.25	4.1
Foxbury Grove	2 Bed Flat	92.43	96.22	3.79	4.1
Garden Court	1 Bed Maisonette	82.8	86.19	3.39	4.1
Sicily House	2 Bed Maisonette	89.67	93.35	3.68	4.1
Fairfield Avenue	3 Bed House	107.41	111.81	4.40	4.1
Churchill Close	3 Bed House (shared owner)	93.63	97.47	3.84	4.1
Jubilee Court	4 Bed House	122.74	127.77	5.03	4.1
Average for total stock		93.43	97.26	3.83	4.1
Garages		13.20	13.70	0.50	3.8%

FEES AND CHARGES

	Notes	Fee 2021/22 £	Fee 2022/23 £	% Increase
Sales of Council Houses				
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
Repairs to Council Houses				
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.			
Sheltered Accommodation for the Elderly – Guest Room Charges				
Single occupancy per night	Inclusive of VAT	10.00	10.40	4.0
Per couple per night	Inclusive of VAT	15.00	15.60	4.0
Collingwood Court per room	Inclusive of VAT	25.00	26.00	4.0
Sylvan Court per room	Inclusive of VAT	25.00	26.00	4.0
Sheltered Accommodation for the Elderly – Other Charges				
Keys – Key	Inclusive of VAT	5.20	5.40	4.0
Keys – Fob		8.35	8.70	4.2
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.65	0.70	7.7
Dry		0.55	0.60	9.1

DETAILED REVENUE BUDGET

	Base 2021/22 £'000	Revised 2021/22 £'000	Base 2022/23 £'000
Income			
Rents – Dwellings	-10,766	-10,918	-11,332
Rents – Garages	-331	-335	-348
Rents – Other	-20	-20	-20
Service Charges (Wardens, Extra Assistance, Heating)	-643	-628	-632
Cleaning	-185	-172	-185
Grounds Maintenance	-114	-120	-126
Other Fees and Charges	-61	-41	-61
Leaseholder Service Charges and Insurance	-233	-276	-279
	-12,353	-12,510	-12,983
Expenditure			
Tenancy Management & Running Costs			
General Administrative Expenses	1,853	1,982	2,047
Corporate and Democratic Core	69	74	76
Corporate Management	83	78	88
Corporate Management	20	20	20
Communal Heating Services	115	130	145
Communal Lighting	35	45	55
Rents, Rates and Other Taxes	186	206	186
Communal Cleaning	240	240	242
Grounds Maintenance	235	267	267
Sheltered Housing Service	544	547	564
Bad Debts Provision	50	50	50
Bad Debts Written off	50	50	50
Debt Management Expenses	35	35	35
	3,515	3,724	3,825
Long Term Debt Management			
Interest Payable	1,795	1,817	1,817
Interest Earned on Internal Balances	-98	-120	-120
Transfer to Debt Repayment Fund	1,140	1,140	1,140
Property Repairs and Maintenance			
Revenue Repairs Expenditure	2,600	2,784	2,818
Depreciation	2,706	2,765	2,826
Revenue Contribution to Capital Programme	1,278	1,148	937
Contribution from Capital Development Fund	-583	-748	-537
Surplus(-)/Deficit for Year	0	0	-277

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Gambling – Review of Statement of Principles
Report of:	Director of Leisure and Community
Corporate Priorities:	Strong, safe, inclusive and healthy communities

Purpose:

This report sets out the Gambling Act 2005 Statement of Policy (Gambling Policy) that details the Council’s approach to the provision of Gambling in the Borough. The Policy is reviewed every three years and this review has taken account of any changes in legislation, regulations and guidance. The revised Policy is attached as Appendix A and is being presented to the Executive for recommendation to Council for adoption.

Executive summary:

The Council has an existing Gambling Policy which, during this review, has been rewritten for ease of understanding. There have not been any substantive policy changes. The Policy sets out the standards and criteria for applications received according to the Gambling Act and how those applications will be determined, and the licensing objectives promoted.

Recommendation/Recommended Option:

It is recommended that the Executive considers the revised Gambling Policy, as detailed in Appendix A, and recommends it to Council for adoption.

Reason:

Section 349 of the Gambling Act 2005 (‘the Act’) requires the licensing authority to prepare and publish a Statement of Licensing Policy every three 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 to the Council arising from consideration of this proposal.

Appendices: A: Revised Statement of Principles

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	07 February 2022
Subject:	Gambling – Review of Statement of Principles
Briefing by:	Director of Leisure and Community
Portfolio:	Policy and Resources

INTRODUCTION

1. The Gambling Act 2005 came fully into force on 01 September 2007 and was designed to control all forms of gambling. It transferred authority for licensing gambling from the magistrates' courts to local authorities.
2. The Gambling Policy reflects the requirements of the Gambling Act 2005 and the associated guidance and regulations. Section 349 requires each licensing authority to publish a statement of principles in respect of its licensing functions at the beginning of each three-year period. This policy must be kept under review and such revisions must be made at such times as it considers appropriate.
3. The last three-year period ended in January 2022 and therefore a Gambling Policy for 2022-2025 must now be determined and published.
4. Consultation took place from 1 October 2021 until the 10 December 2021.
5. The Licensing and Regulatory Affairs Committee approved the draft policy on 25 January 2022 for recommendation to the Executive.
6. There are no significant risk considerations in relation to this report.

CONCLUSION

7. Members are invited to consider the information contained in the report and recommend the revised Policy to Council for adoption.

Enquiries: For further information on this report please contact Ian Rickman (Head of Environmental Health) Ext 4773.

FAREHAM

BOROUGH COUNCIL

Gambling Act 2005

Statement of Principles

February 2022 – January 2025

Table of Contents

Item

1. Introduction

Part A The Gambling Act 2005

2. The Statement of Licensing Principles and Consultation
3. Licensing Framework
4. Declaration
5. Responsible Authorities
6. Interested Parties
7. Exchange of Information
8. Licensing Authority Functions
9. Fees

Part B Promotion of the Licensing Objectives

10. Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime.
11. Ensuring that gambling is conducted in a fair and open way.
12. Protecting children and other vulnerable persons from being harmed or exploited by gambling
13. Other Considerations
14. Local Area Profile
15. Money Laundering
16. Proceeds of Crime

Part C Premises Licences

17. General Principles
18. Local Area Risk Assessments
19. Conditions on Premises Licences
20. Door Supervisors
21. Adult Gaming Centres (AGC)
22. Licensed Family Entertainment Centres (FEC)
23. Casinos
24. Betting Machines
25. Bingo
26. Betting Premises
27. Tracks
28. Condition on Rules being Displayed
29. Application and Plans
30. Travelling Fairs
31. Provisional Statements

PART D Permits, Notices and Lottery Registrations

32. Unlicensed Family entertainment Centre – Gaming Machine Permits

- 33. Gaming Machine Permits in Premises Licensed for the Sale of Alcohol
- 34. Prize Gaming Permits
- 35. Club Gaming and Club Machine Permits
- 36. Temporary Use Notices
- 37. Occasional Use Notices (for Tracks)
- 38. Small Society Lottery Registrations

Part E Enforcement

- 39. Enforcement Principles
- 40. Reviews

APPENDICES

Appendix A - CONSULTEES

Appendix B - RESPONSIBLE AUTHORITIES

DRAFT

1. Introduction

- 1.1 This statement of principles was reviewed and updated in September 2021. It is a requirement for the Statement of Principles to be approved by the Executive and the Full Council of Fareham Borough Council and be reviewed every three years.
- 1.2 All references to the Gambling Commission's Guidance for local authorities refer to the Guidance updated in May 2021 available from www.gamblingcommission.gov.uk.
- 1.3 The Gambling Act 2005 has appointed Fareham Borough Council as a Licensing Authority. The Authority will regulate gambling with integrity in the public interest.
- 1.4 The council is committed to avoiding duplication with other legislation and regulatory regimes as far as possible and will not replicate issues in this statement of principles, which are already legal requirements under other legislation such as health and safety and fire precautions.
- 1.5 This statement of principles has been developed after having regard to the statutory guidance from the Gambling Commission and having given appropriate weight to the views of persons and organisations consulted.
- 1.6 The council has delegated all functions under the Act to the Licensing Committee, except those functions, which by law must be dealt with by the council, such as the setting of fee levels and the approval of this policy statement.
- 1.7 Section 349 of the Act requires the licensing authority to publish a statement of principles that we will apply in exercising our functions under the Act. This statement fulfils that statutory requirement.
- 1.8 This statement of Principles will be applied during the 3-year period from when approved in February 2021 until 31st January 2025 and during that time will be kept under review and revised when and if appropriate, during that 3-year period.
- 1.9 This document should be read in conjunction with the Act, Regulations made under the Act and Guidance issued by the Gambling Commission. This statement is designed to be a strategic gambling policy, not an operational guide to the Act.
- 1.10 In exercising our functions under the Gambling Act 2005, Fareham Borough Council as a licensing authority will have regard to the statutory licensing objectives, which are.
 - a) **Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime**

b) Ensuring that gambling is conducted in a fair and open way

c) Protecting children and other vulnerable persons from being harmed or exploited by gambling.

1.11 It should be noted that the Gambling Commission has stated, “The requirement in relation to children is explicitly to protect them from being harmed or exploited by gambling “.

1.12 The Authority is aware that section 153 of the Act requires it, in making decisions concerning premises licences and temporary use notices, to aim to permit the use of premises for gambling in so far as we think fit-

- In accordance with any relevant code of practice issued by the Gambling Commission
- In accordance with any relevant guidance issued by the Gambling Commission
- Reasonably consistent with the licensing objectives above and
- In accordance with this Statement of Principles

1.13 Previous legislation required that the grant of certain gambling permissions should take account of whether there was an unfulfilled demand for gambling facilities. We acknowledge that under this legislation, unmet demand is not a criterion for a licensing authority in considering an application.

1.14 We appreciate that gambling can be an emotive subject but acknowledge that, in accordance with Gambling Commission Guidance for Local Authorities, “moral objections to gambling are not a valid reason to reject applications for premises licences “except in respect of a Casino resolution in section 13, and that unmet demand is not a criterion for a licensing authority.

1.15 We will therefore consider any application in accordance with the Act, on its individual merits without regard to demand or moral objection to gambling in general.

PART A -The Gambling Act 2005

2. The Statement of Licensing Principles and Consultation

- 2.1 Fareham Borough Council is required by the Gambling Act 2005 to publish a Statement of the Principles, which we propose to apply when exercising our functions. This statement must be published at least every three years. The statement must also be reviewed from “time to time” and any amended parts re-consulted upon. The statement must be then re-published.
- 2.2 This statement of principles has been published following extensive consultation. A list of the persons we have sent this document to is attached at **Appendix A**.
- 2.3 The Gambling Act requires that the following parties be consulted by Licensing Authorities:
- The Chief Officer of Police
 - One or more persons who appear to the authority to represent the interests of persons carrying on gambling businesses in the authority’s area
 - One or more persons who appear to the authority to represent the interests of persons who are likely to be affected by the exercise of the authority’s functions under the Gambling Act 2005.
- 2.4 Our consultation took place between October 2021 and December 2021 and we have followed the Guidance to Licensing Authorities (GLA) on consultations available at <http://www.gamblingcommission.gov.uk/Licensing-authorities/Information-for-licensing-authorities/Guidance-to-licensing-authorities.aspx>.
- 2.5 The full schedule of comments and amendments consequential to these comments will be available by request to the Licensing Officer, Fareham Borough Council.
- 2.6 This statement of principles will not override the right of any person to make an application, make representations about an application, or apply for a review of a licence, as each will be considered on its own merits and according to the statutory requirements of the Gambling Act 2005.

3. The Licensing Framework

- 3.1 The Gambling Act 2005 brought about changes to the way that gambling is administered in the United Kingdom. The Gambling Commission is the national gambling regulator and has a lead role in working with central government and local authorities to regulate gambling activity.

- 3.2 The Gambling Commission issues operator licences and personal licences. Any operator wishing to provide gambling at a certain premises must have applied for the requisite personal licence and operator's licence before they can approach the council for a premises licence. In this way the Gambling Commission can consider potential applicants and organisations to ensure they have the correct credentials to operate gambling premises.
- 3.3 The council's role is to ensure premises are suitable for providing gambling in line with the three licensing objectives and any codes of practice issued by the Gambling Commission. The council also issues various permits and notices to regulate smaller scale and/or ad hoc gambling in various other locations such as pubs, clubs and hotels.
- 3.4 The council does not licence large society lotteries or remote gambling through websites. These areas fall to the Gambling Commission. The National Lottery is not licensed by the Gambling Act 2005 and from 1st October 2013 the Gambling Commission took over the responsibilities of the National Lottery Commission to regulate the National Lottery Act.

4. Declaration

In producing the final statement of principles, this licensing authority declares that it has had regard to the licensing objectives of the Gambling Act 2005, the guidance issued by the Gambling Commission, and any responses from those consulted on the statement of principles.

5 Responsible Authorities

- 5.1 Fareham Borough Council is required by regulations to state the principles that we will apply in exercising our powers under section 157(h) of the Act to designate, in writing, a body which is competent to advise the authority about the protection of children from harm.
- 5.2 The principles we will use are:
 - the need for the body to be responsible for an area covering the whole of the licensing authority's area
 - the need for the body to be answerable to democratically elected persons, rather than any particular vested interest group etc
- 5.3 In accordance with the Gambling Commission's Guidance for Licensing Authorities, we intend to designate the Hampshire County Council Safeguarding Childrens 'Board for this purpose.
- 5.4 This body has countywide responsibility, is subject to democratic accountability and is currently the body that has become a responsible authority under the Licensing Act 2003.

- 5.5 The Responsible Authorities under the Gambling Act 2005 are:
- Fareham Borough Council Licensing Authority
 - The Gambling Commission.
 - The Chief Constable, Hampshire Constabulary
 - Hampshire Fire and Rescue Service
 - Fareham Borough Council Planning and Environmental Services Unit
 - Safeguarding Children's Board, Hampshire County Council Social Services Section
 - H.M. Revenue & Customs

Subject to any other person being prescribed in Regulations made by the Secretary of State. The contact addresses for these authorities are attached at **Appendix B**.

6 Interested Parties

- 6.1 Interested parties can make representations about licence applications or apply for a review of an existing licence. These parties are defined in the Gambling Act 2005 as follows:
- 6.2 "For the purposes of this Part a person is an interested party in relation to an application for or in respect of, a premises licence if, in the opinion of the licensing authority which issues the licence or to which the applications are made, the person:
- a) lives sufficiently close to the premises to be likely to be affected by the authorised activities,
 - b) has business interests that might be affected by the authorised activities, or
 - c) represents persons who satisfy paragraph (a) or (b)"
- 6.3 We are required by regulations to state the principles we will apply in exercising our powers under the Gambling Act 2005 to determine whether a person is an interested party.
- 6.4 Our principles will be that we will adopt the principles of natural justice and decide each case on its merits. We will not apply a rigid rule to our decision making but will apply local knowledge and integrity to each decision.
- 6.5 We will consider the examples of consideration provided in the Gambling Commission's Guidance to Licensing. We will also consider the Guidance that "has business interests "is given its widest possible interpretation and should include partnerships, charities, faith groups and medical practices.
- 6.6 The Gambling Commission has recommended that we state that interested parties include trade associations, residents and tenants' associations. We will not however generally view these bodies as

interested parties unless they have a member who can be classed as an interested person under the provisions of the Act.

6.7 Interested parties under paragraph 6.2 (c) above can be persons who are democratically elected such as a ward Councillor, M.P. etc. No specific evidence of being asked to represent an interested party will be required as long as the Councillor / MP. etc. represents the ward likely to be affected. Other than this, we will require any other person acting under paragraph 6.2 (c) above to be nominated in writing by the appropriate interested parties at paragraph 6.2 (a) or (b) above.

6.8 When considering whether persons are interested parties in relation to any individual application we will consider:

- the size of the premises.
- the nature of the premises.
- the distance of the premises from the location of the person making the representation.
- the potential impact of the premises (number of customers, routes likely to be taken by those visiting the establishment); and
- the nature of the complainant. This is not the personal characteristics of the complainant, but the interests of the complainant, which may be relevant to the distance from the premises. For example, it could be reasonable for us to conclude that “sufficiently close to be likely to be affected” could have a different meaning for (a) a private resident (b) a residential school for children with truanting problems and (c) a residential hostel for vulnerable adults
- persons with business interests that could be affected

6.9 If individuals wish to approach councillors to ask them to represent their views then care should be taken that the councillors are not part of the Licensing Committee dealing with the licence application. Applicants should contact the Head of Environmental Health, Fareham Borough Council in the first instance rather than approach their councillor directly.

7. Exchange of Information

7.1 We are required to include the principles to be applied by the authority in exercising the functions under sections 29 and 30 of the Act with respect to the exchange of information between ourselves and the Gambling Commission, and the functions under section 350 of the Act with the respect to the exchange of information between it and the other persons listed in schedule 6 to the Act.

7.2 The principle that this licensing authority applies is that it will act in accordance with the provisions of the Gambling Act 2005 in its exchange of information which includes the provision that the Data Protection Act 2018 and the General Data Protection Regulations 2016 will not be contravened.

7.3 We will also have regard to the Guidance issued by the Gambling Commission to Licensing Authorities, as well as any future relevant regulations issued by the Secretary of State under the powers provided in the Gambling Act 2005.

7.4 Should any protocol on information exchange be established in the future, such protocols will be publicly available.

8. Licensing Authority Functions

8.1 Licensing Authorities are required under the Act to:

- Be responsible for the licensing of premises where gambling activities are to take place by issuing Premises Licences
- Issue Provisional Statements
- Regulate members' clubs and miners' welfare institutes who wish to undertake certain gaming activities via issuing Club Gaming Permits and/or Club Machine Permits
- Issue Club Machine Permits to Commercial Clubs
- Grant permits for the use of certain lower stake gaming machines at unlicensed Family Entertainment Centres
- Receive notifications from alcohol licensed premises (under the Licensing Act 2003) of the use of two or fewer gaming machines
- Grant Licensed Premises Gaming Machine Permits for premises licensed to sell/supply alcohol for consumption on the licensed premises, under the Licensing Act 2003, where more than two machines are required
- Register small society lotteries below prescribed thresholds
- Issue Prize Gaming Permits
- Receive and Endorse Temporary Use Notices
- Receive Occasional Use Notices
- Provide information to the Gambling Commission regarding details of licences issued (see section 7 above on 'information exchange')
- Maintain registers of the permits and licences that are issued under these functions

8.2 We as the licensing authority will not be involved in licensing remote gambling. Regulation of such activity will be the responsibility of the Gambling Commission via Operator Licences.

8.3 In accordance with the Act and Guidance, this authority will:

- Refer approval of this three-year licensing policy to Full Council
- Refer any delegated power under forthcoming Regulations to set fees to Executive.

- Delegate all decisions relating to premises licences to the Licensing Committee.
- Invite the Licensing Committee to further delegate decision making to a Sub-Committee or officers in accordance with the law and guidance.

9. Fees

- 9.1 Premises Licence fees are set within the prescribed maximum levels in accordance with The Gambling (Premises Licence Fees) (England and Wales) Regulations 2007 and will be limited to cost recovery. Fees for Permits and other services are set by the Secretary of State.
- 9.2 In accordance with section 193 of the Act, a premises licence will be revoked if the licence holder fails to pay the relevant annual fee (required under section 184), unless the failure to pay can be explained by an administrative error.
- 9.3 Under schedule 13, section 17 of the Act, the council will also cancel any gambling permit if the holder fails to pay the annual fee, unless the failure to pay can be explained by an administrative error.

PART B - Promotion of the Licensing Objectives

10. Preventing Gambling from being a Source of Crime or Disorder, Being Associated with Crime or Disorder or being used to Support Crime

- 10.1 This licensing authority is aware that the Gambling Commission will be taking a leading role in preventing gambling from being a source of crime. Their guidance does however envisage that the licensing authority should pay attention to the proposed location of gambling premises in terms of this licensing objective.
- 10.2 Therefore, where an area has known high levels of organised crime, we will consider carefully whether gambling premises are suitable to be located there and whether conditions may be suitable, such as the provision of door supervisors. Responsible authorities would however have the right to make representations about such premises.
- 10.3 We are aware of the distinction between disorder and nuisance and will consider factors such as whether police assistance was required and how threatening the behaviour was to those who could see it, to make that distinction. It should be noted that nuisance is not a Gambling Act licensing objective.
- 10.4 In considering licence applications, the council will particularly consider the following:
- The design and layout of the premises.

- The training given to staff in crime prevention measures appropriate to those premises.
- Physical security features installed in the premises. This may include matters such as the position of cash registers or the standard of CCTV that is installed.
- Where premises are subject to age-restrictions, the procedures in place to conduct age verification checks.
- The likelihood of any violence, public order or policing problem if the licence is granted.

11. Ensuring that Gambling is Conducted in a Fair and Open Way

This licensing authority is aware that the Gambling Commission has stated that it would generally not expect licensing authorities to become concerned with ensuring that gambling is conducted in a fair and open way as this will be addressed by the operator and personal licensing system.

12. Protecting Children and other Vulnerable Persons from being Harmed or Exploited by Gambling

12.1 We note the Gambling Commission Guidance to Local Authority's states that this objective relates to preventing children from taking part in gambling as well as restriction of advertising so that gambling products are not aimed at, or are particularly attractive, to children.

12.2 We will therefore consider, as suggested by the Gambling Commission's Guidance, whether specific measures are required at individual premises to promote the licensing objectives.

12.3 Appropriate measures may include supervision of access points, segregation of areas etc.

12.4 We will also take account of the Codes of Practice regarding this objective in relation to specific types of premises.

12.5 In reference to the term "vulnerable persons" we note that the Gambling Commission or statute law is not seeking to offer a definition but the Commission states that "it will for regulatory purposes assume that this group includes:

- people who gamble more than they want to.
- people who are gambling beyond their means.
- and people who may not be able to make informed or balanced decisions about gambling due to a mental impairment, alcohol or drugs."

12.6 This licensing authority will consider promotion of this licensing objective on a common sense, case by case basis. Should a practical definition

prove possible in future then this policy statement will be updated with it, by way of a revision.

13. Other Considerations

The licensing authority will not reject applications for premises licenses where relevant objections can be dealt with through the use of conditions. In determining applications for premises licences and permits, we will request as much information as it requires to be satisfied that all the requirements set out at section 153 of the Act are met.

14. Profile of Fareham

14.1 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.

14.2 The population of 116,338 is expected to grow by 5.4%, between 2021 and 2031, with a growing number in the population aged 45 or more.

14.3 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.

14.4 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.

14.5 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.

14.6 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.

14.7 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.

14.8 Fareham is not a tourist town. It has no seaside resort or built-up frontage. There have been no applications for bingo halls, amusement arcades or casinos. Its night-time economy consists mainly of restaurants and public houses.

14.9 The majority of Gambling permits in place are for Betting shops and the number of these in the Borough has remained constant in recent years, currently there are 6 in the Borough. These are mainly located within defined commercial centres.

15. Money Laundering

15.1 The council requires applicants and licence holders to assess the risks of their business being used for money laundering and terrorist financing. Such risk assessment must be appropriate and must be reviewed as necessary in the light of any changes in circumstances, including the introduction of new technology, new methods of payment by customers, changes in the customer demographic or any other material changes, and in any event reviewed at least annually.

15.2 As a gambling business you have a responsibility to uphold the three licensing objectives set out in the Act. The first of those licensing objectives is to prevent gambling being a source of crime or disorder, being associated with crime and disorder, or being used to support crime.

15.3 Money laundering in the gambling sector takes two main forms:

- exchanging money acquired criminally for money that appears to be legitimate or 'clean' by gambling on low-risk outcomes; and
- the use of criminal proceeds to fund gambling as a leisure activity (so called criminal or 'lifestyle' spend).

15.4 You should report money laundering to the National Crime Agency and, where appropriate consent is requested, wait for such consent to deal with a transaction or wait until a set period has elapsed before proceeding.

15.5 Further information on how to meet your money laundering responsibilities can be found on the Gambling Commission website.

16. The Proceeds of Crime Act 2002

16.1 POCA creates several principal offences that apply to everyone and criminalise any involvement in the proceeds of any crime if the person

knows or suspects that the property is criminal property. These offences relate to the concealing, disguising, converting, transferring, acquisition, use and possession of criminal property, as well as an arrangement which facilitates the acquisition, retention, use or control of criminal property. For example, in the gambling industry, this may involve taking cash, cheque, or card payments, based on funds which are the proceeds of crime, in the form of a bet or wager or holding money on account for a customer.

16.2 The Gambling Commission has produced guidance for operators on duties under the Proceeds of Crime Act.

PART C – Premises Licences

17. General Principles

17.1 Premises Licences will be subject to the permissions/restrictions set out in the Gambling Act 2005 and regulations, as well as specific mandatory and default conditions that will be detailed in regulations issued by the Secretary of State.

17.2 We, as the licensing authority, will be able to exclude default conditions and also attach other conditions, where we believe it to be appropriate.

17.3 This licensing authority is aware that in making decisions about premises licences we should aim to permit the use of premises for gambling in so far as we think it is:

- in accordance with any relevant code of practice issued by the Gambling Commission
- in accordance with any relevant guidance issued by the Gambling Commission
- reasonably consistent with the licensing objectives and
- in accordance with this statement of licensing policy

17.4 We appreciate that gambling can be an emotive subject but acknowledge that, in accordance with Gambling Commission Guidance for Local Authorities, “moral objections to gambling are not a valid reason to reject applications for premises licences “. Except in respect of a Casino resolution and that unmet demand is not a criterion for a licensing authority.

17.5 Premises are defined in the Act as “any place”. Different premises licences cannot apply in respect of single premises at different times. It is however possible for a single building to be subject to more than one premises licence, providing that each licence is for a different part of the building and such different parts can reasonably be regarded as different premises.

17.6 We will judge each case on its individual merits to decide as a matter of fact, whether different parts of a building can be properly regarded as being separate premises.

17.7 We note that the Gambling Commission, in their guidance, do not consider that areas of a building that are artificially or temporarily separate can be properly regarded as different premises. We support this view.

17.8 This licensing authority takes particular note of the Gambling Commission's Guidance for Local Authorities which states that:

- Licensing Authorities should take particular care in considering applications for multiple licences for a building and those relating to a discrete part of a building used for other (non-gambling) purposes. In particular, they should be aware that entrances and exits from parts of a building covered by one or more licences should be separate and identifiable so that the separation of different premises is not compromised, and that people do not 'drift' into a gambling area.
- Licensing authorities should pay particular attention to applications where access to the licensed premises is through other premises (which themselves may be licensed or unlicensed). Clearly there will be specific issues that authorities should consider before granting such applications, for example, whether children can gain access; compatibility of the two establishments; and the ability to comply with the requirements of the Act. But in addition, an overriding consideration should be whether, taken as a whole, the co-location of the licensed premises with other facilities has the effect of creating an arrangement that otherwise would, or should, be prohibited under the Act.

17.9 We also note that an applicant cannot obtain a full premises licence until the premises in which it is proposed to offer the gambling are constructed. The Gambling Commission has advised that references to "the premises" are to the premises in which gambling may now take place. Therefore, a licence to use premises for gambling will only be issued in relation to premises that are ready to be used for gambling.

17.10 Subject to future case law, we agree with this interpretation that it is a question of fact and degree whether premises are finished to a degree that they can be considered for a premises licence. The Gambling Commission emphasises that requiring the building to be complete ensures that the licensing authority can, if necessary, inspect it fully, as can other responsible authorities, with inspection rights under the Act.

17.11 This licensing authority is aware that demand issues cannot be considered in relation to the location of premises but that considerations made in terms of the licensing objectives can be considered.

- 17.12 We will, in accordance with the Gambling Commission's Guidance for Local Authorities, pay particular attention to the protection of children and vulnerable persons from being harmed or exploited by gambling, as well as issues of crime and disorder.
- 17.13 This authority has not adopted any specific policy in relation to areas where gambling premises should not be located. Should any such policy be decided upon, as a result of this consultation or otherwise, regarding such areas where gambling premises should not be located, this policy statement will be updated.
- 17.14 It should be noted that any such future policy will not preclude any application being made and each application will be decided on its merits, with the onus upon the applicant to show how any potential concerns can be overcome.
- 17.15 This authority will seek to avoid any duplication with other statutory / regulatory systems where possible, including the statutory planning regime.
- 17.16 This council acting as a licensing authority will not consider whether a licence application is likely to be awarded planning permission or building regulations approval in its consideration of an application for a Premises Licence.
- 17.17 We will though, carefully consider any concerns about licensing conditions which are not able to be met by licensees due to planning restrictions, should such a situation arise.
- 17.18 The Planning Department are a responsible authority under this Act and can make representations should they desire, otherwise the two regimes will be properly separated.
- 17.19 Premises licences granted must be reasonably consistent with the licensing objectives. In promoting these objectives, we have considered the Gambling Commission's Guidance to local authorities and make the following observations:

18. Local Area Risk Assessments

- 18.1 It is a requirement of the Gambling Commission's Licence Conditions and Codes of Practice (LCCP), for licensees to assess the local risks to the licensing objectives posed by the provision of gambling facilities at their premises and have policies, procedures and control measures to mitigate those risks. In making risk assessments, licensees must take into account relevant matters identified in this policy.
- 18.2 The LCCP goes on to say licensees must review (and update as necessary) their local risk assessments:

- to take account of significant changes in local circumstance, including those identified in this policy.
- when there are significant changes at a licensee's premises that may affect their mitigation of local risks
- when applying for a variation of a premises licence; and
- in any case, undertake a local risk assessment when applying for a new premises licence.

18.3 The council will expect the local risk assessment to consider as a minimum:

- whether the premises are in an area of deprivation
- whether the premises are in an area subject to high levels of crime and/or disorder
- the ethnic profile of residents in the area
- the demographics of the area in relation to vulnerable groups
- the location of services for children such as schools, playgrounds, toy shops, leisure centres and other areas where children will gather.

18.4 In any case the local risk assessment should show how vulnerable people including people with gambling dependencies, are protected.

18.5 A copy of all risk assessments should be available for inspection on the premises.

18.5 Other matters that the assessment may include:

- The training of staff in brief intervention when customers show signs of excessive gambling, the ability of staff to offer brief intervention and how the staffing of premises affect this.
- Details as to the location and coverage of working CCTV cameras, and how the system will be monitored.
- The layout of the premises so that staff have an unobstructed view of persons using the premises.
- The number of staff that will be available on the premises at any one time. If at any time that number is one, confirm the supervisory and monitoring arrangements when that person is absent from the licensed area or distracted from supervising the premises and observing those persons using the premises.
- Arrangements for monitoring and dealing with underage persons and vulnerable persons, which may include dedicated and trained personnel, leaflets, posters, self-exclusion schemes, window displays and advertisements not to entice passers-by etc.
- The provision of signage and documents relating to games rules, gambling care providers and other relevant information to be provided in both English and the other prominent first language for that locality.

- Where the application is for a betting premises licence, other than in respect of a track, the location and extent of any part of the premises which will be used to provide facilities for ambling in reliance on the licence.
- 18.6 Such information may be used to inform the decision the council makes about whether to grant the licence, to grant the licence with special conditions, or to refuse the application.
- 18.7 This policy does not preclude any application being made and each application will be decided on its merits, with the onus being upon the applicant to show how the concerns can be overcome.

19. Conditions on Premises Licences

- 19.1 Any conditions we attach to licences will be proportionate and will be:
- relevant to the need to make the proposed building suitable as a gambling facility
 - directly related to the premises and the type of licence applied for.
 - fairly and reasonably related to the scale and type of premises: and
 - reasonable in all other respects.
- 19.2 The authority is aware that the mandatory and default conditions imposed by the Gambling Commission will normally be sufficient to regulate gambling premises. In exceptional cases where there are specific risks or problems associated with a particular locality, specific premises or class of premises, the authority may consider attaching individual conditions related to the licensing objectives
- 19.3 There are specific observations made in this regard under each of the licence types below. This licensing authority will also expect the licence applicant to offer their own suggestions as to way in which the licensing objectives can be met effectively.
- 19.4 We will, where considered necessary, also consider specific measures for buildings which are subject to multiple premises licences. Such measures may include the supervision of entrances, segregation of gambling and non-gambling areas frequented by children and the supervision of gaming machines in non-adult gambling specific premises to promote the licensing objectives, in accordance with Gambling Commission Guidance.
- 19.5 We will also ensure that where Category A to C gaming machines are on offer in premises to which children are admitted, other than premises licensed for the supply of alcohol under the Licensing Act 2003.
- All such machines are located in an area of the premises which is separated from the remainder of the premises by a physical barrier

which is effective to prevent access other than through a designated entrance

- Only adults are admitted to the area where these machines are located
- Access to the area where these machines are located is supervised
- The area where these machines are located is arranged so that it can be observed by the staff or the licence holder, and
- At the entrance to and inside any such areas there are prominently displayed notices indicating that access to the area is prohibited to persons under 18 years of age.

19.6 These considerations will apply to premises including buildings where multiple premises licences are applicable.

19.7 We are aware that tracks may be subject to one or more than one premises licence, provided that each licence relates to a specified area of the track.

19.8 We will, in accordance with the Gambling Commission's Guidance, consider the impact upon the third licensing objective and the need to ensure that the entrances to each type of premises are distinct from each other and that children are excluded from gambling areas where they are not permitted by law or condition, to enter

19.9 It is noted that there are conditions which the licensing authority cannot by law attach to premises licences which are:

- any condition on the premises licence which makes it impossible to comply with an operating licence condition
- conditions relating to gaming machine categories, numbers, or method of operation.
- conditions which provide that membership of a club or body be required (the Gambling Act 2005 specifically removes the membership requirement for casino and bingo clubs and this provision prevents it being reinstated) and
- conditions in relation to stakes, fees, winning or prizes

20. Door Supervisors

20.1 The Gambling Commission advises in its Guidance that licensing authorities may consider whether there is a need for door supervisors in terms of the licensing objectives of protection of children and vulnerable persons from being harmed or exploited by gambling, and also in terms of preventing premises becoming a source of crime.

20.2 Door supervisors at casinos and bingo premises who are contract staff are required to be licensed by the Security Industry Authority; however, in house supervisors are exempt from this requirement.

20.3 This licensing authority therefore has specific requirements for door supervisors working at casinos or bingo premises which are that a book is maintained in which is recorded.

- the identity of the door staff deployed
- the time they commenced duty and left duty, and
- any incidents that they dealt with each day, and such a book shall be maintained and available for inspection for a period of 3 months from the date of the record entry.

21 Adult Gaming Centres (AGC)

21.1 Adult gaming centres are a category of premises introduced by the Act that are most closely related to what are commonly known as adult only amusement arcades seen in many town centres.

21.2 Persons operating an AGC must hold a gaming machines general operating licence from the Gambling commission and obtain a premises licence from the council.

21.3 Under the Act a premise holding an adult gaming centre licence will be able to make a number of category B, C and D gaming machines available. No person under 18 will be permitted to enter such premises and no alcohol shall be permitted to be consumed on the premises.

21.4 No customer shall be able to access the premises directly from any other (or split) premises in respect of which a licence issued under part 8 of the Act, or a permit issued under schedule 10, 12 or 13 to the Act, has effect.

21.5 The council will specifically have regard to the need to protect children and vulnerable persons from harm or being exploited by gambling in these premises. The council will expect applicants to satisfy the council that there will be sufficient measures to ensure that under 18-year-olds do not have access to the premises.

21.6 Where certain measures are not already addressed by the mandatory and default conditions and the Gambling Commission codes of Practice or by the applicant, the council may consider licence conditions to address such issues.

22. Licensed Family Entertainment Centres (FECs)

22.1 Licenced family entertainment centres are those premises which usually provide a range of amusements such as computer games, penny pushers and may have a separate section set aside for adult only gaming machines with higher stakes and prizes.

22.2 Licenced family entertainment centres will be able to make available unlimited category C and D machines where there is clear segregation in

place to children do not access the areas where the category C machines are located.

22.3 Where category C or above machines are available in premises to which children are admitted then the council will ensure that:

- all such machines are in an area of the premises separate from the remainder of the premises by a physical barrier which is effective to prevent access other than through a designated entrance. For this purpose, a rope, floor markings or similar provision will not suffice, and the council may insist on a permanent barrier of at least 1 metre high.
- only adults are admitted to the area where the machines (category C are located).
- access to the area where the machines are located is supervised at all times.
- the area where the machines are located is arranged so that it can be observed by staff; and
- at the entrance to, and inside any such area there are prominently displayed notices indicating that access to the area is prohibited to persons under 18.

22.4 The council will specifically have regard to the need to protect children and vulnerable persons from harm or being exploited by gambling and will expect the applicant to satisfy the authority that there will be sufficient measures to ensure that under 18-year-olds do not have access to the adult only gaming machine areas.

22.5 The council will expect applicants to show that there are policies and procedures in place to protect children from harm. Harm in this context is not limited to harm from gambling but includes wider child protection considerations.

22.6 The efficiency of such policies and procedures will each be considered on their merits; however, they may include:

- appropriate measures and training for staff regarding suspected truant children on the premises; measures and training covering how staff would deal with unsupervised very young children being on the premises.
- measures and training covering how staff would deal with children causing perceived problems on or around the premises.
- the arrangements for supervision of premises either by staff or the use of CCTV. Any CCTV system installed should cover both the interior and the entrance working to latest Home office standards and to the satisfaction of Hampshire police and the council. The system must record images clearly and these recordings be retained for a minimum of 31 days. If the equipment is inoperative the police and local authority must be informed as soon as possible, and immediate steps taken to make the system operative.

Notices must be displayed at the entrances advising that CCTV is in operation.

- 22.7 Due to the nature of these premises, which are attractive to children, applicants who employ staff to supervise the premises should consult with the Disclosure and Barring Service to determine whether their staff need to be DBS checked.
- 22.8 The council will refer to the Commission's website to familiarise itself with any conditions that apply to operating licences covering the way in which the area containing the category C machines should be delineated. The council will also make itself aware of the mandatory or default conditions and any Gambling commission codes of Practice on these premises' licences.
- 22.9 We will, in accordance with the Gambling Commission's guidance, refer to the Commission, and be aware of any conditions that apply to operating licences covering the way in which the area containing the Category C or higher machines, should be delineated.
- 22.10 This licensing authority will also make itself aware of any mandatory or default conditions on these premises' licences, when they have been published.

23 Casinos

This licensing authority does not have an existing licensed casino within the Borough. We have not submitted a proposal for a premises licence for any new type of casino to the Independent Casinos Advisory Panel.

24. Betting machines

- 24.1 It is desirable that the difference between a gaming machine and betting machine is understood. A machine is not a gaming machine if it is designed or adapted for use to bet on future real events.
- 24.2 Some betting premises may make available machines that accept bets on live events, such as horse racing, as a substitute for placing a bet over the counter. These "betting machines" are not gaming machines and therefore neither count towards the maximum permitted number of gaming machines, nor have to comply with any stake or prize limits.
- 24.3 Such betting machines merely automate the process which can be conducted in person and therefore do not require regulation as a gaming machine.
- 24.4 However, where a machine is made available to take bets on virtual races, that machine is a gaming machine and does count towards the maximum permitted number of gaming machines and must meet the relevant category limitations for the premises.

24.5 Section 181 contains an express power for licensing authorities to restrict the number of betting machines, their nature and the circumstances in which they are made available by attaching a licence condition to a betting premises licence or to a casino premises licence (where betting is permitted in the casino).

24.6 In accordance with the Gambling Commission's Guidance for local authorities, when considering the number / nature / circumstances of betting machines that a casino operator wishes to offer, we will consider.

- the size of the premises
- the number of counter positions available for person-to-person transactions, and,
- the ability of staff to monitor the use of the machines by children and young persons (it is an offence for those under 18 to bet) or by vulnerable persons."

25. Bingo

25.1 This licensing authority notes that that the Gambling Commission Guidance states; "It is important that if children can enter premises licensed for bingo that they do not participate in gambling, other than on category D machines. Where category C or above machines are available in premises to which children are admitted licensing authorities should ensure that:

- all such machines are located in an area of the premises separated from the remainder of the premises by a physical barrier which is effective to prevent access other than through a designated entrance.
- only adults are admitted to the area where these machines are located.
- access to the area where the machines are located is supervised.
- the area where the machines are located is arranged so that it can be observed by staff of the operator or the licence holder; and
- at the entrance to, and inside any such area there are prominently displayed notices indicating that access to the area is prohibited to persons under 18.
- Children will not be admitted to bingo premises unless accompanied by an adult.

25.2 We note that under the Act, children and young persons (anyone up to the age of 18) cannot be employed in providing any facilities for gambling on bingo premises, and children (under 16) cannot be employed, in any capacity, at a time when facilities for playing bingo are being offered. However, young persons, aged 16 and 17, may be

employed in bingo premises (while bingo is being played), provided the activities on which they are employed are not connected with the gaming or gaming machines.

25.3 The Gambling Commission has provided Guidance for Licensing Authorities and licence Conditions and Code of Practice which are applied to Operator's Licences. The council will take this into consideration when determining licence applications for bingo premises.

25.4 Where certain measures are not already addressed by the mandatory/default conditions, the Gambling Commission Code of Practice or the applicant, the council may consider licence conditions to address such issues.

26. Betting Premises

We note that the Act contains a single class of licence for betting premises. However, within this single class of licence, there will be different types of premises which require licensing. This section of our policy discusses off-course betting, that is betting that takes place other than at a track in what is currently known as a licensed betting office. Tracks are discussed in the following section. It should be noted that there are also betting offices on tracks, that have a separate premises licence from the track licence.

27. Tracks

27.1 Tracks are sites (including horse racecourses and dog tracks) where races or other sporting events take place. Betting is a major gambling activity on tracks, both in the form of pool betting (often known as the "totalisator" or "tote"), and also general betting, often known as "fixed-odds" betting.

27.2 There is no special class of betting premises licence for a track, but the Act does contain rules which apply specifically to premises licences granted in respect of a track.

27.3 Special rules apply to applicants for a premises licence in relation to a track. Most importantly, as noted above, the applicant need not hold an operating licence. That is because, unless the occupier of the track wishes to offer pool betting (or general betting) facilities himself (for which he will need a licence), the betting that is provided upon the track will not be provided by him but will be provided by other operators who come on-course. Since those people will require the necessary operating licences, the Act allows the track operator to obtain a premises licence without also having to hold an operating licence. This track premises licences then authorises anyone upon the premises with an operating licence to offer betting facilities.

27.4 We are aware that tracks are different from other premises in that there may be more than one premises licence in effect, each covering a

specified area of the track. In accordance with the Gambling Commission guidance, this authority will especially consider the impact of the third licensing objective.

- 27.5 There may be some specific considerations about the protection of children and vulnerable persons from being harmed or exploited by gambling and the need to ensure entrances to each type of premises are distinct and that children are excluded from gambling or betting areas where they are not permitted to enter.
- 27.6 We will expect the premises licence applicants to demonstrate suitable measures to ensure that children do not have access to adult-only gaming facilities.
- 27.7 Children and young persons will by law be permitted to enter track areas where facilities for betting are provided on days when dog-racing and/or horse racing takes place, although they are still prevented from entering areas where gaming machines (other than category D machines) are provided.
- 27.8 Appropriate licence conditions may include:
- Proof of age schemes
 - CCTV
 - Door supervisors
 - Supervision of entrances / machine areas
 - Physical separation of areas
 - Location of entry
 - Notices / signage
 - Specific opening hours
 - The location of gaming machines
 - Self-barring Schemes
 - Provision of information leaflets / helpline numbers for organisations such as GamCare

28. Condition on Rules being Displayed

The Gambling Commission has advised in its Guidance for local authorities that "...licensing authorities should attach a condition to track premises licences requiring the track operator to ensure that the rules are prominently displayed in or near the betting areas, or that other measures are taken to ensure that they are made available to the public. For example, the rules could be printed in the race-card or made available in leaflet form from the track office."

29. Applications and Plans

This licensing authority awaits regulations setting-out any specific requirements for applications for premises licences but is in accordance with the Gambling Commission's suggestion "To ensure that licensing authorities gain a proper understanding of what they are being asked to licence they should, in their

licensing policies, set out the information that they will require, which should include detailed plans for the racetrack itself and the area that will be used for temporary “on-course” betting facilities (often known as the “betting ring”) and in the case of dog tracks and horse racecourses fixed and mobile pool betting facilities operated by the Tote or track operator, as well as any other proposed gambling facilities." and that "Plans should make clear what is being sought for authorisation under the track betting premises licence and what, if any, other areas are to be subject to a separate application for a different type of premises licence."

30. Travelling Fairs

- 30.1 We note that we as the licensing authority are required to decide whether, where category D machines and / or equal chance prize gaming without a permit is to be made available for use at travelling fairs, the statutory requirement that the facilities for gambling amount to no more than an ancillary amusement at the fair is met.
- 30.2 The licensing authority will also consider whether the applicant falls within the statutory definition of a travelling fair.
- 30.3 It has been noted that the 27-day statutory maximum for the land being used as a fair, is per calendar year, and that it applies to the piece of land on which the fairs are held, regardless of whether it is the same or different travelling fairs occupying the land. This licensing authority will work with other departments of the council and its neighbouring authorities to ensure that land which crosses our boundaries is monitored so that the statutory limits are not exceeded.

31. Provisional Statements

- 31.1 This licensing authority notes the Guidance for the Gambling Commission which states that “It is a question of fact and degree whether premises are finished to a degree that they can be considered for a premises licence” and that “Requiring the building to be complete ensures that the authority could, if necessary, inspect it fully”.
- 31.2 In terms of representations about premises licence applications, following the grant of a provisional statement, no further representations from relevant authorities or interested parties can be considered unless they concern matters which could not have been addressed at the provisional statement stage, or they reflect a change in the applicant’s circumstances. In addition, the authority may refuse the premises licence (or grant it on terms different to those attached to the provisional statement) only by reference to matters:
- a) which could not have been raised by objectors at the provisional licence stage; or
 - b) which is in the authority’s opinion reflect a change in the operator’s circumstances.

- 31.3 This authority has noted the Gambling Commission's Guidance that "A licensing authority should not consider irrelevant matters. One example of an irrelevant matter would be the likelihood of the applicant obtaining planning permission or building regulations approval for the proposal."

PART D – Permits, Notifications and Lottery Registrations

32. Unlicensed Family Entertainment Centre Gaming Machine Permits

- 32.1 Family entertainment centres (FECs) will perhaps be most commonly located at seaside resorts, in airports and at motorway service centres, and will cater for families, including unaccompanied children and young persons.
- 32.2 Unlicensed FECs will be able to offer only category D machines in reliance on a gaming machine permit. Any number of category D machines can be made available with such a permit. Permits cannot be issued to vessels or vehicles.
- 32.3 Where a premise does not hold a premises licence but wishes to provide gaming machines, it may apply to the licensing authority for this permit. It should be noted that the applicant must show that the premises will be wholly or mainly used for making gaming machines available for use as required by section 238.
- 32.4 The application for a permit can only be made by a person who occupies or plans to occupy the premises to be used as an unlicensed FEC and, if the applicant is an individual, he must be aged 18 or over. Applications for a permit cannot be made if a premises licence is in effect for the same premises.
- 32.5 The Gambling Act 2005 states that a licensing authority may prepare a *statement of principles* that they propose to consider in determining the suitability of an applicant for a permit and in preparing this statement, and/or considering applications, it need not (but may) have regard to the licensing objectives and shall have regard to any relevant guidance issued by the Commission under section 25.
- 32.6 The Gambling Commission's Guidance for local authorities also states: "In their three-year licensing policy statement, licensing authorities may include a statement of principles that they propose to apply when exercising their functions in considering applications for permits...., licensing authorities will want to give weight to child protection issues."
- 32.7 The Guidance also states: "...An application for a permit may be granted only if the licensing authority is satisfied that the premises will be used as an unlicensed FEC, and if the chief officer of police has been consulted on the application. Licensing authorities might wish to consider asking applications to demonstrate: a full understanding of the

maximum stakes and prizes of the gambling that is permissible in unlicensed FECs;

- that the applicant has no relevant convictions (those that are set out in schedule 7 of the Act); and
- that staff are trained to have a full understanding of the maximum stakes and prizes. (24.7)

32.8 We note that a licensing authority can grant or refuse a licence but cannot attach conditions to this type of permit.

32.9 This licensing authority will expect the applicant to show that there are policies and procedures in place to protect children from harm. Harm in this context is not limited to harm from gambling but includes wider child protection considerations.

32.10 The efficiency of such policies and procedures will each be considered on their merits. However, they may include appropriate measures / training for staff as regards suspected truant school children on the premises, measures / training covering how staff would deal with unsupervised very young children being on the premises, or children causing perceived problems on / around the premises

33. Gaming Machine Permits in Premises Licensed for the Sale of Alcohol

33.1 There is provision in the Act for premises licensed under the Licensing Act 2003 for the sale of alcohol for consumption on the premises, to automatically have 2 gaming machines, of categories C and/or D. Licence holders merely need to notify the licensing authority.

33.2 The licensing authority can remove the automatic authorisation in respect of any premises if:

- provision of the machines is not reasonably consistent with the pursuit of the licensing objectives.
- gaming has taken place on the premises that breaches a condition of section 282 of the Gambling Act (i.e. that written notice has been provided to the licensing authority, that a fee has been provided and that any relevant code of practice issued by the Gambling Commission about the location and operation of the machine has been complied with); the premises are mainly used for gaming; or
- an offence under the Gambling Act has been committed on the premises.

33.3 If a premises licence holder wishes to have more than 2 machines, then they need to apply for a permit and the licensing authority must consider that application based upon the licensing objectives, any guidance issued by the Gambling Commission under section 25 of the Gambling Act 2005, and “*such matters as they think relevant.*”

- 33.4 This licensing authority considers that “such matters” will be decided on a case-by-case individual basis, but generally there will be regard to the need to protect children and vulnerable persons from being harmed or exploited by gambling and will expect the applicant to satisfy the authority that there will be sufficient measures to ensure that under 18 year olds do not have access to the adult-only gaming machines.
- 33.5 Measures which will satisfy the authority that there will be no access may include the adult machines being in sight of the bar, or in the sight of staff who will monitor that the machines are not being used by those under 18. Notices and signage on the machines or in the premises may also be help. As regards the protection of vulnerable persons, applicants may wish to consider the provision of information leaflets / helpline numbers for organisations such as GamCare.
- 33.6 It is recognised that some alcohol licensed premises may apply for a premises licence for their non-alcohol licensed areas. Any such application would normally need to be applied for, and dealt with, as an Adult Gaming Centre premises licence.
- 33.7 It should be noted that we as the licensing authority can decide to grant the application with a smaller number of machines and/or a different category of machines than that applied for. Conditions (other than these) cannot be attached to a permit.
- 33.8 It should also be noted that the holder of a permit must comply with any Code of Practice issued by the Gambling Commission about the location and operation of the machine.

34. Prize Gaming Permits

- 34.1 The Gambling Act 2005 states that a licensing authority may “prepare a statement of principles that they propose to apply in exercising their functions under this schedule” which “may specify matters that the licensing authority propose to consider in determining the suitability of the applicant for a permit”.
- 34.2 This licensing authority has prepared a Statement of Principles which is that the applicant should set out the types of gaming that he or she is intending to offer, and that the applicant should be able to demonstrate:
- a) that they understand the limits to stakes and prizes that are set out in Regulations.
 - b) and that the gaming offered is within the law.
- 34.3 In making its decision on an application for this permit the licensing authority does not need to have regard to the licensing objectives but must have regard to any Gambling Commission guidance.

34.4 It should be noted that there are conditions in the Gambling Act 2005 with which the permit holder must comply, but that the licensing authority cannot attach conditions. The conditions in the Act are:

- The limits on participation fees, as set out in regulations, must be complied with.
- all chances to participate in the gaming must be allocated on the premises on which the gaming is taking place and on one day; the game must be played and completed on the day the chances are allocated; and the result of the game must be made public in the premises on the day that it is played;
- the prize for which the game is played must not exceed the amount set out in regulations (if a money prize), or the prescribed value (if non-monetary prize); and
- participation in the gaming must not entitle the player to take part in any other gambling.

35. Club Gaming and Club Machine Permits

35.1 Bona Fide Members Clubs and Miners' welfare institutes (but not Commercial Clubs) may apply for a Club Gaming Permit or a Clubs Gaming machines permit.

35.2 The Club Gaming Permit will enable the premises to provide 3 gaming machines of categories B, C or D, equal chance gaming and games of chance as set-out in regulations still to be published.

35.3 A Club Gaming machine permit will enable the premises to provide 3 gaming machines of categories B, C or D.

35.4 Gambling Commission Guidance states: "Members clubs must have at least 25 members and be established and conducted "wholly or mainly" for purposes other than gaming unless the gaming is permitted by separate regulations. It is anticipated that this will cover bridge and whist clubs, which will replicate the position under the Gaming Act 1968.

35.5 A members' club must be permanent in nature, not established to make commercial profit, and controlled by its members equally. Examples include working men's clubs, branches of Royal British Legion and clubs with political affiliations."

35.6 The Commission Guidance also notes that "licensing authorities may only refuse an application on the grounds that:

- a) the applicant does not fulfil the requirements for a members' or commercial club or miners' welfare institute and therefore is not entitled to receive the type of permit for which it has applied

- b) the applicant's premises are used wholly or mainly by children and/or young persons.
- c) an offence under the Act or a breach of a permit has been committed by the applicant while providing gaming facilities.
- d) a permit held by the applicant has been cancelled in the previous ten years; or
- e) an objection has been lodged by the Commission or the police.

35.7 There is also a 'fast-track' procedure available under the Act for premises which hold a Club Premises Certificate under the Licensing Act 2003 (schedule 12 paragraph 10).

35.8 The Gambling Commission's Guidance for local authorities' states: "Under the fast-track procedure there is no opportunity for objections to be made by the Commission or the police, and the ground upon which an authority can refuse a permit are reduced." and "The grounds on which an application under the process may be refused are:

- a) that the club is established primarily for gaming, other than gaming prescribed under schedule 12.
- b) that in addition to the prescribed gaming, the applicant provides facilities for other gaming; or
- c) that a club gaming permit or club machine permit issued to the applicant in the last ten years has been cancelled."

35.9 There are statutory conditions on club gaming permits that no child uses a category B or C machine on the premises and that the holder complies with any relevant provision of a code of practice about the location and operation of gaming machines.

36. Temporary Use Notices

36.1 Part 9 of the Act sets out the position in relation to temporary use notices. These allow the use of premises for gambling where there is no premises licence but where a gambling operator wishes to use the premises temporarily for providing facilities for gambling. Premises that might be suitable for a temporary use notice would include hotels, conference centres, and sporting venues.

36.2 There are a number of statutory limits as regards temporary use notices. Gambling Commission Guidance is noted. As with "premises", the definition of "a set of premises" will be a question of fact in the particular circumstances of each notice that is given.

36.3 We will apply the Gambling Commission Guidance which states: "In the Act "premises" is defined as including "any place". In considering whether a place falls within the definition of "a set of premises", licensing authorities will need to look at, amongst other things, the ownership/occupation and control of the premises. A large exhibition

centre, for example, would be likely to come within the definition as it is properly one premises, and should not be granted a temporary use notice for 21 days in respect of each of its exhibition halls. But in relation to other covered areas, such as shopping centres, the licensing authority will need to consider whether different units are in fact different “sets of premises”, given that they may be occupied and controlled by different people. This is a new permission and licensing authorities should be ready to object to notices where it appears that their effect would be to permit regular gambling in a place that could be described as one set of premises.” In our consideration of Temporary Use Notice applications.

37. Occasional Use Notices:

We have very little discretion as regards these notices aside from ensuring that the statutory limit of 8 days in a calendar year is not exceeded. This licensing authority will, however, consider the definition of a ‘track’ and whether the applicant is permitted to avail him/herself of the notice.

38. Small Society Lottery Registrations

- 38.1 A lottery generally refers to schemes under which prizes are distributed by chance among entrants who have given some form of value for their chance to take part.
- 38.2 The Act creates two principal classes of lotteries: Licensed lotteries and exempt lotteries. Licensed lotteries are large society lotteries and lotteries run for the benefit of local authorities. These will be regulated by the Gambling Commission. Other exempted lotteries are:
- (a) incidental lotteries – must be held at an event (either commercial or non-commercial), e.g., a charity dinner, exhibition, festival, fete.
 - (b) Private lotteries
 - Private society lotteries – only members of the society and those on the society premises can participate in the lottery
 - Work lotteries – only people who work together on the same premises may participate
 - Residents’ lotteries – only people who live at the same premises may participate
 - (c) Customer lotteries – only customers at the business premises may participate.
- 38.3 A small society lottery is a lottery promoted on behalf of a non-commercial society as defined in the Act which also meets specific financial requirements set out in the Act. These will be administered by the council for small societies who have a principal office in Fareham district and want to run such a lottery.
- 38.4 A lottery is small if the total value of tickets put on sale in a single lottery is £20,000 or less and the aggregate value of the tickets put on sale in a calendar year is £250,000 or less.

- 38.5 To be 'non-commercial' a society must be established and conducted:
- For charitable purposes,
 - For the purpose of enabling participation in, or supporting, sport, athletics or a cultural activity; or
 - For any other non-commercial purpose other than that of private gain.

PART E – Enforcement

- 39.1 Licensing authorities are required by regulations under the Gambling Act 2005 to state the principles to be applied by the authority in exercising the functions under Part 15 of the Act with respect to the inspection of premises; and the powers under section 346 of the Act to institute criminal proceedings in respect of the offences specified.
- 39.2 This licensing authority's principles are that we will be guided by the Gambling Commission's Guidance for Local Authorities and our policy will endeavour to be:
- Proportionate: regulators should only intervene when necessary: remedies should be appropriate to the risk posed, and costs identified and minimised.
 - Accountable: regulators must be able to justify decisions and be subject to public scrutiny.
 - Consistent: rules and standards must be joined up and implemented fairly.
 - Transparent: regulators should be open, and keep regulations simple and user friendly; and
 - Targeted: regulation should be focused on the problem, and minimise side effects
- 39.3 This licensing authority will also, as recommended by the Gambling Commission's Guidance for Local Authorities, adopt a risk-based approach. Generally given the profile of the local area this will be a light touch approach; however, the Authority will investigate any complaints or issues brought to its notice as necessary given the circumstances in each case.
- 39.4 The main enforcement and compliance role for this licensing authority in terms of the Gambling Act 2005 will be to ensure compliance with the Premises Licences and other permissions that it authorises.
- 39.5 The Gambling Commission will be the enforcement body for Operator and Personal Licences. Concerns about manufacture, supply or repair of gaming machines will not be dealt with by the licensing authority but will be notified to the Gambling Commission for investigation.

- 39.6 This licensing authority will also keep itself informed of developments regarding the work of the Better Regulation Executive in its consideration of the regulatory functions of local authorities.
- 39.7 Any prosecution will only be commenced in accordance with the sufficiency of evidence and public interest criteria referred to in the Code for Crown Prosecutors issued in accordance with the Prosecution of Offences Act 1985.
- 39.8 Any such prosecution will be commenced and conducted by the Head of Environmental Health in accordance with the powers delegated to him by the council.

40. Reviews

- 40.1 A premises licence may be reviewed by the licensing authority of its own volition or following the receipt of an application for a review, which is essentially a request by a third party to the licensing authority to review a particular licence.
- 40.2 Section 200 of the Act provides that licensing authorities may initiate a review in relation to a particular class of premises licence or in relation to particular premises. Officers may be involved in the initial investigations of complaints leading to a review, or may try informal mediation or dispute resolution techniques prior to a full-scale review being conducted, but the review itself, if necessary, will be heard by elected members.
- 40.3 Requests for a review of a premises licence can be made by interested parties or responsible authorities, however, it is for the licensing authority to decide whether the review is to be carried-out.
- 40.4 An application for a review may be (but need not be) rejected if the licensing authority thinks that the grounds on which the review is sought:
- a) are not relevant to the principles that must be applied by the licensing authority in accordance with section 153. If the application raises issues that are not relevant to the Commission guidance/codes of practice, this policy statement, or the licensing objectives, then we may reject it. In addition, if the application raises general objections to gambling as an activity, that is likely to be irrelevant to the principles in section 153, given that we are required to permit the use of premises for gambling in so far, we think that permission is in accordance with the matters set out in that section. Examples that are likely to be irrelevant include demand for gambling premises, issues relating to planning, public safety, and traffic congestion.
 - b) the grounds are frivolous.
 - c) the grounds are vexatious.

- d) the grounds “will certainly not” cause the authority to revoke or suspend a licence or to remove, amend or attach conditions on the premises licence.
- e) are substantially the same as the grounds cited in a previous application for review relating to the same premises. In these circumstances we will take into account how much time has passed since the earlier application in reaching a judgement about whether it is reasonable to rely on this as a reason not to review the licence; or
- f) are substantially the same as representations made at the time the application for a premises licence was considered? In these circumstances, we will consider the period of time that has passed since the representations were made, but the underlying requirement is that we should not review the licence on the basis of the same arguments considered on the grant of the premises licence

DRAFT

APPENDIX A

SCHEDULE OF CONSULTEES TO THIS DRAFT POLICY STATEMENT

- All Elected Councillors, Fareham Borough Council
- Director of Planning & Regeneration, Fareham Borough Council
- The Head of Legal Services, Southampton City Council
- The Head of Environmental Health, Fareham Borough Council
- The Gambling Commission Headquarters Policy Section
- The Gambling Commission Regional Inspector (Hampshire)
- The Chief Constable, Hampshire Police
- Hampshire Fire and Rescue Service Authority
- Head of Child Protection, Hampshire County Council
- H.M. Revenue & Customs
- Neighbouring Authorities
- The British Casino Association
- Racecourse Association Limited
- British Amusement Catering Trade Association
- British Holiday & Home Parks Association
- Community Trade Union
- Association of British Bookmakers
- All persons who hold Betting Office and Bookmakers Permits in Fareham Borough
- Representatives of persons who hold Society Lottery Registrations in Fareham Borough
- Clubs and Institute Union
- Gaming Machine Suppliers who regularly apply for Gaming Permits in Fareham Borough
- Society of Independent Brewers
- Representatives of Premises Licence Holders in Fareham
- Representatives of Club Premises Certificate holders in Fareham
- Hampshire County Council Trading Standards
- GamCare
- Responsibility in Gambling Trust
- Gam – Anon
- Residents Associations and Tenant Groups.
- General advertisement on the Council's website.

APPENDIX B

SCHEDULE OF RESPONSIBLE AUTHORITIES GAMBLING ACT 2006

Hampshire Constabulary

Chief Officer of Police
Fareham Police Station
Quay Street
Fareham
PO16 0NA

Tel: 0845 045 45 45 (central number)

Hampshire Fire & Rescue Service

Service Delivery (Community Safety Delivery)
Protection Department
Southsea Fire Station
Somers Road
Southsea
PO5 4LU

Tel: 023 92855180

Email: : Csprotection.admin@hantsfire.gov.uk

Fax: 023 92885175

Website: www.hantsfire.gov.uk

Pollution & Environmental Protection Team

Pollution & Environmental Protection Team
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ

Tel: 01329 236100

Email: licensing@fareham.gov.uk

Fax:01329 821755

Website: www.fareham.gov.uk

Health & Safety Team

Health & Safety Team
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ

Tel: 01329 236100

Email: health@fareham.gov.uk

Fax:01329 821755

Website: www.fareham.gov.uk

Planning Authority
Department of Strategic Planning and Environment
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ

Tel: 01329 236100
Website: www.fareham.gov.uk

Fax:01329 821500

The Local Weights and Measures Authority
Head of Safety & Standards
The Trading Standards Service
Montgomery House
Monarch Way
Winchester
SO22 5PW

Tel 01962 833620

Email: liquor.licensing@hants.gov.uk
Website: www.hants.gov.uk

Safeguarding Unit Children's' Services
HCC CSD Safeguarding Unit
Falcon House
Monarch Way
Winchester
SO22 5PL

Tel: 01962 876222

Email: child.protection@hants.gov.uk
Website: www.hants.gov.uk

The Licensing Team
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ

Tel: 01329 236100
Email: licensing@fareham.gov.uk

Fax:01329 821755
Website: www.fareham.gov.uk

Public Health Licensing Manager
Public Health Department
1st Floor, Room 153
Elizabeth II Court, South
Hampshire County Council
Winchester
SO23 8TG

Tel: 01329 236100

Use Fax no. 01962 847644 and
address fax exactly as follows
(including email address):

For the attention of publichealth.licensing@hants.gov.uk
Licensing
Public Health Manager
Public Health Department
1st Floor, Room 153
Elizabeth II Court, South
Hampshire County Council
Winchester
SO23 8TG

Email: publichealth.licensing@hants.gov.uk

DRAFT

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Treasury Management Strategy 2022/23
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:

This report considers the draft Treasury Management Strategy and Investment Strategy for 2022/23, 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 2022/23 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.

CIPFA published revised versions of its Treasury Management Code of Practice and the Prudential Code in late December 2021. Due to the late publications, CIPFA recognises that changes may not be fully implemented until 2023/24 due to the lead-in time to produce the strategy. Therefore, this strategy is based on the 2017 version of both Codes.

In the past 12 months, the Council's **investment** balance has ranged between £16 million and £25 million and similar levels are expected to be maintained in the forthcoming year. The majority of the Council's investments is expected to be invested in short-term unsecured bank deposits and money market funds with approximately £16 million available for longer-term investment.

Borrowing levels are expected to increase to a projected £72.7 million at the end of 2022/23 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.

Recognising the Council's commitment to climate change mitigation, a new **Environmental, Social and Governance (ESG) Policy** identifying investment considerations has been added.

Recommendation:

It is recommended that the Executive:

- (a) endorses the draft Treasury Management Strategy and Investment Strategy for 2022/23, 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 2022/23

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 2022/23 provided by Arlingclose (the Council's Treasury Advisers)

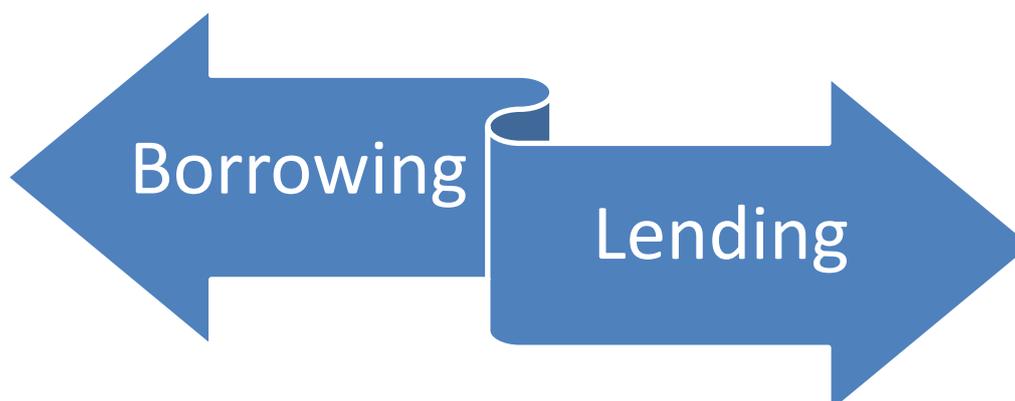
Enquiries:

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

FAREHAM

BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY 2022/23



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;

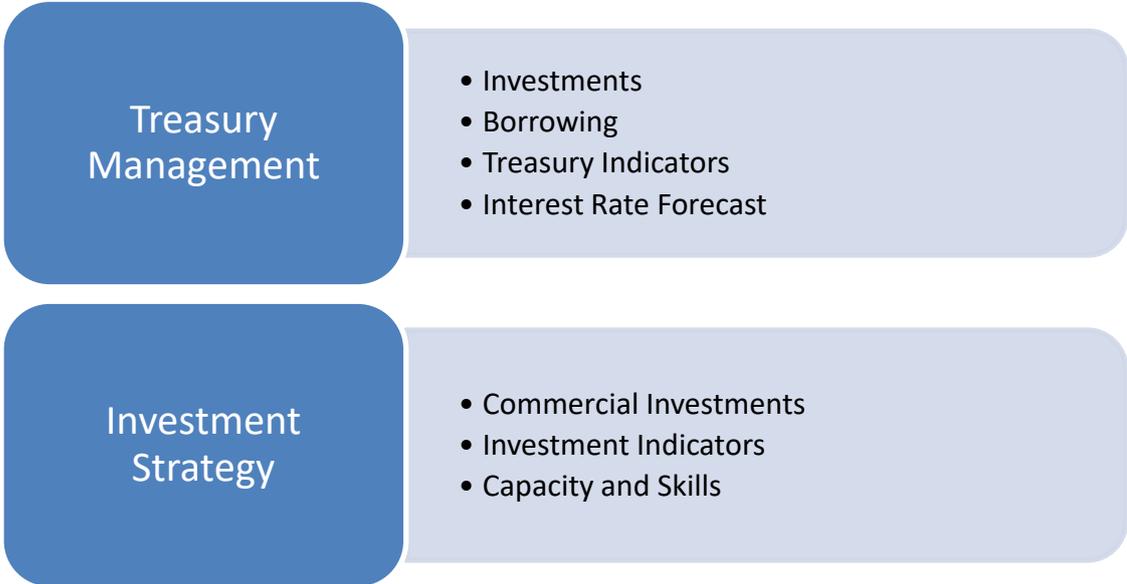
the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

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 2022/23. 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

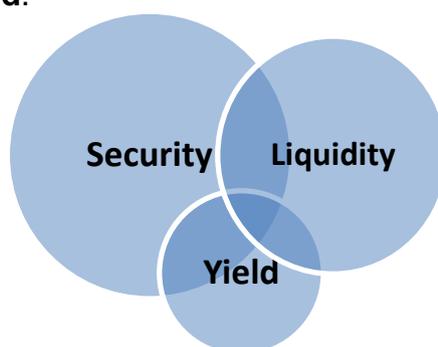
INVESTMENTS

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 £16 million and £25 million and similar levels are expected to be maintained in the forthcoming year.

Treasury Investment Strategy

8. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.



9. The Council's objective when investing money is to strike an appropriate balance between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
10. 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 £16 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.
11. 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

12. 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	£5m	£20m

13. 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.
14. 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.
15. Summary of counterparty types:
- a) **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.
 - b) **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.
16. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks), registered providers (loans 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

17. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £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

18. 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.
19. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that

organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

20. The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.
21. 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.
22. 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

23. The Council's revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2022. 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 **£5 million**. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
24. 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.

	Cash limit
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

- 25. 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.
- 26. 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.

Environmental, Social and Governance (ESG) Policy

- 27. The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.
- 28. The Council will give weight to the environmental, social and governance elements of credit ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

BORROWING

Current Portfolio Position

- 29. The Council’s borrowing position at 31 March 2021, with forward projections are summarised below.

£'000	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt at 1 April	55,967	72,700	77,700	78,700	76,700
Expected change in debt	7,000	5,000	1,000	(2,000)	(2,000)
Gross Debt at 31 March	62,967	77,700	78,700	76,700	74,700

- 30. Debt at 31 March 2022 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

- 31. 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.

32. 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.
33. 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.
34. 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.
35. 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 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
36. 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.
37. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
38. 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.
39. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

Sources of Borrowing

40. 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.

41. 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
42. **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.
43. **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.
44. **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.
45. **Borrowing Limits:** These have been set as part of the Capital Strategy for 2022/23.

TREASURY MANAGEMENT INDICATORS

46. The Council measures and manages its exposures to treasury management risks using the following three treasury management indicators.
47. *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	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Limit on principal invested beyond year end	14	15	16	17	18

48. *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:

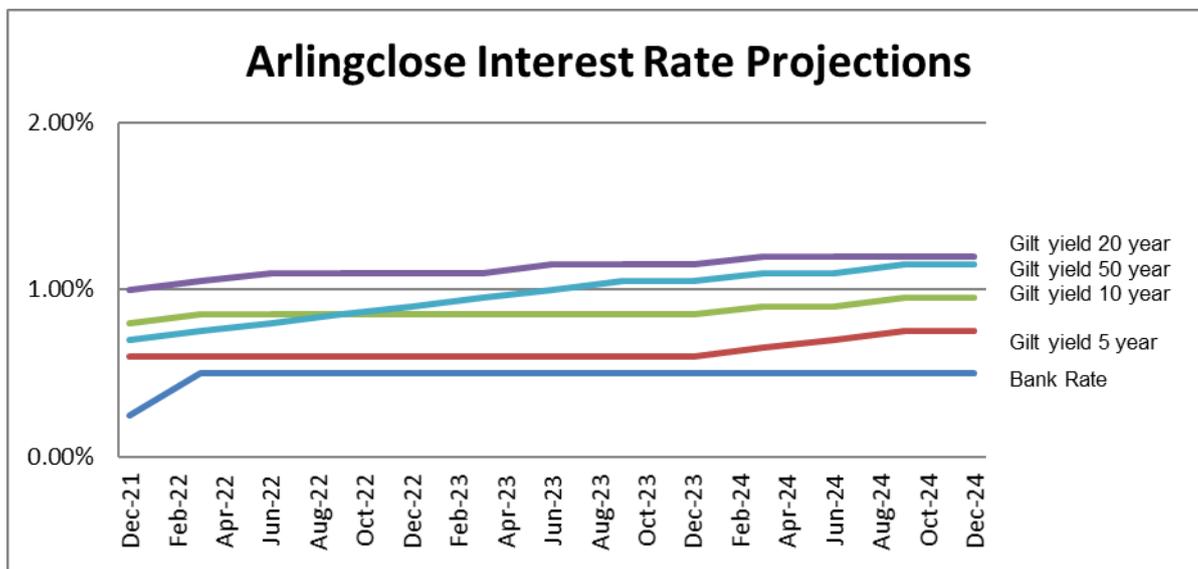
Maturity structure of borrowing	Upper Limit %	Lower Limit %
- Loans maturing within 1 year	50	0
- Loans maturing within 1 - 2 years	50	0
- Loans maturing within 2 - 5 years	50	0
- Loans maturing within 5 - 10 years	50	0
- Loans maturing in over 10 years	100	100

49. 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.
50. *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.

	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt £'000	49,268	49,268	49,268	49,268	49,268
HRA revenues £'000	12,510	12,983	13,104	13,638	14,062
Number of HRA dwellings	2,422	2,422	2,414	2,406	2,398
Ratio of debt to revenues %	3.94:1	3.79:1	3.76:1	3.61:1	3.50:1
Debt per dwelling £	£20,340	£20,340	£20,407	£20,475	£20,543
Debt repayment fund £'000	£5,700	£6,840	£7,980	£9,120	£10,260

INTEREST RATE FORECAST

51. The Council's treasury management adviser, Arlingclose, 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.
52. The following graph and commentary gives the Arlingclose's central view on interest rates.



53. Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 to subdue inflationary pressures and the perceived desire by the Bank of England to move away from emergency levels of interest rates.
54. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.
55. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

Other Items

56. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.
57. **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.
58. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
59. 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.

60. **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

61. The budget for net interest received in 2022/23 for the General Fund is £678,800 and the budget for net interest paid in 2022/23 for the HRA is £1,697,300. 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

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

INVESTMENT STRATEGY

63. 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).
64. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.
65. The Council does not currently have any service investments.

COMMERCIAL INVESTMENTS

66. 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.
67. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£32.3 million** and expected to generate rental income of £2.7 million during 2022/23.

Property Type	Current Value £'000
Retail	19,545
Commercial	10,665
Other	2,130
Total	32,340

68. The Council's total Commercial property portfolio, shown below, is valued at **£61.5 million** and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

Property Type	Current Value £'000
Retail	30,672
Commercial	19,675
Other	4,645
Office	4,000
Leisure	2,533
Total	61,525

69. 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.

70. 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;
 - there is a mix of property types in the portfolio e.g. retail, industrial, etc.;
 - 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

71. 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	2020/21 Actual	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Gross service expenditure	46,686	45,620	45,198	46,588	47,197	47,322
Investment income	4,645	5,779	5,477	5,432	5,427	5,427
Proportion	9.9%	12.7%	12.1%	11.7%	11.5%	11.5%

INVESTMENT INDICATORS

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

£'000	2020/21 Actual	2021/22 Revised	2022/23 Estimate
Treasury Management Investments	18,625	15,000	15,000
Commercial Investments	61,525	61,525	61,525
Total	80,150	76,525	76,525

74. *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.

£'000	2020/21 Actual	2021/22 Revised	2022/23 Estimate
Treasury Management Investments	0	0	0
Commercial Investments	31,042	30,272	29,479
Total	31,336	30,272	29,479

75. *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.

	2020/21 Actual	2021/22 Revised	2022/23 Estimate
Treasury Management Investments	3.3%	3.5%	2.7%
Commercial Investments	5.2%	5.6%	5.4%
Total	4.7%	5.1%	4.7%

CAPACITY AND SKILLS

Training

76. 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.
77. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
78. 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

79. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
80. 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.
81. 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.

ARLINCLOSE ECONOMIC AND INTEREST RATE FORECAST

Economic Background – December 2021

The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously but notes that Omicron could weaken the demand for labour.

UK CPI for November 2021 registered 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% y/y from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%. In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% y/y in November, the fourth month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

Credit Outlook – December 2021

Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Underlying assumptions – December 2021

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.

- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast – December 2021

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 07 February 2022

Portfolio:	Policy and Resources
Subject:	Capital Programme and Capital Strategy 2022/23
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	A dynamic, prudent and progressive Council

Purpose:

This report considers the Capital Strategy for 2022/23, prior to its submission to the Council for approval.

Executive summary:

Regulations require the Council to prepare and formally approve a Capital Strategy. The document for 2022/23 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval.

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing, asset management and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

The main highlights in the Capital Strategy are:

- i) The level of capital expenditure estimated for 2022/23 is £19.9 million. The current estimate is that £9.8 million of this will be met by new borrowing.
- ii) A new section about Environmental Sustainability has been added.
- iii) A high-level review of future funding requirements has identified a capital funding requirement of £229 million.
- iv) The Council's commercial property portfolio has an estimated value of £61.5 million.

A separate report proposing the Treasury Management Strategy and Investment Strategy for 2022/23 is also presented at the February meeting of the Executive.

Recommendation/Recommended Option:

It is recommended that the Executive:

- (a) endorses the draft Capital Strategy for 2022/23, attached as Appendix A to this report;
- (b) approves the capital programme for the period 2021/22 to 2025/26, amounting to £73.8 million as set out in Annex 1 of the Capital Strategy; and
- (c) agrees to submit the Capital Strategy for 2022/23 to Council for approval.

Reason:

To allow the Council to approve the Capital Strategy in accordance with the Prudential Code.

Cost of proposals:

As detailed in the report.

Appendices: **A:** Capital Strategy 2022/23 (including 5-year capital programme as Annex 1)

Background papers: None

Reference papers: Fareham Borough Council Climate Change Action Plan, 7 June 2021
Executive
CIPFA Prudential Code 2017
Arlingclose Capital Strategy 2022-23 Template

Enquiries:

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

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BOROUGH COUNCIL

CAPITAL STRATEGY 2022/23



CONTENTS

INTRODUCTION	3
CAPITAL EXPENDITURE	4
CAPITAL FINANCING	8
ASSET MANAGEMENT	11
TREASURY MANAGEMENT	12

INTRODUCTION

WHAT IS THE CAPITAL STRATEGY?

1. The Capital Strategy has been developed to meet the requirements of the CIPFA Prudential Code.
2. It gives a high-level overview of how **capital expenditure, capital financing, asset management and treasury management** activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
3. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future.
4. The Capital Strategy covers:



5. The capital strategy compliments other Council strategies, including those in the diagram below:



PRUDENTIAL INDICATORS

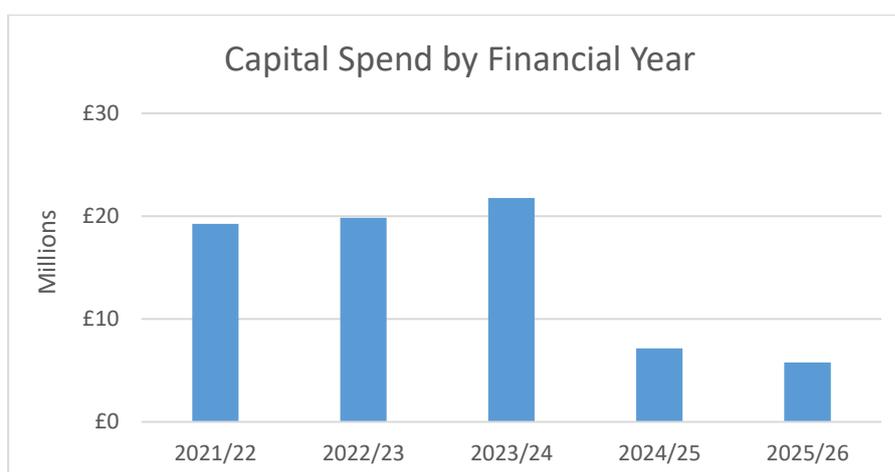
6. The objectives of the CIPFA Prudential Code aim to ensure that capital investment plans are **affordable, prudent and sustainable**, and that treasury decisions are taken in accordance with good professional practice.
7. To achieve these objectives, five prudential indicators are included in the capital strategy:
 - Prudential Indicator 1 - Estimates of capital expenditure and financing
 - Prudential Indicator 2 - The Council's borrowing need
 - Prudential Indicator 3 - Gross debt and the capital financing requirement
 - Prudential Indicator 4 - Limits to borrowing activity
 - Prudential Indicator 5 - Proportion of financing costs to net revenue stream

CAPITAL EXPENDITURE

8. Capital expenditure is where the Council spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
9. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to the revenue account in year.

ESTIMATES OF CAPITAL EXPENDITURE

10. The Council agrees a rolling five-year capital programme each year consistent with the Medium-Term Finance Strategy and the resources available, along with any impact on the revenue budgets.
11. The capital programme for the period 2021/22 to 2025/26 has been updated to take account of re-phased schemes and newly approved schemes such as town centre property acquisitions for housing and the review of community buildings.
12. The £8 million budget for the town centre hotel scheme has also be removed from the capital programme as there are no prospects of this progressing at the current time.
13. Total capital expenditure is one of the risk indicators required by the Prudential Code. The Council is planning capital expenditure of £73.8 million in the 5-year capital programme as summarised below (detailed schemes are in **Annex 1**):



Prudential Indicator 1 - Estimates of Capital Expenditure

Capital Expenditure	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	Total £'000
Health and Public Protection	40	0	0	0	0	40
Streetscene	94	55	0	0	288	437
Leisure and Community	4,647	2,558	9,260	1,819	229	18,513
Housing	1,708	500	500	500	566	3,774
Planning and Development	399	70	215	0	0	684
Policy and Resources	5,600	8,778	6,210	505	450	21,543
Total General Fund	12,488	11,961	16,185	2,824	1,533	44,991
HRA	6,762	7,898	5,587	4,320	4,250	28,817
Total Expenditure	19,250	19,859	21,772	7,144	5,783	73,808

MAJOR CAPITAL SCHEMES

14. The major General Fund capital schemes include Fareham Live, schemes at Solent Airport at Daedalus and Osborn Road Multi-Storey Car Park.
15. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes new housing developments with 16 new sheltered housing flats at Station Road and 11 houses for Shared Ownership properties at Stubbington Lane.
16. Major schemes over £3 million are summarised in the table below:

Major Schemes	£'000
HRA Improvements to Existing Stock	15,760
Fareham Live	12,675
HRA New Builds	9,020
Solent Airport at Daedalus	8,953
Osborn Road Multi-Storey Car Park	5,500
Leisure Centres Capital Investment	4,922
HRA Stock Acquisitions	3,997
Civic Offices Improvements	3,699
Asset Replacement Programme (ICT, Vehicles etc.)	3,561

GOVERNANCE AND PRIORITIES

17. Capital programme expenditure is monitored through monthly officer monitoring reports and half-yearly and annual outturn reports to the Executive.
18. All new potential capital schemes will only be considered if they make a clear contribution to the Council's objectives and priority actions or support the Council's Asset Management Plan.
19. The following factors need to be considered before a decision is made to include a new scheme in the capital programme:
 - On-going operational costs associated with the scheme;
 - Whole life costing implications of the scheme;
 - Cost of servicing the debt if the scheme is financed by borrowing;
 - Loss of investment interest if internal resources are used.
20. Where new capital schemes are included in the capital programme there will be a need to ensure that the necessary resources are in place to meet the full capital costs and the on-going revenue costs.

21. Efforts will be made to secure external (non-borrowing) sources of funding capital schemes. Internal capital resources will only be released to fund schemes once external sources of funding (such as developers' contributions, lottery grants, etc.) have been explored and rejected.
22. Capital schemes will normally be financed by use of capital reserves or external contributions. Borrowing will only be considered where there is a sound economic business case (e.g. for spend to save schemes) whereby borrowing costs are wholly offset by long term net revenue income or savings.
23. Resources allocated to particular capital projects but subsequently not required are returned to meet future corporate priorities rather than be retained for use by that service.
24. To ensure the Council is able to meet the financial challenges ahead, priority is given to the following:
 - Corporate priorities;
 - Providing for future liabilities;
 - Maintaining and protecting public assets;
 - Investing in the future by ensuring assets are sustainable, encourage economic growth and regeneration, and meet the needs of the community.
25. This is achieved by:
 - Building up finances for the future, such as the allocation of windfall income to the Capital Fund Account;
 - Maximising external funding opportunities to reduce the reliance on internal resources;
 - Effective project planning and management to ensure schemes are completed on time and within budget.

ENVIRONMENTAL SUSTAINABILITY

26. At the June 2021 Executive, members adopted the Council's Climate Change Action Plan detailing the actions the Council is taking to reach carbon neutrality, under the categories, Eliminate, Reduce and Offset.
27. The action plan highlights area that will require future capital funding for projects such as:
 - Energy efficiency improvements to Council properties and housing stock
 - Electric vehicle charging points at the Depot
 - Replacement vans and smaller vehicles that have exceeded their working lifespan with electric versions
 - Replacement of petrol-powered tools e.g., lawnmowers that have exceeded their natural lifespans with electric versions

28. External sources of funding will be sought where possible to contribute towards priority environmentally sustainable projects and will be an area of spending pressure in the future.

CAPITAL FINANCING

29. All capital expenditure must be financed, either from **external sources** (government grants and other contributions), the Council’s **own resources** (revenue, reserves and capital receipts) or **debt** (borrowing and leases).

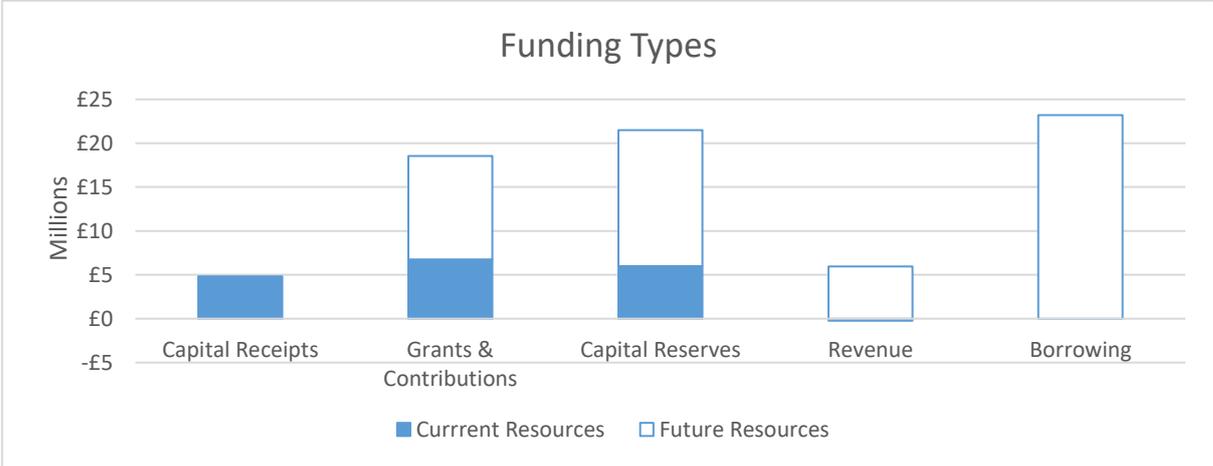
30. The planned financing of the above expenditure is as follows:

Prudential Indicator 1 - Estimates of Financing

Capital Financing	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	Total £'000
Capital Receipts	2,500	915	469	570	366	4,820
Grants & Contributions	1,644	4,276	9,565	2,053	1,017	18,555
Capital Reserves	3,832	4,563	6,262	3,322	3,500	21,479
Revenue	1,459	1,312	1,125	955	900	5,751
Borrowing	9,815	8,793	4,351	244	0	23,203
Total Financing	19,250	19,859	21,772	7,144	5,783	73,808

31. Total resources of **£79.8 million** are estimated to be available over the life of the capital programme and therefore there should be a surplus of approximately £6 million in 2025/26.

32. The chart below shows the different funding types split between current and future resources. Borrowing is the largest funding source financing 31% of the programme.



- 33. The forecast surplus of resources is limited and relies partly on resources that have not yet been secured (such as future capital receipts and grants as well as continued revenue contributions towards capital investment), totalling £33 million.
- 34. In the event that these resources do not materialise, other funding options will need to be investigated including borrowing, reliance on external funding or the programme scaled back.
- 35. It must also be borne in mind that the implications of some of the Council’s priority actions and emerging capital spending pressures have not yet been quantified. Costs associated with approved schemes also remain provisional until tenders have been received.
- 36. Spending pressures in this respect include repair and refurbishment or replacement works to Council assets (for example, community and leisure facilities, public conveniences, car parks etc.) that have yet to be added to the capital programme.

DEBT AND MRP

- 37. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually by putting aside revenue resources to repay debt which is known as **Minimum Revenue Provision (MRP)**. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.
- 38. Planned MRP and use of capital receipts are as follows:

	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Minimum Revenue Provision	1,132	1,491	1,947	2,004	2,100
Future Capital Receipts	1,676	1,919	0	0	0

- 39. Borrowing costs (MRP and interest charges) for schemes funded by debt will be covered by revenue generating assets.
- 40. The MRP budget provision reflects the capital costs relating to commercial property purchases, and construction works at Solent Airport at Daedalus including the Innovation Centre extension and new hangars.

MRP Policy Statement

41. 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.
42. 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.
43. No MRP will be charged in respect of assets held within the HRA, in accordance with MHCLG Guidance. Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24.
44. The Council's full MRP statement is available in the Council's Treasury Management Strategy.

Capital Financing Requirement

45. The Council's cumulative outstanding amount of debt finance is referred to as the **Capital Financing Requirement (CFR)** and is another prudential indicator. The CFR increases with new debt-financed capital expenditure and reduces when MRP and capital receipts are used to replace debt.
46. The CFR indicator is a measure of the Council's underlying need to borrow for a capital purpose taken from the balance sheet. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits.
47. The CFR is expected to increase by £7.3 million during 2022/23 mainly due to capital expenditure at Solent Airport at Daedalus, Osborn Road Multi-Storey Car Park and housing developments at Station Road and Stubbington Lane funded by debt. The Council's estimated CFR is as follows:

Prudential Indicator 2 - The Council's borrowing need

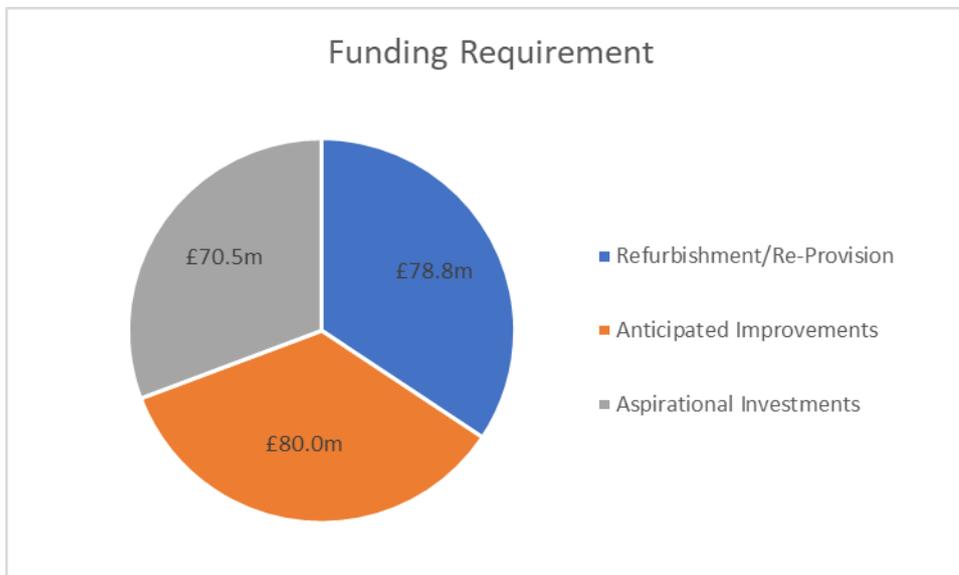
£'000	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund	59,700	65,102	66,180	64,420	62,564
HRA	53,109	55,009	56,335	56,335	56,335
Total CFR	112,809	120,111	122,515	120,755	118,899

ASSET MANAGEMENT

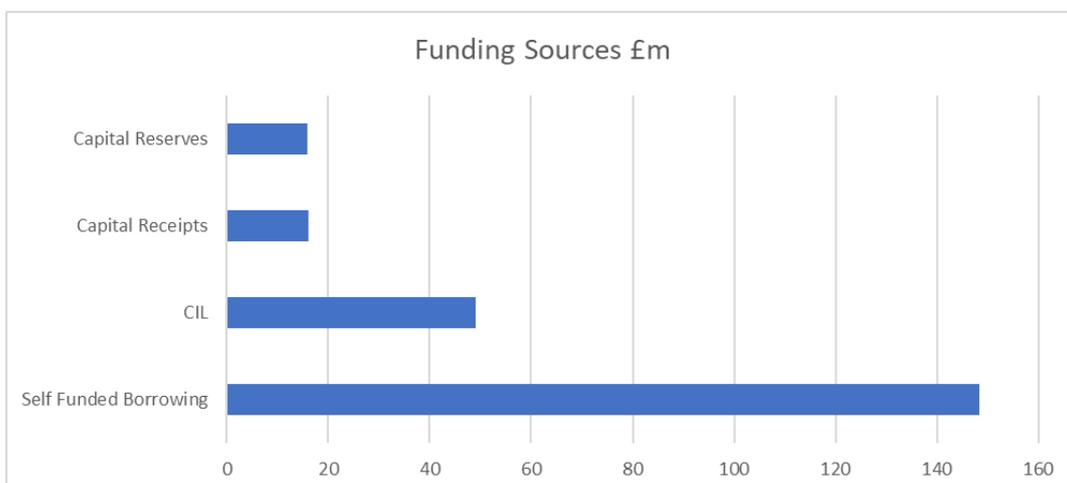
48. One of the Council's corporate priorities is 'a dynamic, prudent and progressive Council' and aims to 'undertake a major review of all Council owned land and buildings to ensure that we are making the best use of our assets'.

FUTURE FUNDING REQUIREMENTS

49. To ensure that capital assets continue to be of long-term use, the Council has undertaken a high-level review of the future funding requirements for its land and buildings, excluding Council dwellings. This review covers a 30-year time frame and has identified a capital funding requirement of **£229 million** for refurbishing/re-provisioning existing assets, improving existing assets and aspirational investments as shown in the chart below:



50. The main funding source is self-funded borrowing supported by capital receipts, capital reserves and the community infrastructure levy, as illustrated in the following graph:



51. The high-level review has identified a substantial capital funding requirement and the following assets are currently under review:
- Civic Offices
 - Depot
 - Osborn Road Multi-Storey Car Park
 - Community Centres and Halls
 - Units 1 & 2 Southampton Road
52. The Council will put in place a Council-wide plan which will set out the overall direction and framework for the management of its assets to help deliver the Council's priority actions and service delivery needs, now and in the future.

ASSET DISPOSALS

53. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.
54. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive capital receipts as follows:

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Right to Buy Houses	700	900	900	900	900
Other Housing Receipts	34	16	16	16	16
General Fund Property	348	4,669	0	0	0
Total	1,082	5,585	916	916	916

General Fund Property relates to property sold in West Street (2021/22) and IFA2 and Welborne Cottages (2022/23). The table doesn't take into account commercial property or Daedalus sales for reinvestment.

TREASURY MANAGEMENT

55. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
56. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

57. At 31 March 2021, the Council had £56 million borrowing and £18.6 million treasury investments.
58. The Treasury Management Strategy and Investment Strategy for 2021/22 will be presented separately at the February meeting of the Executive.

BORROWING STRATEGY

59. The Council's main objective when borrowing is to achieve a low but sufficiently certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.25%) and long-term fixed rate loans where the future cost is known but higher (currently 1.65 to 2.37).
60. Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement.

Prudential Indicator 3 - Gross debt and the capital financing requirement

	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Debt at 1 April	62,967	77,700	78,700	76,700	74,700
Capital Financing Requirement (CFR)	112,809	120,111	122,515	120,755	118,899

61. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table above, the Council expects to comply with this in the medium term.

AFFORDABLE BORROWING LIMIT

62. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and a lower "operational boundary" set as a warning level should debt approach the limit.
63. The operational boundary is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. This is the limit beyond which external borrowing is not normally expected to exceed.
64. The authorised limit represents the maximum amount of debt that the Council can legally owe. The limit provides headroom over and above the operational boundary for unusual cash movements.

Prudential Indicator 4 - Limits to Borrowing Activity

	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Operational Boundary	128,000	139,000	148,000	136,000	133,000
Authorised Limit	136,000	147,000	156,000	144,000	141,000

65. Further details on borrowing are in the Council's Treasury Management Strategy.

TREASURY INVESTMENT STRATEGY

66. 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).
67. The Council does not currently have service investments.

Treasury Investment Policy

68. The Council's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.
69. Money that will be held for longer terms is invested more widely, currently in property but could also include bonds and shares, to balance the risk of loss against the risk of receiving returns below inflation.
70. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy, and the Council may request its money back at short notice.
71. Further details on treasury investments are set out in the Council's Treasury Management Strategy.

Treasury Investment Risk Management

72. The effective management and control of risk are prime objectives of the Council’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses.

Treasury Investment Governance

- 73. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Deputy Chief Executive Officer and staff, who must act in line with the treasury management strategy approved by Full Council.
- 74. Half-yearly reports on treasury management activity are presented to the Executive. The Audit and Governance Committee is responsible for scrutinising treasury management decisions and therefore is presented with the annual Treasury Management Policy for comment, and a half yearly-report on adherence to this Policy.

COMMERCIAL ACTIVITIES

Commercial Investments Policy

75. With central government financial support for local public services declining, the Council invests in commercial property to secure a financial gain. Total commercial investments that have been purchased in accordance with the Council’s Commercial Property Investment Acquisition Strategy are summarised below and are currently valued at **£32.3 million** and expected to generate rental income of £2.7 million during 2022/23.

Property Type	Current Value £’000
Retail	19,545
Commercial	10,665
Other	2,130
Total	32,340

76. The Council’s total investment portfolio, shown below, is valued at **£61.5 million** and includes Fareham Shopping Centre, Faretec and industrial sites at Palmerston Business Park and Newgate Lane.

Property Type	Current Value £'000
Retail	30,672
Commercial	19,675
Other	4,645
Office	4,000
Leisure	2,533
Total	61,525

77. With financial return being a key objective, the Council accepts higher risk on commercial investment than with treasury investments. Investing in property is not risk-free, so it is important that any acquisitions reflect the Council's risk appetite in terms of maintaining the capital value of the asset in the long term, and extent to which rental income is guaranteed.
78. The principal risk exposures include vacancies and the resultant loss of income, added costs of holding a vacant property and cost of marketing and re-letting the property.
79. 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;
 - there is a mix of property types in the portfolio e.g. retail, industrial, etc.;
 - new purchases are only considered with existing tenants of "high quality" and sufficiently long lease terms;
 - appropriate checks are carried out to ascertain the tenant's reliability before the investment is made and periodically afterwards;
 - 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.
80. The majority of investments will be held for a medium to long term in order to achieve the required return and to justify the cost of the acquisition. However, as part of the investment decision, consideration is also given to the potential ways in which the Council could "exit" from the investment, such as sale to another investor, sale for redevelopment, etc. An investment only proceeds where there is a clear exit strategy, should it be required.

Commercial Investments Governance

81. The Executive approved a Commercial Property Investment Acquisition Strategy on 7th January 2013.
82. The steps taken before a decision to purchase a property are clearly documented and tested via a challenge process involving the Head of Property Services, Deputy Chief Executive Officer and the Executive portfolio holder for Policy Strategy and Finance.
83. Decisions on commercial investments are made by the Executive in line with the criteria outlined in the Commercial Property Investment Acquisition Strategy.
84. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

LIABILITIES

85. In addition to debt detailed above, the Council is committed to making future payments to cover its **pension fund deficit** (valued at £71.1 million as at 31 March 2021). It has also set aside provisions of £2.4 million mainly to cover **business rate appeals**.
86. Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Deputy Chief Executive Officer. The risk of liabilities crystallising and requiring payment is monitored by Finance and reported as necessary.
87. Further details on liabilities are given in the 2019/20 Statement of Accounts.

REVENUE BUDGET IMPLICATIONS

88. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.
89. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Prudential Indicator 5 - Proportion of financing costs to net revenue stream

	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund Financing costs £	444,000	803,000	1,259,000	1,316,000	1,412,000
General Fund Proportion of net revenue stream	4%	7%	12%	13%	14%
HRA Financing costs £	1,697,000	1,981,000	2,200,000	2,199,000	2,197,000
HRA Proportion of net revenue stream	14%	15%	17%	16%	16%

90. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 30 years into the future. The Deputy Chief Executive Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

KNOWLEDGE AND SKILLS

91. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council also supports junior staff to study towards relevant professional qualifications including CIPFA.
92. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs **Arlingclose Limited** as treasury management advisers and a number of property consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

CAPITAL PROGRAMME 2021/22 to 2025/26

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
HEALTH AND PUBLIC PROTECTION						
CCTV Cameras	40,000					40,000
HEALTH AND PUBLIC PROTECTION TOTAL	40,000	0	0	0	0	40,000
STREETSCENE						
Bus Shelters	6,000	15,000			288,300	309,300
Play Area Safety Equipment and Surface Replacement	88,000	40,000				128,000
STREETSCENE TOTAL	94,000	55,000	0	0	288,300	437,300
LEISURE AND COMMUNITY						
Buildings						
Fareham Live	50,000	1,920,600	8,922,600	1,552,800	229,400	12,675,400
Leisure Centres Capital Investment	4,291,900	110,800	275,000	243,800		4,921,500
Community Buildings Review		337,300	62,300	22,400		422,000
Whiteley Community Centre Refurbishment		40,000				40,000
	4,341,900	2,408,700	9,259,900	1,819,000	229,400	18,058,900
Play Schemes						
Play Area Improvement Programme	205,000	82,600				287,600
Fareham College Play Area		50,000				50,000
Abbey Meadows Play Area	100,000					100,000
	305,000	132,600	0	0	0	437,600
Other Community Schemes						
Allotment Improvements		16,300				16,300
	0	16,300	0	0	0	16,300
LEISURE AND COMMUNITY TOTAL	4,646,900	2,557,600	9,259,900	1,819,000	229,400	18,512,800
HOUSING						
Home Improvements						
Disabled Facilities Grants	700,000	500,000	500,000	500,000	500,000	2,700,000
Empty Homes Strategy					65,900	65,900
	700,000	500,000	500,000	500,000	565,900	2,765,900
Enabling						
Gordon Road Acquisition	920,000					920,000
Sea Lane, Stubbington - Self Builds	88,200					88,200
	1,008,200	0	0	0	0	1,008,200
HOUSING TOTAL	1,708,200	500,000	500,000	500,000	565,900	3,774,100

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
PLANNING AND DEVELOPMENT						
Car Parks						
Car Parks: Surfacing	105,000	70,000	215,000			390,000
Car Parks: New Machines and Control Room Upgrade	273,900					273,900
	378,900	70,000	215,000	0	0	663,900
Coastal Protection						
Salterns Recreation Ground Seawall Repairs	20,000					20,000
	20,000	0	0	0	0	20,000
PLANNING AND DEVELOPMENT TOTAL						
	398,900	70,000	215,000	0	0	683,900
POLICY AND RESOURCES						
Replacement Programmes						
Vehicles and Plant Replacement Programme	505,800	400,000	400,000	400,000	400,000	2,105,800
ICT Development Programme	387,700	402,300	60,000	105,000	50,000	1,005,000
	893,500	802,300	460,000	505,000	450,000	3,110,800
Operational Buildings						
Civic Offices Improvement Programme	50,000	648,800	3,000,000			3,698,800
	50,000	648,800	3,000,000	0	0	3,698,800
Property Developments						
Osborn Road Multi-Storey Car Park		2,750,000	2,750,000			5,500,000
Solent Airport at Daedalus Schemes	4,376,100	4,577,100				8,953,200
	4,376,100	7,327,100	2,750,000	0	0	14,453,200
Land Acquisitions						
Purchase of Land at Mill Lane	280,000					280,000
	280,000	0	0	0	0	280,000
POLICY AND RESOURCES TOTAL						
	5,599,600	8,778,200	6,210,000	505,000	450,000	21,542,800
GENERAL FUND TOTAL						
	12,487,600	11,960,800	16,184,900	2,824,000	1,533,600	44,990,900
HOUSING REVENUE ACCOUNT						
Improvements to Existing Stock	2,760,000	3,000,000	3,200,000	3,300,000	3,500,000	15,760,000
Vehicles		40,000				40,000
Acquisitions	1,247,000	500,000	750,000	750,000	750,000	3,997,000
New Builds	2,755,000	4,358,000	1,637,000	270,000		9,020,000
HOUSING REVENUE ACCOUNT TOTAL						
	6,762,000	7,898,000	5,587,000	4,320,000	4,250,000	28,817,000
TOTAL CAPITAL PROGRAMME						
	19,249,600	19,858,800	21,771,900	7,144,000	5,783,600	73,807,900