

Dear Councillor

COUNCIL - MONDAY, 11 DECEMBER 2023

Please find attached, for consideration at the meeting of the Council on Monday, 11 December 2023, the following reports that were unavailable when the agenda was published.

Agenda No Item

6. **Report of Cabinet - 6 December 2023 (Pages 3 - 80)**

To consider the report and recommendations of the Cabinet meeting held on 6 December 2023.

For reference, the Cabinet agenda and reports are published on the Council's website at the following link:-

[Agenda for Cabinet on Wednesday, 6th December, 2023, 10.00 am newforest.gov.uk](https://www.newforest.gov.uk/agenda-for-cabinet-on-wednesday-6th-december-2023-10.00-am)

7. **Questions (Pages 81 - 84)**

To ask questions under Standing Order 22. Questions received by the deadline are enclosed.

Yours sincerely

Kate Ryan
Chief Executive

Encs

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COUNCIL – 11 DECEMBER 2023

REPORT OF CABINET – 6 DECEMBER 2023

PART I – ITEMS RESOLVED BY CABINET

1. DRAFT CORPORATE PLAN FOR PUBLIC CONSULTATION

PORTFOLIO – LEADER / ALL

CABINET RESOLUTION:

That Cabinet approve the draft Corporate Plan 2024-2028 (Appendix 1) for public consultation.

CABINET DISCUSSION:

The Leader was pleased to introduce the draft Corporate Plan for public consultation which set out the challenges and ambitions of the Council over the next four years. It was structured around People, Place and Prosperity. It had been informed by the administration's manifesto, the resident insight survey, the Council's Leadership Team, Elected Members and staff. She welcomed the views of partners, stakeholders and residents as part of the consultation process to further shape the plan for the future.

The Performance and Insight Manager introduced the draft Corporate Plan 2024-2028 seeking Cabinet approval for consultation. The Corporate Plan would be the primary strategy to shape the way the Council works and defines ambitions. The Plan would be underpinned by a performance management framework to monitor its delivery. The consultation period would run for 6 weeks closing at the end of January 2024. All consultation feedback would be logged and considered. The Overview and Scrutiny Panels would consider the Corporate Plan in March, before Cabinet approval in April 2024.

A non-Cabinet Member sought clarification that the plan would be monitored using data to ensure it was effective and enable continuous improvement. It was confirmed that the plan would be monitored and that Key Performance Indicators had been included in the draft Plan. These could be influenced by the consultation responses.

2. UPDATE REPORT – NEW GOVERNMENT GUIDANCE ON RECYCLING AND WASTE STRATEGY AND PLANNED SERVICE CHANGE

PORTFOLIO – ENVIRONMENT AND SUSTAINABILITY

CABINET RESOLUTION:

That:-

- a) Officers proceed to take the necessary decisions to implement the service changes for refuse collection, recycling and food waste collections as set out in Section 5 of the report, in readiness for a commencement of the new service in Summer 2025;

- b) The procurement process to acquire the necessary vehicles, wheeled bins, food caddies and other containers, including ancillary services in order to deliver the new service, is commenced;
- c) Officers continue to discuss the long-term provision for dry recycling with Hampshire County Council and partners; and
- d) The financial implications of the new service set out in the report be noted, with further clarity to come back to the Cabinet pending the Local Government Finance Settlement and completion of procurement activity to secure firm pricing.

CABINET DISCUSSION:

The Portfolio Holder for Environment and Sustainability introduced the report. He welcomed the clarity which had been received from Central Government to make recycling as simple as possible. It was acknowledged that some areas still needed more detail but that the clarity gave the Council an opportunity to work with Hampshire partners to ensure that the long term approach to recycling was the correct one. Most importantly, planning work would be carried out to roll out the new service in 2025 and to deliver on the pledges in the Waste Strategy 2022; to reduce waste and increase recycling.

The Place Operations Strategy and Performance Manager confirmed that there had been clarity from Defra in relation to recycling. Within these latest announcements, Defra's stream of work known as "consistent recycling" was rebranded as "Simpler Recycling", requiring a full range of materials to be collected, including food from all domestic households from March 2026. However, Government's preference for different recycling streams to be collected separately from each other had now been removed, meaning that all dry recyclable material could be collected together. The Council could continue to collect garden waste as a chargeable service.

The previously approved Waste Strategy had proposed a twin stream collection service. Given this change of approach from central Government, the Council needed to review collection methods. Hampshire County Council had also reported there would be a delay to the Materials Recovery Facility to be provided, to collect the additional materials for recycling until at least 2026. They would now look to carry out further work to review the optimal approach to recycling for the County. HCC had requested that all partners look to complete this work by 1 March 2024.

To allow NFDC to move forward with the changes for 2025, two phases were proposed, with wheeled bins and food waste containers being introduced initially. Further amendments would be made to the service at a later date, but would be dependent on the outcome of the work with Hampshire Partners regarding disposal infrastructure. It was anticipated that new burdens funding would be available in the current financial year and that more would follow next year. Further details on the modelling of the financial formula was awaited. Revenue funding for food waste was likely to be available in 2026.

Work was needed to be carried out on the full cost of the roll out of the new service for 2025 and a report was expected to be presented to Cabinet in February 2024.

A non-Cabinet Member acknowledged that this delay and change in approach by Government was at a cost to the Council. It was suggested that a letter be written to Government to highlight this. The Leader responded and suggested that a letter be written on the impact to the Council on the change to the approach on behalf of the Council to the Secretary of State.

A non-Cabinet member also highlighted it was important to ensure that clear communication was given to residents on the collection of waste and recycling, given these changes.

Cabinet Members spoke about the change in approach from central Government, acknowledging that that it would cause delays, but it was important to make the right decision for improving recycling and reducing waste. Making recycling more simple for residents' would be the best way forward. This was endorsed by other non-Cabinet members.

3. MEDIUM TERM FINANCIAL PLAN 2023 ONWARDS

PORTFOLIO – FINANCE AND CORPORATE / ALL

CABINET RESOLUTION:

- a) That the contents of the report and the updates to the Medium Term Financial Plan be noted; and
- b) The approach taken to set the Asset Maintenance and Replacement Programme and Capital Programme Budgets for 2024/25, be endorsed.

CABINET DISCUSSION:

The Portfolio Holder for Finance and Corporate introduced the report and highlighted that the MTFP to Cabinet in October had reported a potential deficit of £3.6 million for the financial year 2027/28. Since then, there had been the Chancellors Autumn Statement and the impact of this had been reflected in the report. Changes had been made to fees and charges and these had been incorporated into the plan. The Provisional Financial Settlement had not yet been announced.

The Strategic Director Corporate Resources and Transformation highlighted that the report gave an update on the Medium Term Financial plan since the last report had been presented in October. The Autumn Statement provided funding in relation to homelessness prevention and nutrient mitigation with the impact to this Council likely to be included within the provisional Finance Settlement. The Statement had also extended the tax incentive window for tax sites, including the Solent Freeport, which could encourage more development within this area.

The Provisional Finance Settlement was expected by 19 December, but it was not expected there would be any significant surprises.

Section 4 of the report outlined changes to the General Fund, following the October update. The latest forecast for 24/25 was a budget surplus of £241k and a forecast deficit to 27/28 of £2.9 million. Section 5 of the report provided an update on the HRA. A key area of work was in relation to the target of EPC rating of C or above for council owned housing by 2027 which was estimated to cost between £9-15 million. Careful planning therefore needed to be made in relation to this.

The approach to fees and charges and the asset maintenance and replacement programme was also set out in the report.

A non-Cabinet member questioned the extension of the tax breaks for Solent Freeport and whether there would be any benefits for local residents, as the benefits to date seemed to be focused on businesses. A response was provided from the Strategic Regeneration

Advisor who acknowledged that the Freeports had been set up quickly looking at business led incentives. However, over the last few months officers had been looking at outcomes in relation to skills and employment, infrastructure, environment and town centres. Through the Waterside Steering Group, a delivery plan would be developed in legacy terms which would then be brought forward through the decision making process in the next 9-12 months.

A question was asked about progress toward the EPC C target for the Council's housing stock, and how a lack of co-operation by tenants to allow the surveys to be carried out may be impacting the Council's ability to deliver on the target. The Assistant Director of Housing reported that the 2-year programme of surveys was expected to be completed in February 2024. Around 500 properties had not had surveys carried out due to access issues. It was expected that by January 4,000 properties would have valid EPC ratings.

Following a member question about the impact of the Autumn Statement and reviewing the impact of matters such as nutrient mitigation and the living wage, it was confirmed that work would be carried out to consider the impact to the Council.

4. RURAL ENGLAND PROSPERITY FUND: INVESTMENT PLAN FOR COMMUNITY INFRASTRUCTURE IMPROVEMENTS

PORTFOLIO – LEADER / ALL

CABINET RESOLUTION:

That the Cabinet:-

- a) Approves the Rural England Prosperity Fund Community Grant awards, totalling £216,164, as set out in Appendix 2 of the Cabinet report;
- b) Delegates to the Strategic Director of Place, Operations and Sustainability, in consultation with the Portfolio Holder for Planning and Economy, any future request to Defra to alter the 60/40 split between funds to support businesses and those supporting community infrastructure to ensure full take up of our available Rural Fund allocation; and
- c) Delegates to the Strategic Director of Place, Operations and Sustainability, in consultation with the Portfolio Holder for Planning and Economy decisions on how any further Rural Fund resources are allocated in the event that additional funds are made available via resolution b) above, or in the event that the projects set out in Appendix 2 of the Cabinet report are underspent or do not progress.

CABINET DISCUSSION:

The Portfolio Holder for Planning and Economy reported he was delighted to support the report. The application process had been made as simple as possible for organisation to apply, with three different pots of funding being available. He expressed his thanks to the officers involved in the process.

The Strategic Regeneration Advisor reported there were a number of funding routes for community projects, namely; the Rural England Prosperity Fund, Community Grants and Community Infrastructure Levy. The report for Cabinet dealt with only the rural fund for the award of £216,164. The funding was different to the other grant funds as there was a geographical restriction to rural areas only, defined by Defra and that the projects needed to be delivered by 31 March 2025.

The projects had been appraised and scored. Nine were recommended for approval. The other projects, not recommended for approval within the Cabinet paper would be passed on to other funding routes.

5. SUPPORTING THE ARMED FORCES AND THE ARMED FORCES COVENANT

PORTFOLIO – LEADER / ALL

CABINET RESOLUTION:

- a) That Cabinet note the current position with regard to the Armed Forces Community Covenant and the initiatives in place to support the Armed Forces community within the District; and
- b) That Cabinet authorise officers to work with HQ Solent Station and where appropriate SSAFA and other armed forces charities, to review the Armed Forces Community Covenant, including the enhancements outlined in section 6 of the Cabinet report. This will be formally signed by the Chairman of the Council as the District's First Citizen, in recognition of the nation's commitment to the Armed Forces community at the local level.

CABINET DISCUSSION:

The Leader presented the reported and highlighted that an amendment had been proposed to one of the recommendations. This minor amendment had been suggested by the Armed Forces Member Champion, Cllr Reid and he addressed the meeting on the amendment and the reasons for it. He reported he wished to recognise all four services across the New Forest and proposed the following amendment to recommendation 1.2:

“That Cabinet authorise officers to work with HQ Solent Station and where appropriate SSAFA and other armed forces charities.....”

This amendment was supported by the Cabinet.

A non-Cabinet member expressed his support to this report and the amendment to the recommendation.

The Service Manager for Democratic and Support Services highlighted that although the report referenced the engagement of charities such as SSAFA, the amendment was welcomed as explicit recognition of the role Armed Forces Charities played locally in supporting serving and former members of the forces, and their families. He highlighted section 4 of the report, noting there was a national Armed Forces Covenant which placed a legal duty on the Council, mainly in relation to housing and that the Council fully met its obligations in this regard. The Community Covenant was the Council's voluntary commitment to do more in support of the local armed forces community, including initiatives such as the Defence Employer Recognition Scheme.

PART II – RECOMMENDATIONS TO COUNCIL

6. TRANSFORMATION STRATEGY 2024-2028 (FUTURE NEW FOREST – TRANSFORMING TOMORROW, TOGETHER)

PORTFOLIO – LEADER / ALL

RECOMMENDED:

That Cabinet recommends to Council that the Transformation Strategy at Appendix 1 and the Year One Indicative Work Programme at Appendix 2, be approved.

CABINET DISCUSSION:

The Leader reported that after much work, she was pleased to be in a position to present the Transformation Strategy which focused on meeting the needs of residents and customers through a sustainable Council, including investment in staff to ensure the Council continued to be an employer of choice. She reported that the Strategy set out an ambitious programme, in order to respond to the challenges the Council would face as well as to be proactive in its approach.

The Assistant Director of Transformation presented the Transformation Strategy (Future New Forest – Transforming Tomorrow, Together). The Strategy would provide the framework to respond to the challenges ahead and underpins the delivery of the Corporate Plan. There were four themes; customer and digital services, people and capabilities, assets and accommodation and finance and delivery.

The clear vision of the strategy recognised a significant contribution from staff would be required in order to deliver the strategy. Staff would continue to be involved with regular information sessions and communication. In addition, a Change Champions Group had been set up to represent each service area to feed into a customer strategy.

Cabinet Members welcomed the Strategy. It was acknowledged that the strategy was to serve the community of the New Forest and that some residents did not have access to digital services. It was confirmed that it would always be possible to contact the Council using the telephone as well as see officers face to face. The importance of staff as an asset was recognised in order to deliver services and to continue to support them.

Other Members of the Council supported what had already been said by the Cabinet Members with customers being at the heart of the service. Reassurance was sought in relation to use of AI and the difficulties of this, particularly for those who were not IT literate. Any digital strategy must be developed to consider the end user.

The Assistant Director of Transformation reported that an objective of all services provided in digital form would be the ease of use for both the customer as well as for staff in the back office. Testing of the services would also be carried out to ensure they met the first objective.

The Strategic Director - Corporate Resources and Transformation, gave a tangible example of the garden waste garden subscription service which had recently been rolled out online. Of the 19,000 residents who had signed up to this service so far, 75% had used the new digital system, which demonstrated that a large proportion of users could self serve, freeing up valuable resources to support residents who wished to engage with the Council over the phone, or face-to-face.

Attachments – Appendix 1 - Background Report to Cabinet

7. COUNCIL TAX 2024/25 – SETTING THE TAX BASE

PORTFOLIO – FINANCE AND CORPORATE

RECOMMENDED:

That Cabinet recommends to Council that:-

- a) The calculation of the Council's tax base for the year 2024/25 be approved; and
- b) Pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Council as its council tax base for the year 2024/25 be as follows and as detailed in Appendix 3 of the Cabinet report:-

PARISH/TOWN	TAX BASE 24/25
Ashurst & Colbury	939.9
Beaulieu	511.9
Boldre	1,067
Bramshaw	337.8
Bransgore	1,846.8
Breamore	185.7
Brockenhurst	1,911.1
Burley	809.2
Copythorne	1,235.7
Damerham	248.3
Denny Lodge	159.2
East Boldre	384.4
Ellingham, Harbridge & Ibsley	632
Exbury & Lepe	116.3
Fawley	4,634.5
Fordingbridge	2,423.8
Godshill	225
Hale	267.7
Hordle	2,434.2
Hyde	519.8
Hythe & Dibden	7,482.5
Lymington & Pennington	7,529.6
Lyndhurst	1,478.5
Marchwood	2,075.2
Martin	200.3
Milford on Sea	2,938.7
Minstead	374.4
Netley Marsh	818
New Milton	10,619.4
Ringwood	5,501.6
Rockbourne	169.9
Sandleheath	299.6
Sopley	392.4
Sway	1,731.8

Totton & Eling	9,511.7
Whitsbury	104.7
Woodgreen	252.9
Whole District	72,371.5

CABINET DISCUSSION:

The Portfolio Holder for Finance and Corporate introduced the report. He spoke that it was a technical paper and important for all precept authorities as it related directly to the level of Council Tax income they would receive.

The Service Manager for Revenues, Benefits and Customer Services reported that the Council Tax Base for 2024/25 involved detailed calculations, looking at the number of properties in each Council Tax band for each town and parish. From this the number of council tax discounts, exemptions, band reductions as well as council tax support claims and awards had been considered and converted to Band D equivalent properties. The estimated in year collection rate was also a factor for consideration. The Council Tax base for 2024/25 was 72,371.5 properties, an increase of 99.8.

Attachments – Appendix 2 - Background Report to Cabinet

8. COUNCIL TAX REDUCTION SCHEME 2024/25, HOUSING BENEFIT INCOME DISREGARD AND NATIONAL NON-DOMESTIC RATE RELIEF POLICY REVIEW

PORTFOLIO – FINANCE AND CORPORATE

RECOMMENDED:

That Cabinet recommend to Council:-

- a) To increase the standard earnings disregard and remove the additional earnings disregard, as detailed in Section 7 of the Cabinet report, from 1 April 2024;
- b) That a Task and Finish Group review a Banded scheme during 2024;
- c) That the full disregard of war pension income in the assessment of Housing Benefit, as detailed in Section 9 of the Cabinet report, be approved; and
- d) That the updated National Non-Domestic Rate Relief policy as detailed in Section 10 of the Cabinet report, be approved.

CABINET DISCUSSION:

The Portfolio Holder for Finance and Corporate presented the report. It was highlighted that a Task and Finish Group had reviewed the Council’s scheme to ensure it was fit for purpose. The review had concluded little in the way of changes. Minor changes had been proposed to the scheme to enable it easier for the service to administer and reduce costs.

The Service Manager for Revenues, Benefits and Customer Services outlined the report. There were three aspects which the Task and Finish Group had reviewed, the local council tax support scheme, housing benefit disregard of war pension income and the national non-domestic rate relief policy.

The Council Tax support scheme supported roughly 8,000 claimants with over £9.5m in support towards paying Council Tax. The recommendation proposed a technical change to the scheme on how earnings would be treated. It was proposed to remove the additional earnings disregard and instead increase the standard earnings disregard for all claimants in work. This would simplify the process for the District Council and for claimants, enable automation of data received from Universal Credit and keep the overall cost of the scheme the same. It would also incentivise work to those not in work.

No change was proposed to the full disregard of war pension income and only minor changes were proposed to the National Non-Domestic Rate Relief Policy, attached as an Appendix to the report.

Attachments – Appendix 3 - Background Report to Cabinet

9. FREEDOM LEISURE CONTRACT VARIATION

PORTFOLIO – COMMUNITY, SAFETY AND WELLBEING / FINANCE AND CORPORATE

RECOMMENDED:

That Cabinet recommend to Council the proposals set out in the Cabinet report to vary the contract with Freedom Leisure to deal with the significant challenges presented by the unforeseen increases in energy costs, achievable via the incorporation of a mechanism for the Council to share the cost of utilities over and above the costs assumed in the bid.

CABINET DISCUSSION:

The Leader reminded those at the meeting that there was a confidential appendix attached to the report. It would be necessary to exclude the press and the public and move into a private and confidential session should anyone wish to discuss the contents of the appendix.

The Portfolio Holder for Community, Safety and Wellbeing reported that as good partners he endorsed the contents of the report.

The Strategic Director Corporate Resources and Transformation reported that the Council were being asked to consider a proposal for a contract variation to support Freedom Leisure due to the significant unforeseen energy costs which started to occur in early 2022.

It was highlighted that in some instances global supply issues had pushed up utility costs by as much as 500%. This hit the leisure industry hard with costs, particularly with the running of swimming pools. The Government had recognised the severity and significance and had introduced the Energy Bill Relief Scheme. Despite this, the overall increase in cost for year 2, borne by Freedom Leisure accounted for a utility cost variation of 152% on their budget.

In preparing the contract the proposed variation senior officers had taken expert legal advice, giving due regard to the Public Contract Regulations 2015. It was considered the variation was allowable. The Council in its role as contracting authority could not have foreseen the increase in utility costs in the extremity suffered. The majority of the utility risk and cost would still lay with Freedom Leisure. The increase does not exceed 50% of the value of the original contract.

It was believed that it was in the interest of New Forest residents to support Freedom Leisure and ensure the contract remained deliverable without a reduction in the service level. The variation is necessary to protect that position. Payment would be made from existing budgets.

The Portfolio Holder for Finance and Corporate commented that had the Council not entered into partnership with Freedom Leisure, the liability on the Council would have been 100% of the costs. Therefore he was supportive of the contract variation.

A non-Cabinet member asked about future of the service and ongoing relationship with Freedom Leisure to ensure residents would be looked after. The Strategic Director reported that the proposal would protect contract provisions and viability of the leisure service which would be positive for residents.

It was questioned whether any measures were being put in place to protect against utility costs now and in the future, for example with solar panels. It was noted that the end of life gas boilers had recently been replaced at New Milton Leisure Centre with Air Source Heat Pumps, and similar projects carried out at both Applemore and Ringwood, therefore work to reduce consumption was being carried out.

Attachments – Appendix 4 - Background Report to Cabinet

CABINET – 6 DECEMBER 2023
COUNCIL – 11 DECEMBER 2023

PORTFOLIO: LEADER/ALL

TRANSFORMATION STRATEGY 2024-2028 (FUTURE NEW FOREST – TRANSFORMING TOMORROW, TOGETHER)

1. RECOMMENDATIONS

- 1.1 That Cabinet recommends to Council that the Transformation Strategy at Appendix 1 and the Year One Indicative Work Programme at Appendix 2, be approved.

2. INTRODUCTION AND BACKGROUND

- 2.1 At its meeting in July, Cabinet approved the development of a transformation strategy to deliver change, improve outcomes, and contribute to resolving the (General Fund) Medium Term Financial Plan (MTFP) gap.
- 2.2 Since then, the draft Corporate Plan for 2024 to 2028 has been developed which sets out the administration's priorities and commitments over the next four years to meet the needs of residents, businesses and the New Forest area. This plan will be delivered in the context of some significant challenges including advancing technology and customer needs, the potential for significant future budget gaps, attracting and retaining staff, along with climate and environmental considerations.
- 2.3 The Future New Forest Transformation Strategy (Appendix 1) provides the framework to respond to these challenges and underpins delivery of the Corporate Plan by setting out how we will transform the council so we can meet customer needs, protect finances, and embed sustainability under the four transformation themes of:
- Customer and Digital Services
 - People and Capabilities
 - Assets and Accommodation
 - Finances and Delivery
- 2.4 The council has a good track record for delivering services, good resident satisfaction and sound financial management. However, the context of local government is changing and there is an increasingly compelling need to think differently about what the council does and how it does it. The overarching goal of the transformation strategy is to ensure long-term sustainability of the council, responding to financial challenges and freeing up capacity to respond to future, unknown pressures and strategic choices.
- 2.5 Significant work has been undertaken over the past year to better understand where the organisation is now. This has included customer research, data analysis (including benchmarking) and staff engagement to identify opportunities, all of which have contributed to informing the strategy.

3. FUTURE NEW FOREST – DELIVERING THE STRATEGY

- 3.1 The vision for a transformed New Forest District Council is:

“Future New Forest: Investing in our people and services to meet customer needs, protecting our finances and embedding sustainability to preserve our unique place by transforming tomorrow, together.”

- 3.2 The vision acknowledges the significant contribution of our staff in delivering the future organisation together. Staff engagement sessions during the summer provided opportunities for employees across the organisation to share thoughts and ideas to help shape the future organisation. 130 employees attended sessions, with over 300 suggestions captured, including 75 from operational staff at the three council depots.
- 3.3 It is essential that all employees continue to be engaged and kept informed with opportunities to be involved in identifying issues and designing solutions for future ways of working. Branding and communications planning will ensure the programme has a recognisable identity with a pro-active campaign designed to engage and communicate effectively with staff. Additionally, a Change Champion group has been established, with 23 representatives from across the organisation currently supporting the development of the Customer Strategy.
- 3.4 The strategy includes a high-level road map for delivery, highlighting key phases of change and milestones around each of the programme themes. This is supplemented by an indicative work programme detailing specific projects for proposed delivery in year one (Appendix 2).

4. NEXT STEPS

- 4.1 Delivery of the transformation programme will be further supported by a detailed transformation programme plan, analysis of activities and processes in line with the objectives set out, and a detailed benefits case. These will be considered in line with the programme governance set out in the strategy.
- 4.2 The strategy highlights the risk of sufficient capacity and capability to deliver this ambitious programme. To respond to this, it is appropriate to bring in new resources (internal or external, or a mix of both) that can help shape and implement delivery of key initiatives and projects. A programme manager will ensure all objectives are met and benefits realised. It is likely that this will need to be supplemented by specialist third party support which will be procured on an individual project basis. Additional capacity for delivery will also be needed from within service areas as projects and reviews impact on specific teams.
- 4.3 A resource plan will be developed in line with the indicative work programme and considered through the formal governance arrangements. The cash umbrella set aside during the Council's budget setting for 2023/24 (£250k per annum, for a period of 3 years) will be reviewed in light of these requirements to ensure programme delivery and the realisation of the benefits set out.

5. CONCLUSIONS

- 5.1 The transformation programme provides a proactive and positive opportunity to respond to the challenges the council faces, providing long term sustainability and an organisation that is fit for the future.

6. FINANCIAL IMPLICATIONS

- 6.1 The October 2023 Medium Term Financial Plan (MTFP) 2023 – 2027 provides for a cumulative targeted savings of £1.250 million general fund and £500k housing revenue account arising from the transformation programme. Identification and delivery of savings will be set out in a detailed benefits case, with benefits realisation management used to track savings.

- 6.2 Savings specifically arising from transformation activities will be released through three main activities:
1. Increasing income (exc. fees & charges)
Achieved through commercialisation, increased cost recovery for non-statutory services, income yield.
 2. Reducing spend through systems and procurement
Achieved through rationalisation and effective procurement (Budget and procurement analysis activity)
 3. Reducing spend on people
Achieved through process design and activity analysis to identify capacity (decision on how much capacity to release as savings)
- 6.3 The degree to which these efficiencies are released as savings is a decision for leadership and proposals will be brought back as appropriate through the programme governance arrangements.
- 6.4 Budget provision of £750k has already been approved over the three years to 2025/26 to provide for resources and support for programme delivery.
- 6.5 It is likely that further sums will be required on a spend-to-save basis for software and to facilitate new ways of working. Individual projects will come forward as required through the governance structure and will align to financial regulations in terms of the necessary approval parameters for any additional funding requirements.

7. CRIME & DISORDER IMPLICATIONS

- 7.1 None

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 Climate and sustainability is included as one of the four key challenges in the case for change and delivery of each of the objectives will be mapped against these challenges to ensure the strategy is effective in addressing them.

9. EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 A change impact assessment will be undertaken for all significant changes to services, customers and staff arising from the transformation programme.

10. DATA PROTECTION IMPLICATIONS

- 10.1 None

11. RESOURCES AND TRANSFORMATION OVERVIEW AND SCRUTINY PANEL COMMENTS

- 11.1 The Resources and Transformation O&S Panel received and noted a presentation update on progress with the Transformation Strategy. The Panel were supportive that the Transformation Strategy be recommended for approval by Cabinet.

12. PORTFOLIO HOLDER COMMENTS

- 12.1 I am pleased to support this transformation strategy. It rightly focuses on meeting the needs of our residents and customers, and on investing in our staff to ensure we are

an employer of choice, attracting and retaining the skilled and motivated people we need to deliver our services.

I don't underestimate the ambitions of the transformation programme and the important role it has in meeting our potentially significant funding gap over the next few years, in turn enabling us to deliver on our corporate plan commitments.

The strategy sets out a clear vision and objectives for the future and most importantly positions us well to respond to the challenges we face as a local authority in a proactive and positive way.

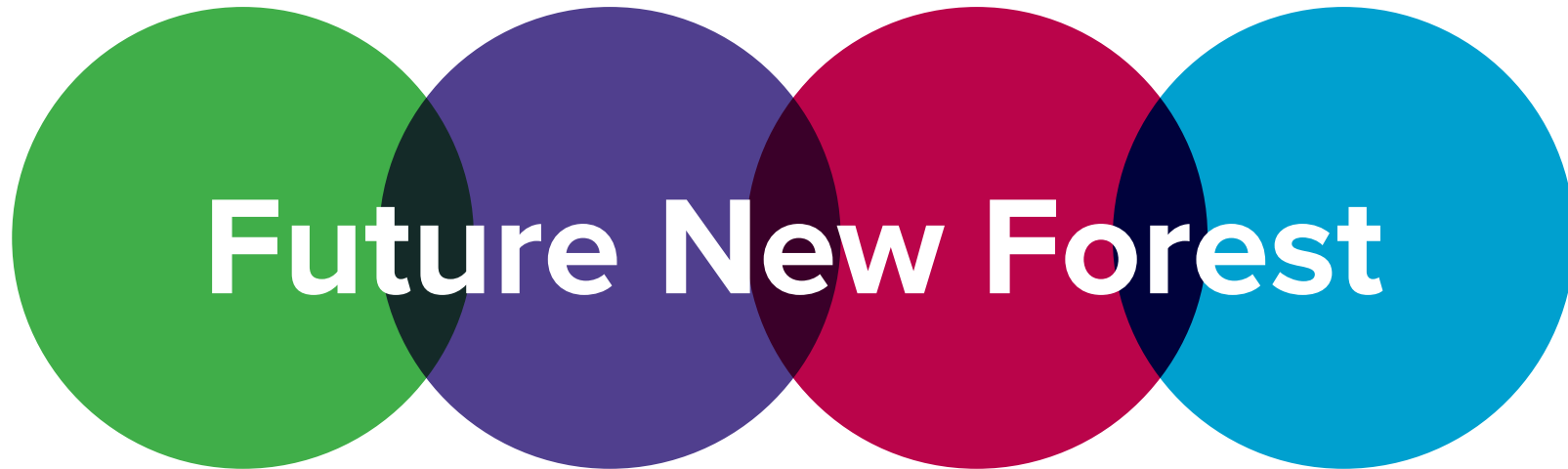
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Background Papers:

NFDC Transformation Programme Update
(Cabinet 5 July 2023)



Future New Forest

Transforming tomorrow, together



Executive summary

New Forest District Council (NFDC) has an ambitious Corporate Plan for 2024 to 2028 to meet the needs of local residents and businesses. We will be delivering this plan in the context of a rapidly changing world and some significant challenges, namely:

- Our systems and processes need to keep pace with the advance of digital technologies and the impact these are having on people's lives and expectations.
- Rising costs and new burdens mean we face a potentially significant budget gap.
- We need new skills to deliver the changes we must make.
- Meeting national and local targets to reduce emissions and support nature will require us to change the way we use resources and deliver services.

The Future New Forest transformation strategy, covering the same four-year period, sets out how we will transform the council so we can meet customer needs, protect finances and embed sustainability. Our objectives are grouped into four transformation themes:



1



Customer and digital services

We will redesign services to improve customer experience, make better use of technology and reduce manual effort. Services should be digital by design, irrespective of how customers contact us.

2



People and capabilities

We will review how we organise and develop our people, making sure roles, structures, behaviours and skills evolve to meet new service designs and needs.

3



Assets and accommodation

We will make better use of assets, improve sustainability and change the way we work. This includes the spaces that staff work in and customers visit as well as the stores and depots.

4



Finances and delivery

We will strengthen how we manage finance, strategy and performance. This includes how we manage the delivery of financial and non-financial benefits from transformation and how we develop a data-driven approach to strategy and performance.

All council services, teams, business processes, systems and operational buildings are in scope of the transformation strategy and the delivery programme. We will need to invest to meet our ambitions, but transformation will deliver financial savings to justify the investment, as reflected in our success measures.

This strategy has been informed by customer research and staff engagement and we will continue to involve staff and customers in the delivery of the action plan so that we can transform tomorrow together.



1. Introduction

This transformation strategy sets out how NFDC will need to change to meet the aims and objectives of the Corporate Plan 2024 to 2028 in the context of significant challenges facing local government.

The focus of the strategy is the organisation itself – our people, culture, structures, processes and systems. It provides the strategic framework to underpin a transformation programme that will more effectively align the organisation’s capacity

and capabilities to the ambitions expressed in the Corporate Plan as well as modernising services to improve customer experience and unlock the potential for savings.

The overarching goal of the transformation strategy is to ensure the long-term sustainability of the council, responding to known financial challenges and freeing up capacity to respond to future, unknown pressures and strategic choices.

The transformation strategy covers 2024 to 2028 and provides a direction of travel for the organisation over that period, with a detailed focus on action planning for 2024/25.

Between 2024 and 2028 the economic, political, technological and environmental context is likely to change significantly, so the strategy and objectives set out within it will need to be flexible to respond to those changes.

This strategy has been informed by council plans and extensive staff engagement, customer research and data analysis. The implementation of the strategy will be supported by further planning and analysis activity which will be developed after the adoption of the strategy.



Inputs

Customer research

- ~4000 telephone surveys
- ~120 website surveys
- ~70 face-to-face surveys
- Resident focus groups

Benchmarking

- Analysed NFDC spend across 21 different services and benchmarked against nearest neighbours

Leadership workshops

- Maturity assessment with 27 managers
- Case for change
- Strategic objectives

Staff engagement

- 130 employees attended workshops
- 75 views from depots
- 250 suggestions

Data analysis

- ~360k contacts analysed across channels
- Deep dive into 2000 emails

Council plans

- Medium Term Financial Plan
- Corporate Plan

Transformation Strategy 2024 to 2028

Outputs

Transformation programme plan

Detailed analysis of activities and processes

Detailed benefits case



2. Case for change

The council's new corporate plan establishes the priorities for the next four years, focusing on delivering the changes that matter to the people of the New Forest, putting the community first. To maximise our chances of delivering the outcomes required by the corporate plan, we are going to need to change as an organisation, responding to four key challenges which will impact every aspect of our operations.

2.1. Modernising services

Our systems and processes need to keep pace with the advance of digital technologies and the impact these are having on people's lives and expectations.

There is growing demand for digital access to council services, accompanied by a high level of access to the internet and growing capability among our residents. We need to improve the customer experience by joining up our data and systems, some of which are now outdated. Services across the public and not-for-profit sectors are often poorly signposted and integrated and we need to make it easier for customers to find the services they need.

The evidence for this includes:

- 99% of the UK is online and since the pandemic 65% of those have tried something new online, such as shopping or paying bills, and most (90%) have sustained this (Source: UK Consumer Digital Index 2022)
- The UK Consumer Digital Index also reports that 63% of the population has High or Very High digital skills and 27% of the population has Very Low digital skills. Age and income are the greatest determiners of digital capability, although 24% of people who significantly increased their skills between 2021 and 2022 were aged 60+
- 93% of NFDC residents use the internet (Source: Residents Survey 2022)
- 90% of customer demand currently arrives into the council via phone or email, even if an online form is used (Source: analysis of customer contacts 2023)
- 47% callers to the council told us they could not find or do what they wanted online (Source: customer research 2023) while 82% said it was easy to phone (Source: Residents Survey 2022)
- Customers told us they will use online services if they are easy and they can track their request (Source: customer research 2023)



2.2. Financial constraints

Rising costs and new burdens mean we face a significant and growing budget gap.

Rising costs of service delivery combined with new challenges and burdens means we are facing potentially significant budget deficits over the next four years. We must continue to prioritise and find ways to reduce the cost of delivery. We must embed financial responsibility into all that we do.

The evidence for this includes:

- External factors have put significant strain on council budgets, for example:
 - » National pay awards and Living Wage increases
 - » Reduced central government funding
 - » Other price increases eg energy, vehicles, insurance
- The combined effect is a general fund budget gap that grows to £3.6m by 2027/28, or 15% of the net budget
- The housing revenue account (HRA) faces the same external challenges as well as other pressures associated with meeting energy performance and greener housing targets which could cost £125m between now and 2050
- The council's Medium Term Financial Plan (MTFP) requires annual savings through transformation of £1.25m by 2027/28 to the General Fund and £500k for the HRA

Source: NFDC Medium Term Financial Plan 2023



2.3. Capacity and capability

We need new skills to deliver the changes we must make.

The world is changing fast with the rapid growth of technology and artificial intelligence (AI). The council needs new skills to respond to the opportunities and challenges we face. However, most councils are facing recruitment and retention problems. We need to release capacity from parts of the organisation to enable increased focus on strategic priorities. We need to develop a more agile workforce to respond to a changing local government landscape and a digital world.

The evidence for this is:

- 94% of councils nationally say they are experiencing recruitment and retention difficulties (Source: LGA 2022 Local Government Workforce Survey)
- At NFDC the percentage of vacancies filled first time has fallen from 92% to 81% over the past year
- District councils are struggling to recruit and retain planning, legal, property, ICT and environmental health staff, as well as facing skills gaps around digitalisation, people management, managing change and commerciality* (Source: LGA 2022 Local Government Workforce Survey)
- Recent recruitment challenges at NFDC include key roles in housing, waste and environmental health, both at manager level and 'on the ground'
- We need to grow our skills and capacity to support transformation, for example change management, enhanced digital delivery, customer engagement and research
- Workforce and succession planning is a key issue with an average workforce age of 48, slightly higher than other south-east councils (46)



2.4. Climate and sustainability

Meeting national and local targets to reduce emissions and support nature will require us to change the way we use resources and deliver services.

The council declared a Climate Change and Nature Emergency in 2021 and is committed to leading efforts to tackle the impacts of extreme weather and climate change in the New Forest, reducing emissions to reach net zero and supporting nature recovery. We must work in partnership with residents, businesses and other public services to make a real impact.

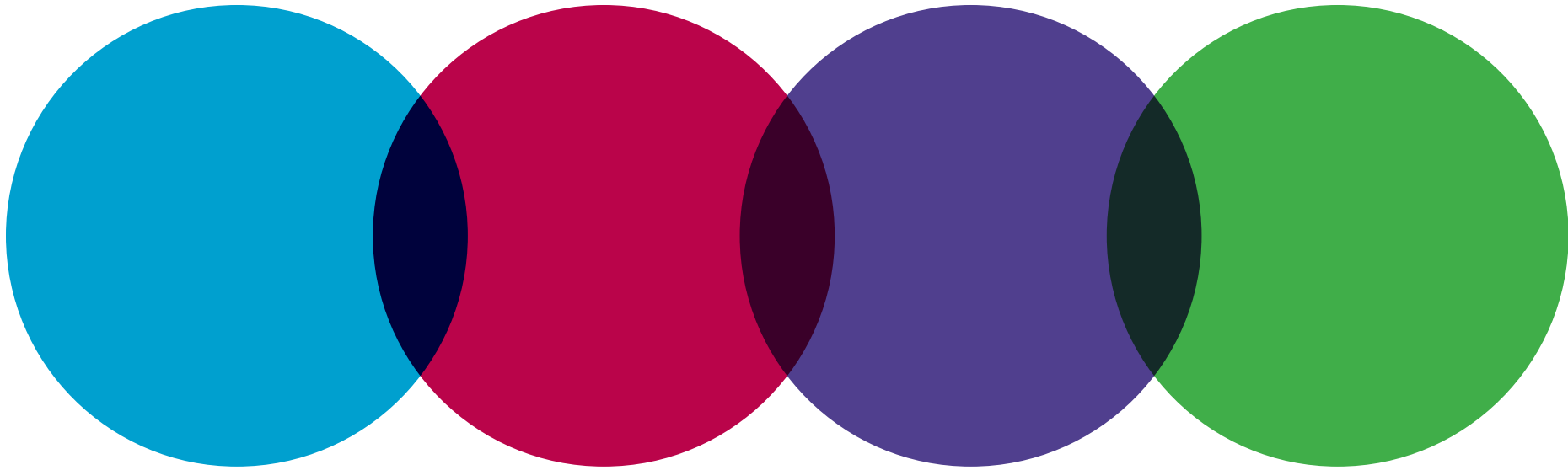
These changes will affect all aspects of council operations, including service delivery, the health and wellbeing of staff, the suitability of our housing stock, the lifespan of our assets and the condition of our habitats.

The evidence for this is:

- 75% of New Forest residents feel worried about the impact of climate change (Source: Residents Survey 2022)
- New Forest has the highest domestic and industrial emissions in Hampshire and the second highest transport and commercial emissions (Source: UK Government, 2023)
- Due to climate change, sea levels are predicted to rise by 1.03m across Christchurch Bay and Harbour over the next 100 years and 1370 properties along the NFDC coastline between

Christchurch and Milford on Sea are expected to be at risk from coastal erosion. (Source: Christchurch Bay and Harbour Flood and Coastal Erosion Risk Management Strategy).

- Climate change is the biggest long-term threat to the New Forest National Park. The impact of climate change on the New Forest is likely to be wide reaching, with warmer, wetter winters, hotter, drier summers, rising sea levels and an increasing frequency of extreme weather events (Source: New Forest National Park Authority)



3. Vision, objectives and scope

In the context of these four challenges, which cut across all our services, we have established a vision for a transformed, future New Forest council. We have grouped the changes required to realise that vision into four transformation themes and developed a set of transformation objectives for each theme.

3.1. Vision

“Future New Forest: Investing in our people and services to meet customer needs, protecting our finances and embedding sustainability to preserve our unique place by transforming tomorrow, together.”

3.2. Objectives by theme



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Customer and digital services

This theme is about how we redesign services to improve customer experience, make better use of technology and remove manual effort. Services should be digital by design, irrespective of how customers contact us.

Objective C1

Our customers will be at the heart of our digital-by-design approach.

Objective C2

We will use data and insight to plan services, manage performance and direct our focus for transformation.

Objective C3

We will have the right systems, processes and devices to ensure work can be done in the right place, right time and the most efficient way.



People and capabilities

This theme is about how we organise and develop our people and culture, making sure roles, structures, behaviours and skills evolve to meet new service designs and needs.

Objective P1

We will ensure our values, behaviours and culture are aligned and support the future organisation.

Objective P2

We will invest in our people to ensure we have the skills, experience and equipment that we need.

Objective P3

We will ensure the work is done in the right way in the right place, reviewing roles and structures as necessary.



Asset and accommodation

This theme is about how we use assets, improve sustainability and change the way we work. It includes the spaces that customers visit and staff work in as well as the stores and depots.

Objective A1

Our assets will support efficient and effective delivery of our future service provision.

Objective A2

We will continue to challenge our asset portfolio to reduce environmental impact and enhance their financial contribution.

Objective A3

Our accommodation will meet the needs of our staff, customers, culture and ways of working.



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Finances and delivery

This theme is about how we manage finance, strategy and performance. It includes how we manage the delivery of financial and non-financial benefits and how we develop a data-driven approach to strategy and performance.

Objective F1

Through transformation, we will deliver agreed levels of savings in line with MTFP targets and council priorities.

Objective F2

We will adopt a more commercial mindset, open to innovative service models and guided by strategic priorities.

Objective F3

We will shift to a more empowered and accountable, management culture.

3.3. Scope for change

This section outlines what is, and is not, within the remit of the transformation strategy.

Customer and digital services

In scope

The redesign of all service processes to identify ways to improve customer experience, enhance performance and release capacity.

Partnership working across the public and not-for-profit sectors to join up services and processes to make access to key services better for our residents, businesses and visitors.

Redesign includes changes to processes, technology, channels and ways of working.

All software applications supporting front- and back-office operations are in scope. This could mean optimising the use of those applications, replacing components of them with enterprise solutions (eg customer portals), integrating them or, in some cases, replacement.

Out of scope

Decisions about how capacity released through service design is realised.

Changes to formally documented policies that have been adopted by elected members.

People and capabilities

In scope

People strategy development.

All services and teams.

Changes to existing roles and job descriptions.

Changes to organisational structures to better align capacity and capability to priority services/processes.

Training and development plans.

Aligning performance with new organisational structures, roles and capabilities to improve transparency and accountability.

Meeting our capacity and capability gaps by working in partnership with other organisations across the public and not-for-profit sectors.

Out of scope

Changes to pay and grading structures.

Assets and accommodation

In scope

Asset strategy development.

All operational buildings including disposal decisions.

Changes to customer and/or staff accommodation including office moves.

Out of scope

Decisions around commercial asset management / investment portfolio.

Finances and delivery

In scope

Strategic reviews of services.

Benefits management.

Service planning.

Financial planning and budget management processes.

Leadership, management and performance culture.

Out of scope

Leadership decisions on the method of realising benefits identified and estimated through the activities of the transformation programme.

3.4. Challenges

The table below illustrates the possible impact of the challenges across each of the four themes.

Challenges					
		Modernising services	Financial constraints	Capacity and capability	Climate & sustainability
Themes	Customer and digital services How we design services and use technology	We will need to focus on customer needs and outcomes when redesigning services and seek feedback to improve.	We will need to reduce service costs through redesign and encourage adoption of lower cost channels.	We will need to release capacity through our use of technology.	We will need to redesign services to be delivered in ways that promote positive environmental impacts.
	People and capabilities How we organise and develop our people and culture	We will need to review roles and structures to ensure we provide the support customers need.	We will need to restructure to ensure work is done in the right way in the right place.	We will need to consider new ways to recruit, train and retain staff.	We will need to upskill staff to be climate aware and to develop solutions for their service.
	Assets and accommodation How we use assets, improve sustainability and change the way we work	We will need to identify when customers benefit from face-to-face contact and how we can most efficiently provide it.	We will need to reduce the costs of running operational buildings and increase income through sales/rents.	We will need to develop new ways to connect and collaborate and design spaces to enable this.	We will need to invest in buildings and other assets to reduce CO2 emissions and ensure long-term sustainability.
	Finances and delivery How we manage finance, strategy and performance	We will use data to inform strategic decisions on policy and service planning.	We will need to act commercially, prioritise better and manage benefits robustly to ensure delivery.	We will need to invest in people and performance management to build an empowered workforce.	We will ensure a clear strategic focus on the future environmental sustainability of the council.



4. Measuring our success

It is essential that we can measure progress during the life of this strategy, to understand whether our actions are effective. The table below shows how we will monitor progress across the four transformation themes. Some of these measures are new and we will need to define how they are calculated and what the targets will be. Measures and targets may need to be amended during the life of this strategy as priorities change.

Customer and digital services

- Customer experience (% rating Good or above)
- Residents satisfaction with council services (% satisfied)
- Number of fully digital services (definition and baseline to be confirmed)
- Customers choosing digital channels (% requests received via digital channels)

People and capabilities

- Long term vacancies (% vacancies filled first time)
- Staff agree they have the skills and tools to do their jobs (% agreement)
- Staff who would recommend NFDC as a place to work (% net promoter score)

Assets and accommodation

- Lower net cost of operational and community assets (£k reduction against baseline tbc)
- Reduced emissions from operational council assets (% reduction against baseline)
- Staff satisfaction with workplace (% satisfied)

Finances and delivery

- MTFP savings realised (% of transformation target)
- New service and financial planning process implemented (definition to be confirmed but to include specification of data required)
- Managers agree they are empowered to manage resources to deliver their target outcomes (% agreement)

5. Roadmap



	2024				2025				2026				2027			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Modernisation																
Mobilise programme																
Detailed programme planning																
Assemble programme team																
Establish governance																
Customer and digital																
Define digital architecture and capabilities																
Align customer and digital strategies																
Customer journeys and design patterns																
Assess existing customer datasets																
Establish digital building blocks																
Procure new tools/capabilities																
Implement new tools/capabilities																
Prioritise redesign of services																
Develop using testing approach																
Standard service redesign approach																
Design, prototype, build, deploy cycle																
People and capabilities																
Review organisation design																
Organisation design principles																
Activity analysis																
Organisation design workshops																
Implement organisation design changes																
Detailed design																
Consultation																
Recruitment / restructure																
Organisational development																
Write People strategy																
Training and talent creation programme																
Culture change programme																
Assets and accommodation																
Asset strategy																
Develop Asset strategy																
Integrate asset objectives into service planning																
Operational assets review																
Investment and disposals programme																
Address compliance risks																
Implement environmental improvements																
Asset disposals																
Office moves																
Financial and delivery																
Establish data-led service reviews																
Develop strategies service review approach																
Design service and financial planning approach																
Define target management culture																
Implement strategic service reviews																
Complete service reviews																
Develop delivery proposals																
Implement changes to service models																
Programme benefits management																
Benefits definition and estimation																
Establish benefits management system																

The roadmap provides a high-level view of the transformation programme and timeline over the next four years.

The activities are aligned to each of the four themes and more detail will emerge each year as we move through the programme.



6. Transformation delivery

6.1. Leadership

A critical success factor for all transformations is strong leadership that is visibly and consistently aligned with the outcomes of the transformation strategy.

Aligned leadership extends from elected members to senior and middle managers. Members set the strategic direction for the council and therefore must understand and

support the need for the organisation to change to meet strategic goals. Senior leaders must present a united front, communicate the case for change and direction of travel clearly and set an example. Middle managers play a vital role in ensuring the change is translated into everyday team behaviours and ways of working.

It is important to understand that benefit realisation decisions, such as whether to remove cost from the organisation or reinvest released capacity, are a function of leadership, not the transformation programme. These decisions are often difficult but they are

a necessary consequence of delivering successful transformation and leadership must ensure that the exercise of their discretion in this aspect of the programme is clearly communicated to the wider organisation.

However, leadership is not the sole domain of elected members and managers. Effective transformation programmes involve staff in the change process: "People own what they help create" (Myron Rogers). We will involve staff in design of new services, processes and teams and provide opportunities for them to shape the future council.

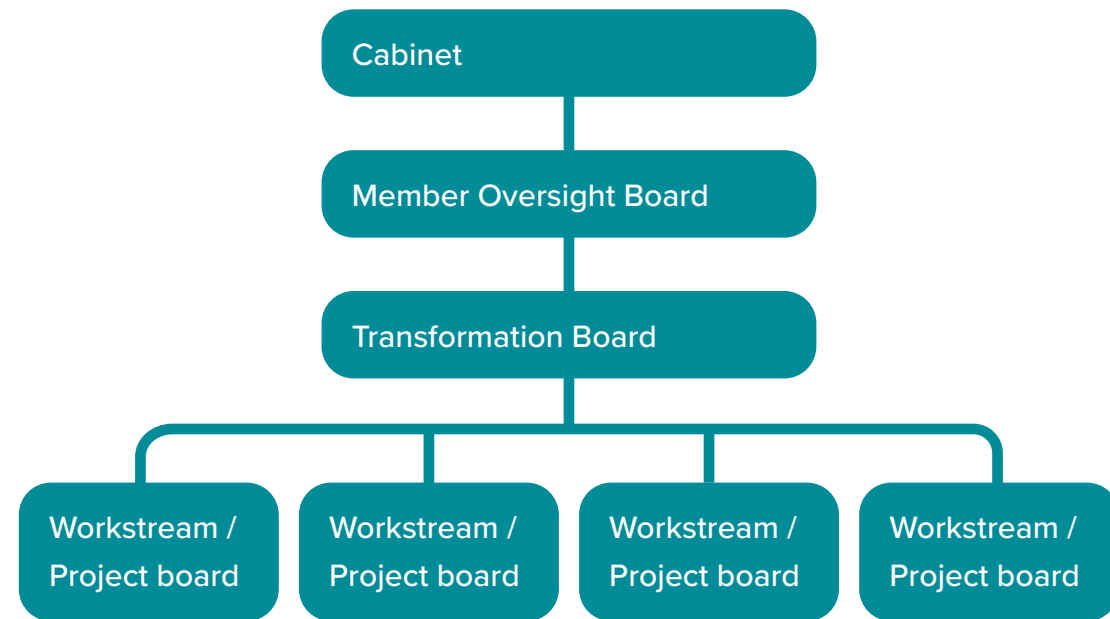


6.2. Governance

If it is to be successful in delivering all the objectives and delivering its scope, the transformation strategy must be implemented as a single, integrated programme. This is essential to ensure that individual workstreams and projects have a strong understanding of the wider impacts they will have, on other workstreams, projects or parts of the organisation.

A governance structure that oversees and encourages a joined-up approach, and has ultimate decision-making power across all workstreams, will be required. The detailed governance framework will be developed when the programme is mobilised, but an indicative governance framework is shown below.

At this stage, it is too early to allocate roles or individuals into this governance architecture, but this will be an important “next step” as the programme is mobilised, and will be important to help ensure that the leadership dynamic that has been outlined above is successful.





6.3. Delivery considerations

The vision and objectives in this strategy provide the direction for the council's transformation, but to make real change we will need to ensure that appropriate and sufficient funding is identified and agreed, mobilise our delivery team and develop a detailed plan.

A detailed risk analysis will be carried out as part of programme planning and mobilisation, however there are a number of **high-level risks** that are already known:

In-flight projects

- There are multiple projects underway that involve implementing new technology and processes, including new customer facing systems. Through no fault of those projects, they are operating independently of a unifying strategic framework for transformation and customer experience. There is a risk that some of the activity in these projects will conflict with the objectives of this and related strategies that are being developed, and that re-work may be necessary.

Lack of capacity and capability

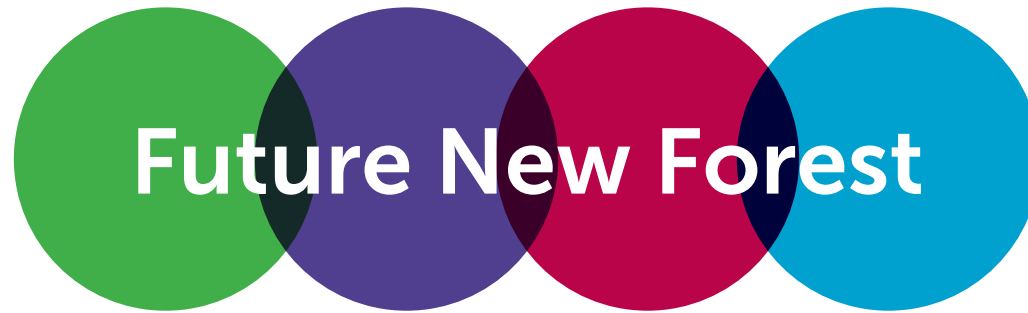
- The council is highly unlikely to currently have the right capacity and capability in key transformation skills such as programme management, change management, business analysis, customer engagement and digital process design. An approach to identifying and sourcing the right capacity and capability to support the transformation programme, as well as then releasing the excess capacity and capability with minimal cost at the conclusion of the programme, will need to be developed urgently.

The roadmap shown in section 5 provides a high-level view of the transformation programme and timeline but does not illustrate the many dependencies that exist between the activities shown. These will also be drawn out during programme planning, but it is worth highlighting some of the important ones:

- The design and build of new processes will be heavily dependent on the delivery of the new digital tools and capabilities. An agile approach that moves quickly from design to build is most likely to build

confidence and deliver results but this will only be possible if key building blocks are in place and their capabilities are well-understood.

- Organisation design changes may be dependent on service and process design changes, which, as noted above, may be dependent on new technology.



Future New Forest

Transforming tomorrow, together

YEAR ONE WORK PROGRAMME (INDICATIVE)

	ACTION	THEME	OBJECTIVE	PHASE
1	Identify additional skills and capacity required to deliver business case	Mobilisation		Business Case Dec 23 to Mar 24
2	Deliver customer and digital strategies that align with and support the transformation strategy and programme	Customer and digital	C1: Customers at the heart	Business Case Dec 23 to Mar 24
3	Define a core set of digital capabilities and devices to support service redesign and whole council transformation	Customer and digital	C3: Right systems and processes	Business Case Dec 23 to Mar 24
4	Identify opportunities to streamline and automate business processes	Customer and digital	F1: Deliver savings	Business Case Dec 23 to Mar 24
5	Develop a prioritised backlog of process efficiency opportunities	Customer and digital	F1: Deliver savings	Business Case Dec 23 to Mar 24
6	Develop organisation design principles aligned with the transformation vision	People and capabilities	P3: Review roles and structures	Business Case Dec 23 to Mar 24
7	Complete council-wide activity analysis	People and capabilities	P3: Review roles and structures	Business Case Dec 23 to Mar 24
8	Review organisation design options informed by customer needs, staff expertise and activity data	People and capabilities	P3: Review roles and structures	Business Case Dec 23 to Mar 24
9	Third party spend review including contract register and consideration of category management for procurement	Finances and delivery	F2: Adopt commercial mindset	Business Case Dec 23 to Mar 24
10	Set up benefits management system to include benefits identification, estimation and validation	Finances and delivery	F1: Deliver savings	Business Case Dec 23 to Mar 24
11	Set up governance	Mobilisation		Mobilisation Mar-Apr 24

12	Identify additional skills and capacity required to deliver transformation and develop resourcing plan	Mobilisation		Mobilisation Mar-Apr 24
13	Recruit additional programme resources	Mobilisation		Mobilisation Mar-Apr 24
14	Detailed programme planning including risks	Mobilisation		Mobilisation Mar-Apr 24
15	Define and baseline programme measures	Mobilisation		Mobilisation Mar-Apr 24
16	Identify datasets that help us to understand customers and demand	Customer and digital	C2: Use data to plan	Year 1 Implementation Apr 24 to Mar 25
17	Specify and procure new digital platform	Customer and digital	C3: Right systems and processes	Year 1 Implementation Apr 24 to Mar 25
18	Implement MVP digital platform	Customer and digital	C3: Right systems and processes	Year 1 Implementation Apr 24 to Mar 25
19	Invest in tools to join up customer data and create more integrated views across the council	Customer and digital	C2: Use data to plan	Year 1 Implementation Apr 24 to Mar 25
20	Develop an approach to user testing new services	Customer and digital	C1: Customers at the heart	Year 1 Implementation Apr 24 to Mar 25
21	Customer feedback mechanism designed	Customer and digital	C1: Customers at the heart	Year 1 Implementation Apr 24 to Mar 25
22	Develop a people strategy that outlines how we will attract, retain and grow the talent we need to transform the council and address skills gaps.	People and capabilities	P2: Invest in people	Year 1 Implementation Apr 24 to Mar 25
23	Translate our corporate values into everyday behaviours and systems	People and capabilities	P1: Align values and culture	Year 1 Implementation Apr 24 to Mar 25
24	Invest in change management to ensure transformation initiatives are properly embedded and long-lasting.	People and capabilities	P1: Align values and culture	Year 1 Implementation Apr 24 to Mar 25

25	Design and implement recruitment and retention strategies to address the gaps	People and capabilities	P2: Invest in people	Year 1 Implementation Apr 24 to Mar 25
26	Invest in training and talent creation programmes for hard to recruit roles and in-demand skills	People and capabilities	P2: Invest in people	Year 1 Implementation Apr 24 to Mar 25
27	Review cost, purpose and usage of all operational assets, customer-facing and depots and stores	Assets and accommodation	A1: Assets support delivery	Year 1 Implementation Apr 24 to Mar 25
28	Develop action plan for retention, redesign or disposal of operational assets in line with business needs	Assets and accommodation	A1: Assets support delivery	Year 1 Implementation Apr 24 to Mar 25
29	Develop an asset strategy and corporate landlord approach to optimise our asset portfolio, ensure compliance and align it with the MTFP	Assets and accommodation	A2: Challenge assets portfolio	Year 1 Implementation Apr 24 to Mar 25
30	Translate target values, behaviours and culture, and staff needs, into accommodation requirements and review current accommodation against requirements	Assets and accommodation	A3: Accommodation meets needs	Year 1 Implementation Apr 24 to Mar 25
31	Develop action plan for retention, redesign or disposal of staff accommodation in line with business needs	Assets and accommodation	A3: Accommodation meets needs	Year 1 Implementation Apr 24 to Mar 25
32	Develop and implement a data-led approach to the review of strategic priorities	Finances and delivery	F1: Deliver savings	Year 1 Implementation Apr 24 to Mar 25
33	Develop a data and insight driven service planning framework that includes fundamental reviews of service budgets and third party spend	Finances and delivery	F1: Deliver savings	Year 1 Implementation Apr 24 to Mar 25
34	Develop a service design approach to streamline and automate business processes	Finances and delivery	F1: Deliver savings	Year 1 Implementation Apr 24 to Mar 25
35	Where strategic service reviews identify opportunities to increase income / reduce loss-making services, develop delivery proposals	Finances and delivery	F2: Adopt commercial mindset	Year 1 Implementation Apr 24 to Mar 25

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COUNCIL TAX 2024/25 - SETTING THE TAX BASE

1. RECOMMENDED

1.1 That it be a recommendation to the Council that:

- a) The calculation of the Council's tax base for the year 2024/25 be approved.
- b) Pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Council as its council tax base for the year 2024/25 be as follows and as detailed in Appendix 3.

PARISH/TOWN	TAX BASE 24/25
Ashurst & Colbury	939.9
Beaulieu	511.9
Boldre	1,067
Bramshaw	337.8
Bransgore	1,846.8
Breamore	185.7
Brockenhurst	1,911.1
Burley	809.2
Copythorne	1,235.7
Damerham	248.3
Denny Lodge	159.2
East Boldre	384.4
Ellingham, Harbridge & Ibsley	632
Exbury & Lepe	116.3
Fawley	4,634.5
Fordingbridge	2,423.8
Godshill	225
Hale	267.7
Hordle	2,434.2
Hyde	519.8
Hythe & Dibden	7,482.5
Lymington & Pennington	7,529.6
Lyndhurst	1,478.5
Marchwood	2,075.2
Martin	200.3
Milford on Sea	2,938.7
Minstead	374.4
Netley Marsh	818
New Milton	10,619.4
Ringwood	5,501.6
Rockbourne	169.9
Sandleheath	299.6
Sopley	392.4
Sway	1,731.8
Totton & Eling	9,511.7
Whitsbury	104.7
Woodgreen	252.9
Whole District	72,371.5

2. INTRODUCTION AND BACKGROUND

- 2.1 The purpose of this report is to enable Members to approve the tax base for 2024/25.
- 2.2 Setting the Tax Base is an integral part of the Budget setting process and the determination of Council Tax levels. The Tax Base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and the calculation has to be made between 1 December and 31 January. The approved tax base must be notified to the County Council by 31 January.
- 2.3 The Tax Base is a yearly calculation and represents the estimated number of chargeable dwellings and is set to a "Band D equivalent" figure. The Valuation Office Agency allocate each domestic dwelling into one of eight valuation bands (A to H) for council tax purposes, with different proportions of tax are payable by each band.
- 2.4 The tax base is the estimated number of dwellings in the District, modified to take account of the different proportions payable, premiums, discounts, exemptions and other reductions.
- 2.5 The calculation of the tax base for tax setting also includes an allowance for non-collection.
- 2.6 Separate tax bases have to be made for each Parish.

3. THE CALCULATION PROCESS

- 3.1 Detailed calculations are required to set the tax base for tax setting purposes.
- 3.2 The number of properties are adjusted in each valuation band to allow for estimates of:
 - The number of properties estimated as being exempt
 - The number of demolished properties due to be removed
 - The number of properties that have a disabled band reduction (for dwellings in Band A they pay 5/9th of the Band D charge instead of 6/9th)
 - The number of properties that have a 25% or 50% discount (i.e. single person discount).
 - The number of properties where a 100% discount will apply for one month only, due to being unoccupied and unfurnished ("void") dwellings.
 - The number of properties subject to an Empty Homes Premium will apply.
- 3.3 The resultant net number of dwellings is multiplied by the relevant proportions to ascertain equivalent Band D properties. The relevant proportions are shown in Appendix 1.
- 3.4 The Council Tax Reduction scheme (CTR) operates as a discount on claimants Council Tax bills with the effect of reducing the Council Tax Base. The value of CTR awarded to pensioners and those of working age is dependent on their circumstances and are aggregated to arrive at the total council tax reduction. These values are converted into the tax base and band D equivalents. The proposed change to the Council Tax Reduction scheme for 2024/25 does not affect these calculations.
- 3.5 The next step of the calculation is to assess the likely collection rate and thereby make an appropriate allowance for non-collection. The estimated in-year collection rate for 2024/25 is 98.5%, which takes into consideration our record of good performance in Council Tax collection, the impact of the cost of living, and is considered prudent. Contributions in lieu for Ministry of Defence dwellings are then added. The whole calculation process is shown in Appendix 2.
- 3.6 The figures used in the calculation process are based on latest actuals. Appendix 3 shows 2024/25 tax bases compared to 2023/24.
- 3.7 Although there may be some growth in the tax base in the forthcoming year, it is advisable to take a prudent approach. If dwellings are improved and/or extended, bandings only normally change after a subsequent sale or ~~44~~ granting of a lease of 7 years or more.

4. CRIME & DISORDER IMPLICATIONS / ENVIRONMENTAL IMPLICATIONS / DATA PROTECTION IMPLICATIONS

4.1 None arising directly from this report.

5. CONCLUSION

- 5.1 The Council should approve formally the tax base for tax setting purposes. The regulations require that the tax base be formally approved for each parish/town Council area, with the calculations being approved by Members.
- 5.2 A prudent approach has to be taken in forecasting the tax base. Clearly, there is an obligation to ensure that sufficient funds are realised to meet the Council's expenditure.
- 5.3 A realistic collection rate has to be determined. It is important that the tax base is not overstated, as any shortfall will result in interest costs falling on the Council's General Fund.
- 5.4 Any Council Tax surplus/deficit on the Collection Fund will be shared between the Principal Authorities, pro rata to the demand/precept on the fund for the year concerned.

Further Information:

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Background papers:

The Local Authorities (Calculation of
Tax Base) (England) Regulations
2012

VALUATION BANDS

All dwellings have been valued by the Valuation Office Agency, based on property prices at April 1991. There are eight valuation bands and each dwelling has been placed into one of these bands according to its assessed value at that time. Band A is the lowest. The higher the band, the higher the council tax charge will be. See the table below:-

BAND	RANGE OF VALUES	PROPORTION
A	Up to £40,000	£1.00
B	Over £40,000 - £52,000	£1.17
C	Over £52,000 - £68,000	£1.33
D	Over £68,000 - £88,000	£1.50
E	Over £88,000 -£120,000	£1.83
F	Over £120,000 -£160,000	£2.17
G	Over £160,000 -£320,000	£2.50
H	Over £320,000	£3.00

For every £1.00 of Council Tax for a band 'A' property, a band 'B' property will be charged £1.17 - and so on. Any discounts and reductions would make the difference less than this.

	SUMMARY									
	DIS. A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
TOTAL DWELLINGS ON THE VALUATION LIST	0	7231	12193	18190	19402	13651	7125	4661	624	83077
ACTIVE EXEMPTIONS	0	377	238	272	407	208	98	57	7	1664
DEMOLISHED DWELLINGS BAND TO BE REMOVED	0	0	1	0	0	0	0	0	0	1
CHARGEABLE DWELLINGS	0	6854	11954	17918	18995	13443	7027	4604	617	81412
NUMBER OF CHARGEABLE DWELLINGS SUBJECT TO DISABLED REDUCTION	0	31	86	169	179	158	70	58	25	776
NUMBER OF DWELLINGS EFFECTIVELY SUBJECT TO CTAX FOR THIS BAND BY VIRTUE OF DISABLED BAND	31	86	169	179	158	70	58	25	0	776
NUMBER OF CHARGEABLE DWELLINGS ADJUSTED FOR DISABLED RELIEF	31	6909	12037	17928	18974	13355	7015	4571	592	81412
NUMBER OF DWELLINGS ENTITLED TO 25% DISCOUNT	13	4115	5460	6016	5741	3172	1398	781	72	26768
NUMBER OF DWELLINGS ENTITLED TO 50% DISCOUNT	0	158	21	18	33	31	37	41	7	346
NUMBER OF DWELLINGS ENTITLED TO 100% DISCOUNT	0	32	36	28	19	10	2	1	1	129
TOTAL DISCOUNTS	13	4441.88	5514.24	6061.52	5813.46	3237.4	1472.68	863.34	86.34	27503.86
DISCOUNT DEDUCTION	3.25	1110.47	1378.56	1515.38	1453.365	809.35	368.17	215.835	21.585	6875.965
NET DWELLINGS	27.75	5798.53	10658.44	16412.62	17520.635	12545.65	6646.83	4355.165	570.415	74536.035
DWELLINGS SUBJECT TO A PREMIUM (100%)	0	10	15	19	9	7	3	5	0	68
DWELLINGS SUBJECT TO A PREMIUM (200%)	0	23	2	8	3	2	8	0	0	46
DWELLINGS SUBJECT TO A PREMIUM (300%)	0	5	2	0	0	3	1	2	0	13
ADJUSTED NET DWELLINGS	27.75	5869.53	10683.44	16447.62	17535.635	12565.65	6668.83	4366.165	570.415	74536.04
BAND D EQUIVALENTS	15.4	3913	8309.3	14620.1	17535.6	15358	9632.8	7276.9	1140.8	77803.6
CTR PENSIONERS	4381.17	889726.26	1282088.96	1291528.89	844374.23	369636.51	137885.22	21020.69	3053.43	4843695.36
CTR WORKING AGE	9067.12	1037071.32	1639004.01	1494245.79	416440.37	131873.49	15368.32	5230.2	0	4748300.62
TOTAL CTR	13448.29	1926797.58	2921092.97	2785774.68	1260814.6	501510	153253.54	26250.89	3053.43	9591995.98
TOTAL REDUCTION IN TAX BASE DUE TO CTR BAND D EQUIVALENTS	6.38	912.42	1382.23	1324.08	603.15	240.64	74.16	12.80	1.50	4557.39
ADJUSTED BAND D EQUIVALENTS	9.21	3000.36	6927.16	13296.13	16933.45	15117.46	9558.84	7264.30	1139.30	73246.2
COLLECTION RATE										98.50%
SUB-TOTAL										72147.51
CONTRIBUTIONS IN LIEU										224
TAX BASE										72371.5

TAX BASES FOR 2024/25 COMPARED TO PREVIOUS YEAR 2023/24

PARISH/TOWN	TAX BASE 23/24	TAX BASE 24/25	CHANGE
Ashurst & Colbury	937.3	939.9	2.6
Beaulieu	516	511.9	-4.1
Boldre	1,059.7	1,067	7.3
Bramshaw	343.4	337.8	-5.6
Bransgore	1,827.6	1,846.8	19.2
Breamore	184.3	185.7	1.4
Brockenhurst	1,906	1,911.1	5.1
Burley	803.6	809.2	5.6
Copythorne	1,219.9	1,235.7	15.8
Damerham	248.9	248.3	-0.6
Denny Lodge	160	159.2	-0.8
East Boldre	382.7	384.4	1.7
Ellingham, Harbridge & Ibsley	632	632	0
Exbury & Lepe	116.1	116.3	0.2
Fawley	4,655.9	4,634.5	-21.4
Fordingbridge	2,427.9	2,423.8	-4.1
Godshill	227.6	225	-2.6
Hale	268	267.7	-0.3
Hordle	2,440.1	2,434.2	-5.9
Hyde	514.2	519.8	5.6
Hythe & Dibden	7494.8	7,482.5	-12.3
Lymington & Pennington	7,531.1	7,529.6	-1.5
Lyndhurst	1,480.4	1,478.5	-1.9
Marchwood	2,067.6	2,075.2	7.6
Martin	198.5	200.3	1.8
Milford on Sea	2,934.2	2,938.7	4.5
Minstead	377.3	374.4	-2.9
Netley Marsh	812.2	818	5.8
New Milton	10,624	10,619.4	-4.6
Ringwood	5,474.9	5,501.6	26.7
Rockbourne	164.8	169.9	5.1
Sandleheath	283.8	299.6	15.8
Sopley	389.8	392.4	2.6
Sway	1,730.8	1,731.8	1.0
Totton & Eling	9,484.4	9,511.7	27.3
Whitsbury	102.9	104.7	1.8
Woodgreen	249	252.9	3.9
Whole District	72,271.7	72,371.5	99.8

CABINET – 6 DECEMBER 2023
COUNCIL – 11 DECEMBER 2023

PORTFOLIO: FINANCE AND CORPORATE

COUNCIL TAX REDUCTION SCHEME 2024/25, HOUSING BENEFIT INCOME DISREGARD AND NATIONAL NON-DOMESTIC RATE RELIEF POLICY REVIEW

1. RECOMMENDATION

1.1 That Cabinet recommend to Council the following:

- a) to increase the standard earnings disregard and remove the additional earnings disregard, as detailed in Section 7, from 1 April 2024
- b) that a Task and Finish Group review a Banded scheme during 2024.
- c) that the full disregard of war pension income in the assessment of Housing Benefit, as detailed in Section 9, be approved
- d) that the updated National Non-Domestic Rate Relief policy as detailed in Section 10, be approved

2. INTRODUCTION

2.1 The purpose of this report is to consider the recommendations of the Council Tax Reduction Task and Finish Group on the Council Tax Reduction scheme, the disregard of war pension income in the assessment of Housing Benefit, and a review of our National Non-Domestic rate relief policy.

3 COUNCIL TAX REDUCTION SCHEME

- 3.1 Members will recall that local authorities are responsible for setting up their own local Council Tax Reduction Scheme to support those of working age on low income with paying their council tax. The Government stipulated that there must be no change to the level of support that pensioners receive and there are no plans to localise the scheme for this group. There are no plans to include Council Tax Reduction within Universal Credit.
- 3.2 The Council must formally approve the Council Tax Reduction Scheme no later than 11 March in any year, to take effect from 1 April.
- 3.3 The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
- 3.4 There are currently 7,939 claimants receiving Council Tax Reduction. Of these 4,236 are working age and 3,703 are of pensionable age. See Appendix 1 for caseload trend.
- 3.5 The current Council Tax Reduction Scheme costs approximately £9.5 million, with this cost being shared between all precepting authorities. The cost is split between:

Working Age	£4,805,991
Pensioner	£4,734,836

- 3.6 The amount of Council Tax Reduction awarded affects the tax base of each organisation and is not identified within the overall formula grant allocation.

4. REVIEW PROCESS

- 4.1 The Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2024.
- 4.2 Due to the timing of the District Council election and the lead time required to undertake the necessary detailed analysis and impact assessments, it has not been possible to undertake a full review of the scheme, including consideration of a banded scheme. It is recommended by the Group to consider this in 2024.
- 4.3 The recommendations of the Task & Finish Group are to be considered by the Resources and Transformation Overview Scrutiny Panel, the Cabinet and full Council in December 2023.

5. THE CURRENT LOCAL COUNCIL TAX REDUCTION SCHEME

- 5.1 The council's Council Tax Reduction Scheme protects vulnerable residents so that some of the changes to the scheme do not apply to them, see 5.2 and 5.3 as examples. A person is vulnerable if they (or a partner) are in receipt of Disability Living Allowance, Personal Independence Payments or Severe Disablement Allowance.
- 5.2 The council's Council Tax Reduction Scheme for 2023/24 requires all working age claimants (except vulnerable households) to pay a minimum of 10% council tax.
- 5.3 The council's Council Tax Reduction Scheme also includes:
- Council Tax Reductions are capped at band D (so that claimants living in higher banded properties receive support based on band D). There is no band cap for vulnerable households.
 - A savings limit of £6,000 (£16,000 for vulnerable households), so that claimants with more than £6,000 in savings are not entitled to any reduction.
 - The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings. For comparison purposes, the government disregards in Housing Benefit are £25.00 for a lone parent, £20.00 for a disabled claimant, £10.00 for a couple and £5.00 for a single claimant.

6. MATTERS CONSIDERED BY TASK & FINISH GROUP

- 6.1 Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in working with those affected. In 2023/24 council tax bills increased by an average of 5%, meaning council taxpayers having to pay more. This is likely to continue in the forthcoming years.
- 6.2 The Council Tax in-year collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, has reduced from 74.63% to 74.21% and overall in year collection rate for those in receipt of Council Tax Reduction increased from 85.59% to 87.00%.

6.3 Many of the claimants have also been affected by the increase in the cost of living, in particular fuel and food inflation which adversely affects low-income households, although there has been some government support provided. This includes the Council Tax Support Fund, which reduces those receiving Council Tax Support on 1 April 2023 with an outstanding council tax liability by up to £25.00, and a Discretionary Fund, where an additional £10.00 being awarded as well as supporting all new claims for Council Tax Reduction in 2023/24 with a £25.00 reduction in their council tax liability.

7. DISCUSSION ON COUNCIL TAX REDUCTION SCHEME FOR 2024/25

7.1 The group considered reviewing various aspects of the current scheme. This included:

- a) the 10% minimum contribution
- b) the Band D cap
- c) the capital limit of £6,000

7.2 The Group discussed these aspects and agreed to maintain these and not to propose any changes.

7.3 The Group also discussed a Banded scheme and recommended a fundamental review of this be undertaken in 2024 when sufficient time could be devoted to this.

7.4 The Group discussed one proposed change, summarised as follows:

Proposed change	No. of claims affected	Overall financial impact
To remove the Additional Earnings Disregard and increase the Standard Earnings Disregard	Circa 1,400	Minimal

7.5 The Group discussed the reasons and impact of the proposed change.

7.6 Currently, our scheme disregards £25.00 per week from all earnings when working our entitlement to Council Tax Support, irrespective of the number of hours worked; this is known as the standard earnings disregard. There is an additional £17.10 per week disregarded in specified circumstances, where:

- Lone parent working more than 16 hours a week
- Single person working more than 30 hours a week
- Couple where one is working at least 30 hours a week
- The person working receives a disability benefit and works more than 16 hours a week

7.7 Currently, the council is notified electronically from the Department for Work and Pensions of claimants Universal Credit awards. This includes details on earnings of both the claimant and partner, both when making a new claim and when assessing ongoing entitlement. This information is used to work out entitlement to Council Tax Reduction. Notifications are received every time there is a change to a claimant's or partners earnings, with many households having changes every month as their hours of work varies. Universal Credit notifications do not include

details about the number of hours worked and this information is needed to ascertain the level of earnings disregard to apply.

- 7.8 To ensure the correct level of disregard is applied, manual intervention is required by officers to review and update every notification received. This means having to contact claimants by either phone, email or letter, to ascertain their number of hours worked, this often results in multiple attempts to contact claimants and retrospective changes to awards, meaning reissuing of decision notices and recalculation and sending of council tax bills. This increased administration, delays processing times and limits the amount of automation that could be done to thousands of notifications received each year.
- 7.9 Our aim is to fully maximise the automation to streamline processes and simplify administration so that the numbers of hours worked is not relevant or required when making decisions on entitlement. By removing the Additional Earnings Disregard (AED) of £17.10 per week and increasing the weekly Standard Earnings Disregard, this would significantly simplify the scheme for the Council and claimants and mitigate the impact. It would also streamline working practices and simplify administration, both for the Council and for claimants, who would not need to continually provide details of the number of hours worked. Increasing automation of earnings notifications would enable more efficient use of resources, reduce costs, and have a bearing on staffing levels.
- 7.10 Members had previously requested further information, including analysis of the impact of this change if it were to be cost neutral, i.e., the change would not result in an increase or decrease in the overall amount of support given from the scheme.
- 7.11 Members noted in the impact assessment regarding the effect on support for working age people. It was noted that removing the AED but increasing the weekly standard earnings disregard by £10.00 would achieve a broadly cost neutral outcome, incurring a small increase in overall costs of circa £8,000, but ensuring a rounded disregard amount (the exact amount to ensure cost neutral would be £9.26). It is noted that the cost would be offset by a reduction in administration costs as detailed in 7.8.
- 7.12 The impact of this change is:
- a) a reduction in support by up to £74.04 per annum for 701 claimants, though potentially this would be mitigated in part, or in full in some cases, by annual upratings.
 - b) an increase in support by up to £104.57 per annum to 733 claimants who would be better off with this change as more of their earnings would be disregarded. This would provide additional financial support to those low-income households working less than 16 hours per week and it would incentivise work.
- 7.13 This change will affect all claims from 1 April 2024.
- 7.14 The Group were made aware of the Exceptional Hardship Payment scheme which is available to support any claimant in exceptional financial hardship with paying their Council Tax due to a shortfall between their Council Tax Reduction and the amount

of Council Tax to pay. Should any reduction in the level of support cause hardship, claimants can apply for Exceptional Hardship Payments.

8. CONSULTATION

- 8.1 The Council has a duty to consult on any changes to the scheme. The Council undertook a consultation exercise over a 6-week period, from 30 August 2023 to 11 October 2023, advertising on the council's website, social media, residents email, as well as contacting Hampshire County Council and Citizens Advice New Forest.
- 8.2 The Council only received 16 responses, with a range of responses with no clear view. Due to the minimal response received it is not possible to determine any conclusions.
- 8.3 After considering the consultation responses, the Group recommend making the proposed change to the Council Tax Reduction scheme from 1 April 2024.

9. HOUSING BENEFIT DISREGARD OF WAR PENSION INCOME

- 9.1 The Housing Benefit Regulations 2006 provide a £10.00 per week disregard from specified war pension income in the assessment of entitlement to Housing Benefit, with local authorities having discretion to disregard up to 100% of this income.
- 9.2 The incomes in scope are:
- Constant Attendance Allowance
 - Comforts Allowance (higher rate)
 - Comforts Allowance (lower rate)
 - Mobility Supplement
 - War Disability Pension – Unemployability Supplement
 - War Disability Pension
 - War Pensions Additions

- 9.3 The Council currently uses its discretion to disregard 100% of war pension income and there are currently 18 Housing Benefit claims receiving this disregard.
- 9.4 The Group recommend no change so that our long term commitment to disregard 100% of war pension income continues to support ex-service personnel.

10. NATIONAL NON-DOMESTIC RATE RELIEF POLICY REVIEW

- 10.1 The Group reviewed the current National Non-Domestic Rate Relief policy that provides rate relief for businesses paying business rates, see Appendix 2. Rate Relief can be mandatory, discretionary or both, and is granted in accordance with the Local Government Finance Act 1988 and 2012, and the Localism Act 2011.
- 10.2 The Group support the updated policy attached as Appendix 2 and recommend its approval and adoption with immediate effect.

11. FINANCIAL IMPLICATIONS

- 11.1 The financial implications of the proposed changes were discussed.

11.2 The proposed change will have a minimal impact on the overall cost of the Council Tax Reduction scheme, increasing total costs by circa £8,000.

11.3 To continue to apply a 100% disregard of war pension income in the assessment of Housing Benefit entitlement costs £36,550 per annum.

12. CRIME & DISORDER IMPLICATIONS / ENVIRONMENTAL IMPLICATIONS / DATA PROTECTION IMPLICATIONS

12.1 Data held to administer Council Tax Reduction and Housing Benefit are subject to our data retention schedule.

13. EQUALITY & DIVERSITY IMPLICATIONS

13.1 Our Council Tax Reduction scheme continues to support those on a low income and protects vulnerable households and proactive steps are taken to promote and maximise take-up. The continuation of disregarding 100% of war pension income supports those who have served in the armed forces.

14. RESOURCES AND TRANSFORMATION OVERVIEW AND SCRUTINY PANEL COMMENTS

14.1 The Panel support the recommendations in full.

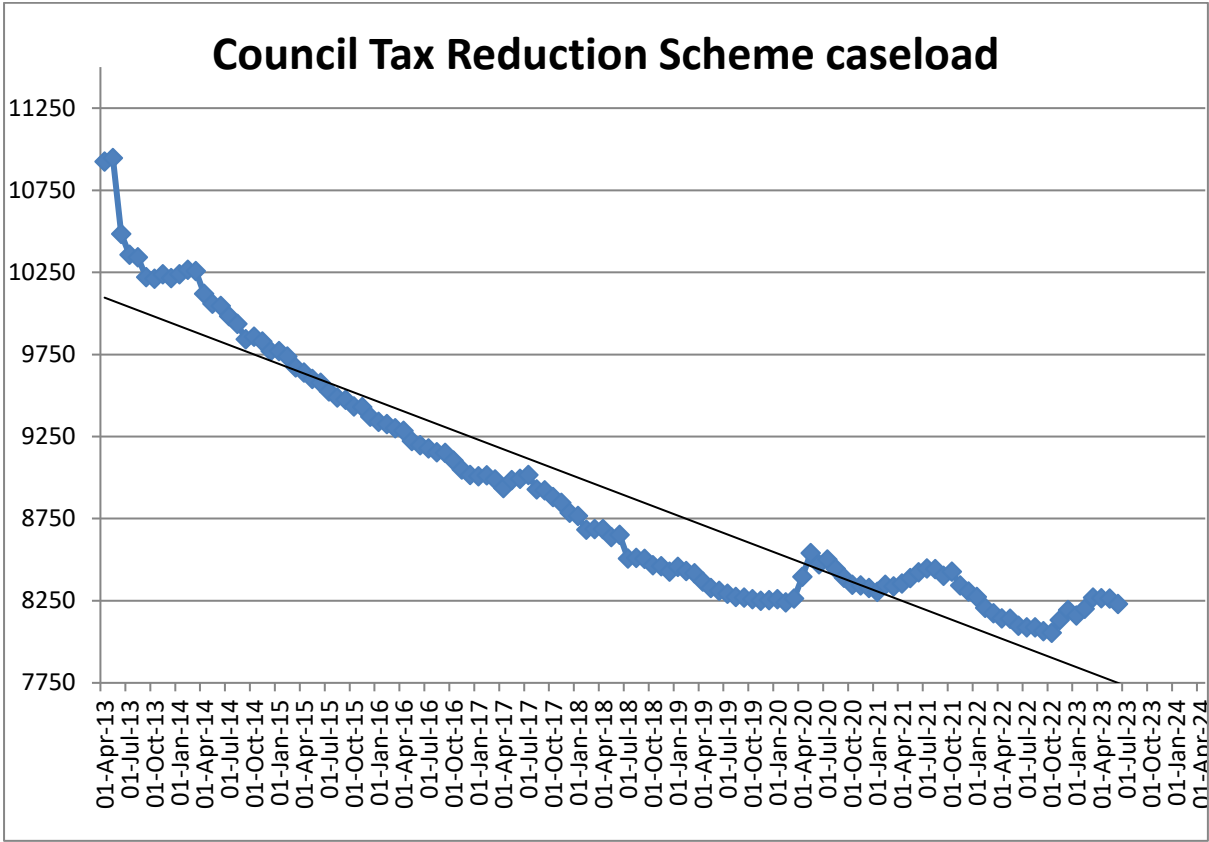
15. PORTFOLIO HOLDER COMMENTS

15.1 I support the recommendations which increases the automation of our Council Tax Support scheme and significantly simplifies administration for both the Council and claimants. We are committed to supporting ex-service personal and continuing to disregard war pension income in full confirms this commitment. The updated National Non-Domestic Rate Relief policy confirms the circumstances where we will award rate relief.

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Background Papers:
Minutes of Task & Finish Group

Council Tax Reduction Caseload





New Forest District Council

Revenues and Benefits Service Rate Relief Policy

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1. Introduction

- 1.1 This policy sets out the Council's approach to supporting local businesses under its business rate relief schemes.
- 1.2 The Council recognises the importance of supporting local businesses and organisations to promote the provision of economic growth and local facilities. Councils have the power to grant discretionary rate relief to organisations that meet certain criteria, and this policy applies to applications for rate relief for National Non-Domestic Rates (Business Rates). Rate Relief can be mandatory, discretionary or both, and is granted in accordance with the Local Government Finance Act 1988 and 2012, and the Localism Act 2011.
- 1.3 This policy specifies the factors that will be considered when deciding whether to award a relief. All applications will be decided on its merits, and we will treat all customers fairly and equally.

2. Policy Aims

- 2.1 Public funds are limited and a proportion of the costs of the rate relief granted is borne by local council tax payers. In making decisions, the Council must be satisfied that awarding a rate relief will benefit the community.
- 2.2 The Council will treat all applicants equally, will consider all applications on their individual merits fairly and consistently, and will seek through administering this policy to meet corporate objectives and support local businesses and organisations.
- 2.3 The overall interests of Council Tax payers is safeguarded by ensuring that funds are allocated and used in the most effective and economic way.

3. Rural Rate Relief

Mandatory Rate Relief

- 3.1 Certain properties can be awarded rate relief if it is located in a rural area, which is defined as a rural area with a population below 3,000.

- 3.2 50% rate relief shall be awarded where the ratepayer occupies:

- the only general store or post office within a rural settlement and the rateable value is less than £8,500.
- the only pub or petrol station within the rural area with a rateable value of £12,500 or less.

Discretionary Rate Relief

- 3.3 50% rate relief will be awarded in all cases where the occupier is entitled to the 50% mandatory rate relief.
- 3.4 In addition, 100% rate relief can be awarded where the ratepayer occupies a property within a rural settlement with a rateable value of less than £16,500 and where the council considers the property provides a clear benefit to the local community.

Reviews

3.5 All mandatory and discretionary rate relief awards will be reviewed every 3 years.

4. Registered Charities

Mandatory Rate Relief

4.1 80% rate relief shall be awarded where:

- (a) the ratepayer of a property is a registered charity and
- (b) the property is wholly or mainly used for charitable purposes

Reviews

4.2 All mandatory rate relief awards will be reviewed every 3 years

Discretionary Rate Relief

4.3 20% discretionary rate relief can be awarded where the ratepayer is entitled to the mandatory rate relief and where:

- where the property is occupied and used to provide a service or benefit to the local community,
- is open to all the community,
- the ratepayer is able to demonstrate they would sustain financial hardship if the rate relief was not awarded
- it is reasonable for the Council to do so, having regard to the interests of local council tax payers

The following will not be eligible for a discretionary award:

- charity shops,
- private and independent schools
- Housing Associations

Reviews

4.4 Discretionary Rate Relief awards will be subject to the following review periods:

- (a) Every 5 years where the annual value of the discretionary rate relief award is more than £1,500
- (b) Every 3 years where the annual value of the discretionary rate relief award is less than £1,500

5. Registered Community Amateur Sports Clubs

Mandatory Rate Relief

5.1 80% rate relief shall be awarded where the ratepayer is registered with HMRC as a Community Amateur Sports Club.

Discretionary Rate Relief

5.2 The council has decided not to make any discretionary awards. However, where the Community Amateur Sports Club would otherwise be entitled to small business rate relief we will award:

- 20% where the rateable value is below £12,000

Reviews

5.3 Any mandatory rate reliefs will be reviewed every 3 years.

6. Sports Clubs and Not for Profit Organisations

6.1 The council has the discretion to award discretionary rate relief of up to 100% of the business rates on properties occupied by a sports club and not-for-profit-organisations. Applications will be treated on their own merits and in consideration of the interests of local taxpayers.

6.2 To be eligible for consideration, the property must be:

- (a) Wholly or mainly used for the purposes of recreation and all or part of it is occupied for the purpose of a club, society, or other organisation not established or conducted for profit; or
- (b) occupied for the purposes of one or more institutions or other organisations, none of whom are established or conducted for profit and each of whose main objectives are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature, or the fine arts.

6.3 The organisation should be able to demonstrate a financial need for rate relief. The government has provided some guidance when considering an application.

6.4 In making a decision, we will consider the following:

Access and membership

- (a) Is membership open to all sections of the community? There may be legitimate restrictions placed on membership, e.g., where the capacity of the club is limited. Organisations will not be considered if the membership rate is high and therefore excludes the general community.
- (b) Does the organisation actively encourage membership from across the community or actively target specific groups, such as young people, older age groups, persons with disabilities, ethnic minorities etc. Organisations which do not encourage such membership may not be successful.
- (c) Are the facilities made available to the community, other than just members? The wider use of facilities should be encouraged and promoted.
- (d) Is the organisation affiliated to local or national organisations, e.g., local sports or arts councils, national representative bodies? i.e., are they actively involved in local/national development of their interests
- (e) How is the organisation funded?

Provision of facilities

- (a) Does the organisation provide training or education to its members, or schemes to develop skills?
- (b) Have the facilities available been provided by self-help or grant aid? An organisation that uses or has used self-help or grant aid for construction, maintenance or provision of facilities may be considered more favourably.
- (c) Does the organisation have a bar? Having a bar should not in itself be a reason for not granting relief. The Council will look at the main purpose of the organisation, for example bringing people together with similar interests. In sports clubs for example the balance between playing and non-playing members might provide a useful guide as to whether the main purpose of the club is sporting or social activities.
- (d) Does the organisation provide facilities which indirectly relieve the Council of the need to do so, or enhance and supplement those which it does provide? The Council will not refuse to grant rate relief on the grounds that an organisation is in competition with the Council itself but will look at the broader context of the needs of the community as a whole. A new need, not being provided by the Council but identified as a priority for action, might be particularly deserving of support.
- (e) Are the premises available to the wider community to use?

Reviews

6.5 Discretionary Rate Relief awards will be reviewed within the lifetime of the rating list.

7. Small Business Rate Relief

7.1 Small business rate relief is a mandatory relief and will be awarded based on the following criteria:

- (a) There is mandatory rate relief of 100% where the ratepayer occupies a property with a rateable value of £12,000 or less, or if more than one property is occupied and the additional property has a rateable value of less than £2,900 and the combined rateable value of all the properties is not more than £20,000,
- (b) Rate relief is awarded on a sliding scale where the ratepayer occupies one main non-domestic property with a rateable value of between £12,000 and £15,000, or if the ratepayer occupies more than one non-domestic property, each additional property has a rateable value of less than £2,900 and the total rateable value of all properties is less than £20,000.

7.2 Where a demand notice is issued to a ratepayer information is provided about this relief.

Reviews

7.3 All awards will be reviewed during the lifetime of the rating list

8. Hardship Rate Relief

8.1 The Council will consider applications for hardship rate relief of up to 100% of the business rates due by taking into consideration the following:

- (a) the ratepayer would sustain hardship if the authority did not do so; and

- (b) it is reasonable for the authority to do so, having regard to the interests of persons subject to its council tax.
- 8.2 The amount of any hardship rate relief award will be capped at the lower of 6 months rates liability or £3,000.
- 8.3 The intention is to support businesses in the short term, with awards usually being for a maximum period of 6 months, to allow the business to develop, recover or manage an event or decline and become financially stable. Government guidelines advise that the awarding of rate relief should only be in exceptional circumstances. The test of hardship is not necessarily confined to financial hardship; all relevant factors affecting the ability of a business to meet its liabilities will be taken into consideration. It is the ratepayer's responsibility to demonstrate hardship and to supply supporting evidence.
- 8.4 The council is open and transparent and as such, any hardship award must fulfil the test as to whether council taxpayers would consider the award to be reasonable and in their best interests.
- 8.5 Any award will be an exception and when making a decision, we will consider the following:
- (a) Whether the business provides a service to the community
 - (b) Whether the service provided is obtainable elsewhere within a reasonable distance
 - (c) Whether there is a genuine prospect of the business going out of business without an award
 - (d) The number of persons employed by the business
 - (e) Whether there is a genuine prospect of the business continuing in the long term after an award
 - (f) The latest figures available for net profit/loss, and the cost of business rates as a percentage of total business expenses and gross profit.
 - (g) If the hardship is not just the result of economic or market factors, nor due to excessive drawings or outgoings.
 - (h) What steps the ratepayer has taken to alleviate the hardship
 - (i) Details of why the business is experiencing hardship
 - (j) How long the business has been trading. An award of Hardship rate relief will not be made for the purpose of enabling a new business to become established except where the viability of the business is threatened by events that could not reasonably have been foreseen when establishing the business
 - (k) If the property is unoccupied, awards will only be made in exceptional circumstances and where there are clear benefits to council tax payers
 - (l) The ratepayer's history of business success or failure
 - (m) Consideration will be given where the ratepayer has more than one trading business
- 8.6 Hardship relief will not be granted where the applicant:
- Has failed to have adequate insurance for their business or premises, resulting in the application for hardship
 - Has not maintained payment of their business rates for previous years

9. Partly unoccupied properties

9.1 Where part of a property is unoccupied for a short time the council has discretion to reduce the rates on a property by awarding rate relief in respect of the unoccupied part of the property. The council will ask the Valuation Office Agency to apportion the rateable value between the occupied and unoccupied parts of the property.

9.2 In deciding whether to award a rate relief the following factors will be considered:

- (a) The reasons for the part occupation
- (b) The expected duration of any part occupation
- (c) Previous awards to the same organisation

9.3 The rate relief can apply for a maximum of 6 months for industrial properties and a maximum of 3 months for non-industrial properties.

10. Policies and procedures

10.1 For any award of discretionary rate relief, as set out in sections 4, 5, 6 and 8 applicants must ensure that:

- There are relevant policies such as child protection, safeguarding, health and safety, codes of practice
- They must adhere to the Equality Act 2010 and Disability Discrimination Act to legally protect people from discrimination in the workplace and in the wider society.
- All of the organisations employed staff must be paid the current national living wage as a minimum

10.2 Where an application is received from an organisation that is the subject of an investigation by a relevant regulator, such as the Charity Commission, we will make a decision once the outcome of the investigation is decided.

11. Applications

11.1 An application must be made in the format prescribed by the council and include any supporting evidence the council considers necessary. This could include audited accounts and recent bank statements.

11.2 Where requested information and evidence is not supplied the Council will not make an award.

12. Awards

12.1 Any reliefs awarded will be applied directly to the business rates account.

12.2 Reliefs will cease and any overpaid rate relief will be recovered where:

- (a) The applicant ceases to be liable for business rates,
- (b) The property for which relief is granted becomes empty,
- (c) The use of the property changes
- (d) The aims, or objectives of the organisation changes or it ceases from activities which the Council considers to meet the above eligibility criteria
- (e) The organisation ceases trading

- (f) There is a change in circumstances, for example a change in the rateable value
- (g) The applicant no longer meets the eligibility criteria for an award, for example they lose their CASC status

12.3 Awards will be considered from the date the application is received. In exceptional circumstances consideration may be given to awarding rate relief for a retrospective period where the ratepayer can demonstrate good cause for not submitting the application earlier, subject to the following constraints relating to discretionary awards:

- (a) If the application is received by 30 September, the award can be backdated to 1 April of the previous financial year
- (b) If the application is received after 30 September, the award can only be backdated to 1 April of the current financial year

13. Decision Making

13.1 Decisions will be made by the Business Rate team, in conjunction with the Revenues Manager, in accordance with the eligibility criteria.

14 Notification

14.1 The Council will notify ratepayers within one month of making their application and providing all the supporting information.

14.2 Where an award is made notification will be sent to confirm the amount and duration of the award and the ratepayers revised liability. The ratepayer will be required to notify the council of any changes in their circumstances that could affect the award.

15. Review of decisions

15.1 The Council will operate an internal review process and will accept an applicant's request for an appeal of its decision.

15.2 All such requests must be made in writing or by email to the Council within one month of the Council's decision and should state the reasons why the applicant is aggrieved with the decision of the Council. New information may be submitted at this stage to support the applicant's appeal.

15.3 The application will be reconsidered by Service Manager – Revenue, Benefits and Customer Services, as soon as practicable and the applicant informed in writing or by email of the decision. This decision is final and there are no further grounds to challenge a decision internally, however an applicant may apply for a Judicial Review of a decision.

15.4 Ratepayers should continue to pay any amounts due whilst the application is awaiting a decision, unless the Council has agreed with the ratepayer that payments are suspended.

15.5 Where an application is refused, further applications will not be considered within 12 months unless:

- the use of the property changes

- the objectives of the organisation changes, or
- there are other material changes that may affect the Council's decision

16. Subsidy control

- 16.1 Discretionary Business Rates relief shall not be awarded in any circumstances where it appears that an award will result in the ratepayer receiving Subsidy that is above the current de minimus level. For further information please visit <https://www.gov.uk/government/collections/subsidy-control-regime>

17. Financial implications

- 17.1 The implications of awarding a Discretionary Rate Relief are that the cost to the Council is 40% of the award.

18. Policy review

- 18.1 The council will review this policy every 5 years or earlier if legislation changes.

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FREEDOM LEISURE CONTRACT VARIATION

1. RECOMMENDATIONS

- 1.1 That Cabinet recommend to Council the proposals set out in this report to vary the contract with Freedom Leisure to deal with the significant challenges presented by the unforeseen increases in energy costs, achievable via the incorporation of a mechanism for the Council to share the cost of utilities over and above the costs assumed in the bid.

2. INTRODUCTION

- 2.1 This report sets out a proposal to deal with a request from Freedom Leisure for the Council to offer support considering the significant unforeseen increase in energy costs.

3. BACKGROUND

- 3.1 On 18 June 2021, the Council entered into a contract with Freedom Leisure to run the Council's 5 Health and Leisure facilities commencing on 1 July 2021, for a term of 11 years (with an optional four-year extension). It is worthy of note that the contract years are not contiguous with the Council's year end accounting period, with 9 months of a contract year falling into one NFDC accounting year, and 3 months falling into the next. It is also worthy of note that the contract was signed before the commencement of the war in Ukraine and at a time when the subsequent significant increases in utilities costs could not have been foreseen.
- 3.2 Freedom Leisure is one of the UK's leading charitable and not-for-profit leisure trusts. They manage leisure and cultural services on behalf of over 25 local authority partners and operate more than 100 leisure and cultural venues across the country.
- 3.3 The extraordinary increase in utility costs nationally has had a particular adverse effect on the leisure industry. The sector is finding it extremely challenging to cover the huge energy cost increases and this is at a time when providers are still recovering from the fallout of Covid, which saw leisure facilities close with a slower than expected post Covid recovery.
- 3.4 Freedom Leisure, like many other in the industry, are experiencing these same challenges. Freedom Leisure first formally wrote to the Council in November 2022 to highlight the issues they were facing as a result of the exceptional costs of energy and to ask for a variation to the utility risk share within the contract with the Council taking the additional cost risk over and above bid levels. Freedom Leisure have provided a report, enclosed at Annex A, which explains the impact of the increased energy costs on the deliverability of the contract and the financial sustainability of the New Forest partnership as well as for Freedom Leisure as a group.
- 3.5 The contract between NFDC and Freedom Leisure allows for a 'Net Income Adjustment' calculation to take effect based on the year 2 outturn. Where financial

performance hasn't met the forecast bid position, resulting in the occurrence of a deficit, both parties share the deficit according to a staircase methodology, as summarised in table 1 below;

TABLE 1

	NFDC	Freedom
First £50k	80%	20%
Second £50k	60%	40%
Third £50k	40%	60%
Above £150k	20%	80%

- 3.6 The Net Income Adjustment did not anticipate such significant increases in utilities expenditure; conversely, it assumed a scenario based on utilities expenditure being stable, with the volatility expected within income, on the assumption that post-covid recovery may extend into year 2 of the contract.
- 3.7 Officers of the Council have been meeting regularly with Freedom Leisure to discuss the support that the Council may be able to offer specifically tailored to utilities, and this report sets out the recommendations of officers in this regard. The proposed support deals solely with the increase in utility costs as a result of unforeseen consequences relating to the Ukraine war and global influences, leaving the contractual Net Income Adjustment to support the other financial variations witnessed throughout year 2 of the contract.
- 3.8 Officers have taken expert legal advice on the matter and Appendix 1 to the report contains a confidential summary of the legal advice received from the Council's external legal experts, which is exempt information by virtue of Paragraph 5 of Schedule 12A of the Local Government Act 1972 (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. PROPOSAL

4.1 The Increase in utility costs due to unforeseen circumstance

- 4.1.1 Following a sustained period of stability in utilities pricing, Russia's invasion of the Ukraine, including global influences, resulted in a significant and unforeseen spike in gas and electricity pricing early in 2022.
- 4.1.2 In recognition of the significant increase in wholesale prices, the Government passed its Energy Bill Relief Scheme Regulations 2022 (known as the EBRs) in November 2022. Although this provided some relief as a result of lowering the wholesale unit price of gas and electricity by means of a discount directly reflected on utility bills, it didn't prevent consumers from seeing residual large increases when compared to previous billing and contract pricing.
- 4.1.3 There are 2 factors here that have been considered in the dialogue with Freedom Leisure;
- 1) the increase in utility expenditure during contract year 2 (covering 1 July 2022 – 30 June 2023); and

- 2) the forecast increase in utility expenditure expected over contracts years 3, 4 and 5.

4.2 1) The increase in utility expenditure during year 2 of the contract

- 4.2.1 The yearend accounts covering year 2 of the contract show a gas and electricity overspend of £785,864 as against the originally budgeted (3% indexed) gas and electricity budget of £489,641.
- 4.2.2 Freedom Leisure has instigated several mitigating actions, including the reduction of pool temperatures, the temporary closure of Sauna / Steam facilities, and fees and charges adjustments, reflecting on CPI.
- 4.2.3 Despite these mitigations, and a successful grant from Sport England to support the utility overspend (further info in para 4.2.5), there is a residual gap between the budgeted position, and the actual spend (whereby actual spend = Gas and Electric spend net of Sport England grant), to the end of June 2023 (contract year 2).
- 4.2.4 Through a contract variation, officers recommend Freedom Leisure absorb the first 10% of the increased utilities costs, when compared to their year 2 bid assumption (3% inflation adjusted), reflecting a reasonable risk tolerance on utilities, and propose a share arrangement for the overspend beyond this 10%. The proposed share is then 50% NFDC / 50% Freedom Leisure. Based on the year 2 outturn figures this equates to;

TABLE 2

	Bid Position £	Actual Outturn £	Variance £
Gas and Electric (net of Sport England grant)	489,641	1,234,336	744,695
Freedom Leisure to absorb first 10% above bid;			48,964
Balance to be shared 50 / 50;			695,731
NFDC Share			347,866
Overall Freedom Leisure Share			396,829

- 4.2.5 It should be noted that the Council (in Partnership with Freedom Leisure) has been successful in obtaining support funding from the Government's Swimming Pool Support Fund (£20M cash fund to support community pools with their increased costs). This income has been deducted from the gross Energy Spend, thus reducing the Council's share accordingly for the fiscal period that ties in with the grant (impacting contract years 2 and 3).

4.3 2) The forecast increase in utility expenditure expected over the next 3 years of the contract

- 4.3.1 Officers recommend Freedom Leisure absorb the first 10% of the increased utilities costs, when compared to their year 3,4 and 5 bid assumption (3% inflation adjusted), reflecting a reasonable risk tolerance on utilities, and

propose a share arrangement for the overspend beyond this 10%. The proposed share is then 50% NFDC / 50% Freedom Leisure.

5. PROCUREMENT CONSIDERATIONS

- 5.1 The contract was awarded pursuant to a public procurement carried out under the Public Contracts Regulations 2015 (the PCR). Any variation of the contract therefore needs to take place in accordance with the PCR.
- 5.2 Regulation 72(1)(c) provides that modifications can be made to public contracts where:
- the need for the modification has been brought about by circumstances that a diligent contracting authority could not have foreseen;
 - the modification does not alter the overall nature of the contract; and
 - any increase in price does not exceed 50% of the value of the original contract.
- 5.3 In this case, officers are satisfied that the grounds for reliance on Regulation 72(1)(c) are met. The modification is necessary due to significantly increased energy prices that could not have been foreseen by the Council at the time it signed the contract in order to ensure that the contract remains deliverable without a reduction in service levels/changes to service delivery for the remainder of the contract term. Officers have noted that Freedom Leisure has carefully considered ways it can seek to mitigate the impact and that a variation to the contract in some form will be necessary to avoid significant risk of future service delivery failure. The utilities risk share mechanism that has been agreed in principle with Freedom Leisure is flexible and will therefore limit additional payment to the minimum necessary to ensure that the impact of energy costs is managed. The variation will not alter the overall nature of the contract, and the increase in payment from the Council will not exceed 50% of the value of the contract.

6. FINANCIAL IMPLICATIONS OF RECOMMENDATIONS

- 6.1 The Council's budget for 2022/23, which covers the majority of year 2 of the contract, included a £475,000 contingency (the headroom above and beyond the annual savings associated with the operational review already built into the General Fund budget) to take account of the contractual Net Income Adjustment, and other potential financial matters arising. The 2022/23 accounts allowed for 9/12ths of the estimated Net Income Adjustment based on figures available over the yearend period. A further £400,000 was placed in a provision and will now be used to fund the Council's contribution towards the year 2 utility payment. The Net Income Adjustment payment balance applicable to NFDC FY 23/24 (3/12ths) will be funded from the equivalent 2023/24 contingency.
- 6.2 The expected financial contribution from NFDC as a result of the proposed contract variation over the next 3 years will be covered by the budgeted contingency. Through the additional contractual income, due from Freedom Leisure in years 3, 4 and 5 of the contract, the Council can still make the intended top-up to the Leisure Maintenance budget, to fulfil our landlord maintenance responsibilities.

7. CRIME & DISORDER IMPLICATIONS

7.1 There are none directly associated with this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1 There are none directly associated with this report, however it is worth noting that the Council continues to work with Freedom Leisure on matters that will reduce energy consumption at the Leisure Centres. A recent example can be cited as the replacement of the end-of-life gas boilers at New Milton Leisure Centre, being replaced with more energy efficient air-source heat pumps.

9. EQUALITY AND DIVERSITY IMPLICATIONS

9.1 There are positive equality and diversity implications for the community in the provision of leisure facilities across the District. The services provided improve the health and wellbeing of residents, take into account those with particular characteristics and play an important contribution to the District's social wellbeing.

10. PORTFOLIO HOLDER COMMENTS

10.1 Community, Safety and Wellbeing

As good partners, it is only right that NFDC should both acknowledge and help to address the significant challenges presented by the unforeseen increases in energy costs for Freedom Leisure.

10.2 Finance & Corporate Services

The contract, including the proposed variation, continues to provide value for money for both the Council and our residents and without which, under previous arrangements the full cost of the unforeseen energy increases would have fallen solely to the Council.

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Background Papers:

Public documents

Exempt information (legal advice)

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New Forest DC – Utility Crisis Implications

November 2023

Context

This report is being provided as part of our further information to NFDC relating to our Operator Change of Notice request (Schedule 24 Part 5 of the LOC)

This relates to the significant increases in utility costs which was unforeseen

Background

The ongoing utility crisis has been raised with Officers at NFDC since the early part of 2022.

For unforeseen reasons outside of our control, including a worldwide shortage of gas due the Ukraine War, the utility tariffs for gas and electricity have increased significantly (up to 500%) since 2020

The government introduced the Energy Bill Relief Scheme (EBRS) from October 2022 until March 2023 but this fell short of offsetting the significant increased costs

Bid Assumptions

Based on the information provided by NFDC we estimated our utility consumption and costs for the sites for years 1 and 2, which is provided by site (see tab Utility Bid Assumptions) and summarised below:

Table 1.

New Forest DC Utilities Bid Assumptions Yr1 & Yr2				
	Yr1	Yr2	Variance	%
Electricity Consumption (kWh)	2,783,834	2,606,272	- 177,562	-6%
Electricity Cost (£)	£ 328,381	£ 308,880	-£ 19,501	-6%
Electricity average tariff	£ 0.118	£ 0.119	£ 0.001	0%
Gas Consumption (kWh)	5,937,046	4,968,691	- 968,355	-16%
Gas Cost (£)	£ 198,799	£ 166,500	-£ 32,299	-16%
Gas average tariff	£ 0.033	£ 0.034	£ 0.000	0%
Total Consumption (kWh)	8,720,880	7,574,963	- 1,145,917	-13%
Total Cost (£)	£ 527,180	£ 475,380	-£ 51,800	-10%
Total average tariff	£ 0.151	£ 0.152	£ 0.001	0%

This assumed that;

- The cost of gas would increase by 15% from our group rate of 2.9p/kWh to 3.4p/kWh. Note that the NFDC rate had been in the order of 2.9p/kWh in 2019-20
- The cost of electricity would remain stable with the NFDC rates and the Freedom Leisure rates at about 12p/kWh
- We would reduce consumption from year 1 to year 2 by 16% (gas) and 6% (electricity)

Both NFDC (New Forest utility consumption/cost tender document) and Freedom Leisure had been experiencing very stable gas and electricity rates. This had been the case for several years, which is shown in the attached:

<https://tradingeconomics.com/commodity/uk-natural-gas>

Year 1 of the Partnership – July 2021 to June 2022 Actual Performance

For contract year 1 the sites made an overall deficit of £1.9m. Through contractual arrangements the Council contributed a management fee of £1.5m

The cost of utilities during Year 1 were £984k, an increase of £457K compared to our tender. The summary is as follows:

Table 2.

New Forest DC Utilities Summary Yr1				
	Bid Figures	Yr1 Actual	Variance	%
Electricity Consumption (kWh)	2,783,834	1,839,508	- 944,326	-34%
Electricity Cost (£)	£ 328,381	£ 540,151	£ 211,770	64%
Electricity average tariff	£ 0.118	£ 0.294	£ 0.176	149%
Gas Consumption (kWh)	5,937,046	6,833,880	896,834	15%
Gas Cost (£)	£ 198,799	£ 443,717	£ 244,918	123%
Gas average tariff	£ 0.033	£ 0.065	£ 0.031	94%
Total Consumption (kWh)	8,720,880	8,673,388	- 47,492	-1%
Total Cost (£)	£ 527,180	£ 983,868	£ 456,688	87%
Total average tariff	£ 0.151	£ 0.359	£ 0.207	137%

Within year 1:

- We managed to reduce consumption by 47,492 kWh (1%) compared to our year 1 projections. Had we not achieved this the costs would have been higher
- Average tariffs increased from January 2022. The gas tariffs were on a flex contract from January to June 2022, hence the variance per month
- Even though we were on lower tariffs from June 2021 to December 2021, they increased significantly following the start of the War in Ukraine. Gas prices increased by 94% (from 3.3p/kWh in the bid to 6.5p/kWh) and electricity prices increased by 149% (from 11.8p/kWh in the bid to 29.4p/kWh). The War in Ukraine and the energy crisis across the UK (which affects both households and business) could not have been foreseen

Year 2 of the Partnership – July 2022 to June 2023 Actual Performance

For contract year 2, the sites made an overall deficit of £1.482m. Expenditure includes the contractual management fee payment to the District Council, and subject to the finalisation of audited works, a 'Net Income Adjustment' will be completed resulting in the Council making a contribution towards the deficit.

The cost of utilities during Year 2 were £1,275k, an increase of £786k. The summary is as follows:

Table 3.

New Forest DC Utilities - Year 2 Actual v Bid				
	Bid Figures	Year 2 Actual	Variance	%
Electricity Consumption (kWh)	£ 2,606,272	1,657,145	- 949,127	-36%
Electricity Cost (£)	£ 318,146	£ 663,566	£ 345,420	109%
Electricity average tariff (£)	£ 0.122	£ 0.400	£ 0.28	228%
Gas Consumption (kWh)	4,968,691	5,712,006	569,820	11%
Gas Cost (£)	£ 171,495	£ 611,939	£ 440,444	257%
Gas average tariff (£)	£ 0.035	£ 0.107	£ 0.073	210%
Total Consumption (kWh)	7,574,963	7,369,151	- 205,812	-3%
Total Cost (£)	£ 489,641	£ 1,275,505	£ 785,864	160%
Total Average Tariff (£)	£ 0.065	£ 0.173	£ 0.1084	168%

- Consumption levels were close to the projected consumption of 7,574,963 kWh
- The cost was an increase of 160%
- The average tariff increased from 12.2p to 40.0p for electricity and from 3.5p to 10.7p for gas

Arrangements from April 2023

Freedom Leisure has been closely monitoring the utility market prior to the contract renewal process for both Gas (October 22) and Electricity (November 22). Due to the extremely volatile nature of wholesale prices at the time, we decided to opt for shorter term contracts of 6 months for Gas and 5 months for Electricity. This was based on broker advice in the hope that the market would settle over the months ahead. The short term contracts signed at that time were broadly 6 times the previous tariffs but these were reduced to only 3 times after the impact of the Governments Energy Bills Relief Scheme.

In late February 2023, new contracts were negotiated and signed on the basis of a 2 year fixed Electricity contract and 3 year flexible Gas contract. These have resulted in an improved position where prices are now roughly 2 times the tariffs prior to October 22. The reason for taking the flexible contract for Gas was to allow us to benefit from the forecasted drop in wholesale prices. Unfortunately at the time of needing to sign the new contracts, there was not a Flexible Electricity contract available from any supplier.

We are continuing to monitor the wholesale market, especially for Gas, and are taking advice from our brokers on buying periods for the coming 3 years to ensure opportunities for reduced pricing are taken.

We have supplied the Council with some sample invoices to evidence the tariffs/costs

Year 3 Projections – July 2023 to June 2024

Based on continuing high utility costs we project that 2023-24 could result in a deficit of **£560,000**. This assumes an improvement in income but includes a full 12 months of additional utility costs with increased tariffs, which could be in the region of **£699,000** (including irrecoverable VAT)

Longer Term Outlook

Many leading experts have provided a longer term view over increasing energy prices

One of these, Cornwall Insight, has warned that the high prices seen this year are unlikely to return to “pre-2021 ‘normality’” this decade. “In all scenarios, gas prices in the UK are projected to continue to be impacted as the country’s heavy reliance on imported gas sees it vulnerable to global rises,”

This has implications for the financial sustainability of the New Forest partnership as well as for Freedom Leisure as a group

Necessity of Support

The significant increases in the utility tariff/costs are something no business is able to sustain for any period of time. For Freedom Leisure as a group we will be eating into our modest reserves over the next 6 months

We have been in similar discussions with all of our local authority partners to provide support for 2022-23, where we have had a good level of support based on an open book approach, including evidencing the additional costs through providing invoices for this year and previous years

We have also been discussing the necessity of support required from April 2023, with some Councils agreeing to support and others putting together reports for future Cabinet/Executive meetings

Our discussions with all of our partners clarifies that we do not expect any Council partner to bail out another Council, and that each partner should play their part in supporting their leisure service through the significant increases in utility costs, which were totally unforeseen when we submitted our tender.

This is why we are seeking a contract modification/variation through the Operator Change of Notice (Schedule 24 Part 5) of the Contract

The financial implications of the significant increase in utility tariffs, which results in an additional utility cost of £786k in year 2 of the partnership, justify the need for the Operator Change of Notice.

If support is provided to Freedom Leisure then we will be able to carry on undertaking our responsibilities under the contract and can work hard to reduce the deficit caused by under achieving on the income projections. We now have an Area Manager within the New Forest and are confident that he will be able to commercially drive the income levels. The cost of utilities would be the same if another operator or the Council were to operate the facilities

If support is not provided to Freedom Leisure, we will be left in an extremely vulnerable position, which cannot be sustained for any period of time. Although we are expecting further support from client partners, no support would mean that we could run out of cash within 1 year.

There are recent instances where we have had to take/agreed action where no support has been forthcoming. This includes:

- A mutual termination of the partnership with Lichfield District Council from 1 April 2023
- The closure of the swimming pool at Rye Sports Centre, part of Rother DC
- The closure of the swimming pool at one of our sites in Milton Keynes

We would hope that we would not get to this point with New Forest DC

Sector Lobbying

There has been much lobbying to government by UK Active, CLUK, Swim England and other operators.

From a Freedom Leisure perspective there have been media interviews by Ivan Horsfall Turner – CEO of Freedom Leisure (Radio 5 Live – Adrian Chiles, Radio 2 – Jeremy Vine), as well as many regional radio stations from all around the UK

We have sent letters to MP's in all partnership areas to encourage them to lobby their MP colleagues

We have met Sally Ann-Hart, MP for Rye and Hastings who is lobbying to see if pools and leisure centres can be classified as an intensive industry under the EBDS

On Wed 25 Jan 2023, a question was raised by Carolyn Harris (Swansea East MP) to the Prime Minister (in PMQ's) regarding the utility crisis and the effects on swimming pools and leisure centres

In April 2023 the government announced the Swimming Pool Support Fund (SPSF), where all Councils could apply for a grant, against increasing utility costs. This is administered by Sport England and the Council has applied, and been successful with their application, although the grant does not cover all the additional utility costs

Support from other Councils

We have provided a summary of support agreed with many of our local authority partners but really require support from all our partners to ensure future sustainability.

Examples of Council reports are set out in Appendix 4 and on the attached links:

Worcester City Council – 25.1.23

<http://committee.worcester.gov.uk/documents/s56215/Freedom%20Leisure%20Report%20Final.pdf>

Stafford Borough Council – 3.1.23

<https://www.staffordbc.gov.uk/sites/default/files/cme/DocMan1/Committee-Agenda-22-23/Resources/Resources-Scrutiny-Committee-3-January-2023-Agenda.pdf>

Derbyshire Dales DC – 24.11.22

<https://democracy.derbyshiredales.gov.uk/documents/s4034/Additional%20funding%20for%20Freedom%20Leisure%20due%20to%20the%20increased%20cost%20of%20engery.pdf>

Conclusion

We have outlined the financial implications of the partnership resulting from the significant increases in utility costs as a result of the War in Ukraine, which were **£457K** in Year 1 and **£786K** in Year 2

We believe that our formal request for an Operator Change of Notice to provide support for the additional utility costs is a legitimate and sensible mechanism to deal with this situation which was totally unforeseen when we were originally tendering for the New Forest Leisure Centres in 2020

An agreement of financial support will ensure that the partnership between New Forest DC and Freedom Leisure can continue and be sustainable for the medium and longer term

Not for Publication by virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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FULL COUNCIL – 11 DECEMBER 2023 – QUESTIONS UNDER STANDING ORDER 22

First Questions

Question 1

From Cllr Parker to the Leader of the Council, Cllr Cleary

I have been made aware of yet another sizeable sewage leak at a Southern Water run pumping station in the New Forest - this time at Flexford Lane, Sway.

I was delighted that the leader shared my concerns about the sewage discharge near Lyndhurst in September and agreed that pollution of our rivers and land is unacceptable. She will recall that she committed in her statement of 11 September 2023 to this council that “the District Council will do all it can to support [the Environment Agency]” and that the Council would “continue to work hard with our partners to protect and improve [the New Forest environment]”.

The Leader will recall that in 2021 Southern Water was fined £90m for deliberately dumping billions of litres of raw sewage into the Beaulieu River and other sites. Then, just last month, over 18,000 households in our District, including residents in my ward of Brockenhurst and Denny Lodge, had no water supply due to the shutdown of the Testwood Water Supply Works. Most recently I have had videos and photos shared with me of raw sewage running into a stream at Flexford Lane water Works in Sway, with toilet paper clinging to the verges.

The ongoing impact of these failings cannot continue to simply be accepted by this Council. Therefore will the leader please detail all actions taken by the Council since her statement of the 11 September 2023 to support enforcement efforts and protect the New Forest environment? Will she also lay out her plans for the coming weeks and months to ensure that our residents have both the unique environment in which we all live and their water supply protected?

Question 2

From Cllr Woods to the Portfolio Holder for Environment and Sustainability, Cllr Blunden

Fordingbridge Surgery recently contacted me about the increase in the price of the parking clocks. Specifically, they informed me that one member of staff has decided to leave to go to a job where they don't have to pay to park. In light of the failure to consult businesses and services before forcing through this massive increase, would the Portfolio Holder consider introducing a discounted parking clock for local businesses?

Question 3

From Cllr J Davies to the Portfolio Holder for Community, Safety and Wellbeing, Cllr Poole

Following news of a further planned bailout, this would now be the 2nd bailout by New Forest Taxpayers since Freedom Leisure were handed the leisure centre contract. Does the Portfolio Holder agree that the Council should have done what the Liberal Democrats proposed at the time and waited until we were out of covid to decide what to do with the leisure service?

Question 4

From Cllr M Wade to the Portfolio Holder for Community, Safety and Wellbeing, Cllr Poole

In the year ending July 2022 there were 12,174 incidents of reported crime in the New Forest district a 17.3% rise on the previous year ending in July 2021, What is this authority doing to combat this growth in crime beyond putting in some more CCTV cameras?

Question 5

From Cllr Clark to the Portfolio Holder for Environment and Sustainability, Cllr Blunden

Following the recent announcement that the costs for implementing the Waste Strategy have now changed due to Government intervention. How much can we expect back from the Government on wasted costs, or will all be passed on to our Residents and taxpayers?

Question 6

From Cllr Rackham to the Portfolio Holder for Environment and Sustainability, Cllr Blunden

Parking charges are bringing in £1.2million but costs of car park maintenance are approximately £400,000 annually. Can the portfolio holder please explain what the excess profit is to be spent on?

Question 7

From Cllr Brand to the Portfolio Holder for Planning and Economy, Cllr Tipp

One of the key activities of the Business, Tourism and High Street Portfolio is to – identify all businesses in the District and target engagement with them. Could the Portfolio holder explain what this means and what this looks like?

Question 8

From Cllr Millar to the Portfolio Holder for Environment and Sustainability, Cllr Blunden

Although many residents support this Council's move to adopting wheelie bins, many do not. And on both sides there are people who are concerned about the implementation process, and in particular, where such bins will be stored. For example, a sizeable number of properties in Fordingbridge were built with brick bin stores, designed to hold dustbins. They will not be suitable for wheelie bins. Residents have been told that NFDC will be carrying out a survey of properties across the district to identify which properties will need alternatives to wheelie bins.

How is this assessment being conducted? Has any of Fordingbridge, Godshill and Hyde been surveyed? And are residents being engaged in the process? Our experience so far is that any assessment seems to be being carried out without any engagement with the local community, who are unaware of when to expect an assessment, how they might highlight their particular circumstances to officers, where to find the result for their household and how to appeal.

Question 9

From Cllr Haywood to the Leader of the Council, Cllr Cleary

Members will likely have read in the press of the closure, by its current owners Carlsberg Marstons, of the Ringwood Brewery on Christchurch Road in Ringwood. From January, brewing and distribution of Ringwood ales there will cease, brewing transferring to the Midlands and distribution transferring well outside our district, with the sad loss of 10 jobs. Ringwood Brewery is highly regarded around the world as a trailblazer in the revival of traditional English ale and is a popular brand throughout our country. It is a source of pride for many in Ringwood and more widely in the New Forest. Can I ask the Leader what steps this council has taken to help retain this iconic brand in its home town?

Second Questions

Question 10

From Cllr Rackham to the Portfolio Holder for Environment and Sustainability, Cllr Blunden

Our residents have recently had to contend with flooding, cut off water supply, sewerage dumps in rivers on numerous occasions and now a major issue with sewerage collection at Totton. I wonder if the council can acknowledge that Southern Water seems unable to provide an adequate service and look again at how NFDC should be planning for ongoing help to residents with not only Flood Action Plans for each area but also Water Collection and Supply Emergency planning to further support the residents where Southern Water is unable to do so.

Question 11

From Cllr Haywood to the Portfolio Holder for Finance and Corporate, Cllr Heron

When people face significant changes to their detriment, it is normal to expect that some change their behaviour to avoid that detriment. This behaviour change can also have indirect side effects in areas seemingly loosely connected to the change in question. Given the eye-watering increase in long stay parking charges, what modelling of such behaviour change has this council done, if so what did that modelling reveal and does it anticipate any impact on its headline revenue increase from this?

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