NOTICE OF MEETING

Meeting: CABINET

Date and Time: WEDNESDAY, 5 JULY 2017, AT 10.00 AM*

Place: COUNCIL CHAMBER, APPLETREE COURT, LYNDHURST

Telephone enquiries to: Lyndhurst (023) 8028 5000
023 8028 5588 - ask for Jan Debnam
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PUBLIC PARTICIPATION:
***Members of the public may speak in accordance with the Council's public participation scheme:**
(a) immediately before the meeting starts, on items within the Cabinet's terms of reference which are not on the public agenda; and/or
(b) on individual items on the public agenda, when the Chairman calls that item.
Speeches may not exceed three minutes, except in the case of presenting a petition, when the speech should not exceed 5 minutes. Anyone wishing to speak should contact the name and number shown above.

Bob Jackson
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
www.newforest.gov.uk

This Agenda is also available on audio tape, in Braille, large print and digital format

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AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 3 May 2017 as a correct record.

2. DECLARATIONS OF INTEREST

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

3. **PUBLIC PARTICIPATION**

To note any issues raised during the public participation period.

4. **NEW HOUSING FINANCIAL ASSISTANCE POLICY (DISABLED FACILITIES GRANTS)** (Pages 1 - 8)

To consider the recommendations of the Community Overview and Scrutiny Panel with respect to updating the Housing Financial Assistance Policy for disabled adaptations via Disabled Facilities Grants and essential repairs for vulnerable homeowners via Home Repair Loans.

5. **DIBDEN GOLF CENTRE** (Pages 9 - 12)

To consider the recommendations of the Dibden Golf Centre Task and Finish Group with respect to arrangements at the Golf Centre.

6. **ANNUAL PERFORMANCE AND PROVISIONAL OUTTURN REPORT 2016/17** (Pages 13 - 26)

To consider the Council's performance in 2016/17.

7. **RINGWOOD PROJECT**

To consider approving an additional protect spend of £162,300.

The Council's budget for 2017/18 includes a sum of £294,700 for the development of the gym and spin studio at Ringwood Health and Leisure Centre. The project, since its conception and budget estimate, has had to be changed to be compliant with planning permission and building regulations and has been through the procurement process on that basis. After evaluation there is a shortfall of £162,300.

Timing is critical with this project to minimise loss of income and potential negative impact on the curriculum of Ringwood School, which is a major user of the Centre. The Cabinet are therefore asked to approve the suspension of financial regulations and to authorise the Section 151 Officer to approve the additional spend of £162,300 on this project.

Portfolio Holders' Comments: I am supportive of the recommendation. Ringwood is in need of investment to increase the quality of the facilities to ensure that it is on par with our other existing centres.

RECOMMENDED:

That financial regulations be suspended to authorise the Section 151 Officer to approve the additional spend of £162,300 on this project.

8. **TREASURY MANAGEMENT ANNUAL OUTTURN REPORT** (Pages 27 - 38)

To consider the Council's performance for 2016/17.

9. **MEDIUM TERM FINANCIAL PLAN 2017 ONWARDS** (Pages 39 - 44)

To consider the initial development of the Medium Term Financial Plan 2017 onwards and to consider the factors that will influence its delivery and that of the annual budget strategy 2018/19.

10. OUTSIDE BODY APPOINTMENTS

(a) Forest Lodge Farm Quarry Liaison Panel

The County Council has invited this Council to appoint up to three representatives to sit on the newly established Forest Lodge Home Farm Quarry Liaison Panel. The purpose of the Panel is to give those directly affected by the development, but in particular residents and their representatives, the opportunity to raise any problems with the developer in a friendly environment.

The site falls within the Furzedown and Hardley Ward but is geographically close to other wards.

RECOMMENDED:

That Cllrs Binns, Crisell and Thorne be appointed to serve on the Forest Lodge Home Farm Quarry Liaison Panel.

(b) New Forest Enterprise Centre

New Forest Enterprise Centre is a company whose primary purpose is the operation of the Rushington Business Park, Chapel Lane, Totton for use as an industrial estate, including the provision of industrial and office accommodation and associated facilities for rental. New Forest Enterprise Centre Limited is a company limited by guarantee and the Council is a member of the Company. Under the constitution of the Company, the Council is entitled to appoint up to 3 (out of 7) directors on the Company's board.

The Cabinet is requested to approve the appointment of Cllr Jeremy Heron and Mr Andrew Smith, solicitor, as additional directors of New Forest Enterprise Centre Ltd. Cllr Colin Wise will continue as a director of this Company."

RECOMMENDED:

That Cllr Jeremy Heron and Mr Andrew Smith, solicitor, be appointed as additional directors of New Forest Enterprise Centre Ltd.

To:	**Councillors**	**Councillors**
	Mrs S V Beeton	E J Heron (Vice-Chairman)
	J E Binns	J D Heron
	Mrs J L Cleary	B Rickman (Chairman)

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CABINET – 5 JULY 2018 **PORTFOLIO: HOUSING AND COMMUNITIES**

NEW HOUSING FINANCIAL ASSISTANCE POLICY (DISABLED FACILITIES GRANTS AND HOME REPAIR LOANS)

1. INTRODUCTION

1.1 The purpose of this report is to seek approval to update our Housing Financial Assistance Policy for disabled adaptations via Disabled Facilities Grants (DFGs) and essential repairs for vulnerable homeowners via Home Repair Loans (HRLs).

1.2 This review is taking place following additional funding being available from the Better Care Fund (BCF) via Hampshire County Council (HCC) and our own Housing Revenue Account fund for disabled adaptations. This is as a result of the integration of the Disabled Facility Grant funding with social care.

1.3 At the same time we have taken the opportunity to review our owner occupier loan scheme for essential repairs.

2. BACKGROUND INFORMATION

2.1 Disabled Facilities Grants (all tenures)

2.1.1 Mandatory DFGs are available to assist disabled adults and children to adapt their home to increase independence. They are means tested grants (except where for the benefit of a child), and are available regardless of tenure. The maximum mandatory grant available is £30,000. The works covered by a mandatory DFG are specifically defined in the legislation, and although this legislation allows for additional works to be part of a discretionary DFG, we have not until recently had sufficient funds to consider offering these.

2.1.2 DFG applications are increasing year on year due to local demographics, and with an ageing population we have seen an increase in demand of more than 40% in the last five years, and this has been recognised by an increase in both the Better Care Fund and Housing Revenue Account allocations. Due to the late confirmation of funding from the County Council for 2016/17 and the uncertainty of future funding we were not in a position to commit to policy changes last year. This resulted in a budget surplus of approximately £244K at year end which the County Council has confirmed can be carried over to 2017/18.

2.1.3 Prior to the introduction of the Better Care Fund our Budget for Private Sector Housing DFGs was £640K and £509K for our own Council Housing Stock, making a total of £1.149m. In 2017/18 we have been allocated £972K and the surplus of £244K from 2016/17 to the Private sector Housing DFGs budget with £700K now being provided for our own Council Housing Stock, a total of £1.916m. As the new policy will not be in place for the entire financial year it is anticipated that the total budget of £1.916m will not be spent, and as a result the budget will be reduced to £1.672m. The difference will be carried forward to the DFG budget for 2018/19.

2.1.4 It is important to note that the BCF is a County Council allocation, and the amount awarded is partially dependent on service delivery statistics. If we fail to deliver services within pre-determined targets our funding could be reduced and this would impact on service delivery. The DFG service is jointly operated by the Housing Grants and Improvements Team (NFDC), Adult Services (HCC), Children's Services (HCC) and in most cases also utilising the Caseworker who has recently been TUPE'd across to join the Housing Grants and Improvements Team following the expiry of the contract with Community First. As a result, the 'whole' service is dependent on a number of factors which influence the effective delivery.

2.2 Home Repair Loans (owner occupiers only)

2.2.1 HRLs are discretionary, means-tested loans available for essential repairs up to a maximum of £10,000. The loan is interest free and is repaid when the property changes hands. In some circumstances a grant is offered rather than a loan where we are unable to place a charge on the client's property (for example where a mobile home is owned by the client but the pitch is rented).

2.2.2 The budget for this financial year is £102,000. This allows us flexibility to resolve potentially dangerous situations for vulnerable clients with limited funding, and enable the clients to remain in their own home.

3. NEW HOUSING FINANCIAL ASSISTANCE POLICY

3.1 The Better Care Fund funding brief allows us to contribute to the wider prevention agenda of housing social care and health by facilitating improvements in the individual's wellbeing and reducing hospital admissions etc. This is a very wide agenda giving us great scope to make a real difference to the lives of disabled residents in the New Forest.

4. TYPES OF DISCRETIONARY ASSISTANCE

4.1 DFG Top Up Grant & Loan (all tenures)

4.1.1 Mandatory DFGs will continue to be offered using the existing legislative framework. However the maximum DFG limit of £30,000 has been in place for 9 years and is no longer sufficient for larger projects. The additional funding will be used to extend the DFG maximum grant to £40,000. Where the project costs exceed £40,000 a top up loan of up to £10,000 will be offered taking the maximum funding per project up to £50,000. This funding will only be available to cover works to meet client needs (but not a client preferred more expensive scheme).

4.2 DFG Loan (all tenures)

4.2.1 There are some circumstances where it would be beneficial to offer a DFG Loan for purposes other than topping up an existing mandatory DFG as mentioned in 4.1.1 above. For example where a client's home is not suitable for adaptation or the costs are prohibitive, and it would be more appropriate for the client to move to more suitable accommodation. In these circumstances we would assist with a loan to help the client move as this would be more cost effective than adapting their current home. Another example would be where the client's assessed contribution to the mandatory DFG is high and genuinely unable to be met, and the loan could cover this to ensure the project can go ahead. The maximum loan in these circumstances would be £10,000.

4.3 Palliative Care and Hospital Discharge Grant (all tenures)

4.3.1 This would be a fast track grant available without means testing to assist with palliative care needs or urgent works to enable a timely hospital discharge. The grant would be up to a maximum of £5,000 and the eligible works would be to assist the client in the short term. For example a temporary ramp to enable wheelchair access to a client's home.

4.4 Minor Disabled Adaptations Grant (all tenures)

4.4.1 This grant would be for smaller items up to £1,000, and would be available without means testing. A common example would be a replacement part for a stair lift where the warranty had expired. This new grant would enable us to deal cost effectively with smaller items currently outside of the mandatory DFG remit because of cost, and prevent an escalation of costs (again using a stair lift as an example, a repair part below the £500 minimum for a DFG, and without using this minor adaptations grant we would have to install a new lift).

4.5 Promotional Work (all tenures)

4.5.1 We are very aware of the lack of knowledge regarding the eligibility criteria and the whole disabled adaptation process within the medical profession, and intend to utilise some of the funding to work within local hospitals and GP surgeries etc. to promote the work of the teams involved.

4.5.2 This promotional work is likely to involve a number of approaches utilising information currently available via the Health and Wellbeing Board, Clinical Commissioning Group etc., and working with local charities and community groups to assist in the implementation. For example we have had discussions with New Forest Disability (NFDIS) who already have a presence in Lymington Hospital and other places within the community, and we propose to work with them to achieve a more widespread profile of the team's work – for example attending GP Surgery briefing sessions and organising 'pop up' information stands at appropriate venues to inform both the wider community and people working with disabled persons. The cost for each session will vary dependent on the venue and input, but costs will be agreed prior to each session, and the success of each session will be monitored.

4.6 Improving Workflow (all tenures)

4.6.1 The first step in the DFG process is an assessment by an Occupational Therapist, which is forwarded to our Team Surveyors to assist in the design process. The rate of workflow for DFGs is directly linked to the rate of incoming referrals from the County Council's Occupational Therapy Service. Due to an expanding brief and increasing workload there is a backlog of approximately 80 clients waiting for an Occupation Therapist's assessment at present. This equates to a delay of up to 4 months for the Occupation Therapist's assessment.

4.6.2 The BCF funding allows us to put money into the provision of Occupation Therapist staffing, which would enable us to improve overall efficiency by helping match the rate of Occupation Therapist referral to the Housing Grants and Improvement team output. It would also mean that we can control the information supplied within the referral, reduce delays to the client and offer a more streamlined service.

4.6.3 We propose to reduce the waiting time for an Occupation Therapist assessment by using the services of an Occupational Therapist employed via a third party on a case by case basis – for example New Forest Disability provide this service and the Occupational Therapist would be used to control the number of referrals to maximise efficiency.

4.7 **Home Repair Financial Assistance** (owner occupiers)

4.7.1 It is proposed that this form of assistance remains within the new policy, but is extended to encompass a greater variety of works. As before the assistance will normally be in the form of a loan, but we will consider smaller scale works to enable the client to remain in their home in addition to essential repairs. The amount of grant/loan will be increased to a maximum of £15,000.

5. CHANGES TO MEANS TESTING PROCEDURE

5.1 The current means test is applied for all DFGs with the exception of adaptations for children. It is proposed that the means test is still applied but the officers are given the discretion to waive the first £5000 of any client contribution, where appropriate. As an example, if the client is assessed as being able to contribute £7,000 towards the project, this will be reduced to £2,000.

6. AVAILABILITY OF FUNDING FOR POLICY CHANGES

6.1 The proposed types of new funding are discretionary and therefore will only be available while funds permit. If the funding is withdrawn for any reason or when the funds are fully committed the discretionary assistance will be withdrawn, and only the mandatory DFG will continue to be offered.

7. BUDGET MONITORING

7.1 When a grant is approved the recipient has a period of 12 months to complete the works, and this can only be extended in exceptional circumstances following written application. The current mandatory DFG budgets are closely monitored to manage the expenditure, and it should be noted that there are two issues that differ from normal budgetary control. Firstly a grant approval can span two financial years, and secondly where a DFG is mandatory it cannot be refused on the grounds that the local authority has run out of funds.

7.2 There are mechanisms in place to assist in these situations, for example approving a 'Deferred Grant Approval' which essentially confirms that details of the grant but delays implementation (and payment), or by utilising the period permitted to process the grant application which delays the issue of the grant approval for up to 6 months (so there is no commitment). The new increased budget will be monitored in the same way as the Mandatory DFG budget has been in the past.

8. NEW POLICY FLEXIBILITY AND DELEGATED POWERS

8.1 It is proposed that all decisions related to the changes detailed in this report are delegated to the Housing Grants and Improvement Manager, but to ensure a completely flexible approach it is further proposed that the Service Manager (Housing Property and Performance) has the authority to vary this policy in exceptional circumstances for a specific case.

9. ENABLING POWERS

9.1 The new policy makes use of the powers provided under the Regulatory Reform Order (Housing Assistance) (England and Wales) Order 2002 which enables local housing authorities to offer their own locally tailored financial assistance.

9.2 This assistance must provide at least the same level of help as offered by the existing DFG, but crucially the assistance under this policy enables the provision of more flexible, wide ranging financial assistance to better meet the needs of disabled and older persons in the New Forest area.

10. FACILITATION OF LOANS

10.1 The Home Repair Loan we currently offer is interest free and managed in-house. This is a cumbersome administrative procedure for all parties and results in delays in works being able to commence. In addition the actual value of the loan when it is repaid is much reduced in real terms.

10.2 It is proposed that we outsource the administration of the Home Repair Loans and the discretionary loans outlined in this report to a third party. We have had preliminary discussions with one company able to offer this service entitled the Parity Trust. They are a charitable organisation with over 10 years' experience in this field and already work with five other Hampshire Local Authorities in this way. There are several advantages to adopting this approach – firstly it reduces the administrative burden within this Council, speeds up the process for the client, offers added value in terms of flexibility of approach, plus in the longer term the scheme can become self-financing as the loans are repaid on a regular monthly basis.

11. CORPORATE AIMS AND KEY PRIORITIES

11.1 The Housing Grants and Improvements Service makes a valuable contribution towards a number of corporate aims and key priorities, notably in terms of improving service outcomes for the community and providing more suitable homes for local disabled residents. We are changing our policy to become more innovative and customer focused in improving service outcomes.

12. FINANCIAL IMPLICATIONS

12.1 The policy changes make good use of the increased Better Care Fund funding for disabled adaptations. It should also be noted that this additional funding has enabled this Council to make savings as there is no longer a need to contribute to the private sector DFG budget. To put this into context, over the three financial years from 2013/14 – 2015/16, this Council contributed £578,854 to this budget.

12.2 Executive Management Team are supportive of the proposals in this report, and have agreed to convert a Temporary 0.5 FTE Surveyor post into a permanent position to assist with the service delivery of the increased workload. By using savings from an existing vacant post, an increase of only £10,000 will be required to the existing salary budget of 2017/18.

13. ENVIRONMENTAL IMPLICATIONS

13.1 The provision of DFGs assists in sustaining the housing stock and helps local, vulnerable disabled persons to remain living independently within the community.

14. EQUALITIES IMPLICATIONS

14.1 The service promotes equal opportunity by enabling local, vulnerable disabled persons to independently access a normal home environment and improve social inclusion within the community.

15. EXTERNAL CONSULTATIONS

15.1 The Senior Operations Managers in Social Services have been consulted and are supportive of the new policy.

16. TENANT INVOLVEMENT GROUP

16.1 This report was presented to group on 2 June 2017, and they were supportive of the proposed changes commenting that 'It was a great way forward that will enable residents to live independently at home for longer. The team have looked at several different ways to help residents and we fully support the recommendations in this report'.

17. COMMUNITY OVERVIEW AND SCRUTINY PANEL'S COMMENTS

17.1 The Community Overview and Scrutiny Panel strongly support the recommendations. The new policy gave the Council greater flexibility in assisting and enabling the Council's most vulnerable residents receive the support needed to remain in their own homes.

18. PORTFOLIO HOLDER'S COMMENTS

18.1 I am pleased that this report looks to improve the options and provide solutions to enable older and vulnerable people to continue to live in their own homes as independently as possible.

18. RECOMMENDATIONS

18.1 That Cabinet approve the new Housing Financial Assistance Policy as detailed in this report;

18.2 That Cabinet delegate authority to the Housing Grants and Improvements Manager to implement the policy details and make all necessary arrangements and decisions in compliance with this new policy (within the agreed budgetary constraints);

18.3 That Cabinet delegate authority to the Service Manager to exercise discretion within the existing budgetary constraints in exceptional circumstances for specific cases, including making decisions regarding the waiving of the first £5000 of the client's contribution towards the cost of a Disabled Facilities Grant project.

For further information please contact:

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Background Information:

None

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CABINET – 5 JULY 2017 **PORTFOLIO: HEALTH AND LEISURE**

DIBDEN GOLF CENTRE

1. BACKGROUND

1.1 The Community Overview and Scrutiny Panel, at its meeting 20 September 2016, re-established the Dibden Golf Centre Task and Finish group to review the performance of Mytime Active who are responsible for the running of the Golf Centre, at the end of the first 5 years of their 30 year contract. The Group was also tasked with reviewing the rental amounts for years 6-10 of the contract and examining the proposed investment programme for that period.

1.2 The Task and Finish Group was first established in 2011 to assess tender bids for the operation and management of Dibden Golf Centre. On 1 February 2012 the Cabinet agreed the Group's recommendations that Mytime Active be awarded a 30 year contract to manage the Centre, commencing 1 April 2012.

1.3 The new Task and Finish Group comprises Cllrs W Andrews, Mrs Bennison, Mrs Crisell and Poole with input from key Council Officers.

1.4 The Group held their first meeting on 9 December 2016. At this meeting the Group agreed their terms of reference as follows: - that the Group

- Consider the next five years' rental income
- Consider a strategy for the business rates
- Consider price amendments
- Consider a policy on joint long term investment proposals

1.5 The Group held a further three meetings on 24 January, 9 February and 11 May 2017. This report details the Group's findings and recommendations.

2. REVIEW PROCESS

2.1 On 24 January 2017, the Task and Finish Group undertook a site visit of Dibden Golf Centre. Members viewed the pro-shop, driving range, changing facilities, car park and function room. Members noted with disappointment that the facilities required repair and replacement. Of particular concern was the condition of the car park surface, the pathways, fencing, external lighting, the lack of clear signage to the front of the building and ladies changing facilities.

2.2 Following the tour of sites, the Group held a discussion with some club members and service user representatives. During this meeting it became clear that whilst the users were happy with the quality of customer service from Centre employees, the investment in the Centre, as set out in the investment programme for years 1- 5, had not been fully implemented. In comparing the Centre with Southampton Golf Course, also managed by Mytime, it was generally felt that whilst the facilities available were better at Dibden, the course itself was a higher quality at Southampton. Club representatives and users felt that more should be done to improve the drainage of the course in order to allow the course to stay open all year round. They also requested that user forum meetings with Mytime be more formalised and better managed to improve communication.

2.3 The Group, in addition to holding a discussion with the users, also invited Mytime Active representatives to give a presentation to members. During the presentation Mytime explained that they had not been able to achieve their income projections over the last five years largely due to a national decline in golf and adverse weather in years 1-2 of their contract. As such the capital investment programme for the first years has been underfunded by £211,300. Mytime proposed to spend £558,800 over the next five years (2017-2021).

2.4 Following the meeting at the course, members agreed an initial rent proposal which was submitted to Mytime for consideration. As part of the negotiation process, representatives from Mytime Active met with Cllr Andrews, Chairman of the Task and Finish Group, and the Executive Head of Operations. As a result of this meeting the following proposals were put forward to Mytime Active and subsequently agreed: -

- That the rental for Dibden Golf Course be fixed at £152,471 p.a. for the next five year period of the contract;
- That the Council not claim back the National Non-Domestic Rate (NNDR) entitlement of £4,000 per year for 2017/18 owed under the terms of the contract;
- In light of the increase in turnover at the Golf Centre, should the golfing income increase by more than £10,000 in any one year, the Council would look to revisit its NNDR entitlement on an annual basis; and
- Regular monitoring meetings take place with the Council, quarterly with Council Officers and the Chairman of the Task and Finish Group, and every six months with the full Task and Finish Group, to review the progress of the business, monitor the investment programme and discuss other methods of service delivery and areas for partnership working.

2.5 The Group, during this time, also raised its concerns regarding the maintenance of the site, the shortfall in the investment and other areas of improvement (such as communication with users and officers/members of the Council). The Group was pleased to note that already repairs have been made at the site (replacement fencing, road surfacing and lighting) and machinery has been purchased as part of the investment programme for 2017-2021.

2.6 Whilst appreciating that the general golf market has declined and that Mytime Active struggled to meet its own income targets due to the inclement weather in the first 2-3 years of the contract, the Group has raised its disappointment that the initial investment programme has not been fulfilled. In contrast, the last financial year saw an increase in profit at the centre. It is hoped that Mytime Active, with the support of the Council, can continue this momentum by agreeing a new, more realistic investment programme and monitoring the implementation of this on a regular basis.

2.7 The Task and Finish Group at their final meeting on 11 May 2017 endorsed the above to put forward as a recommendation to the Cabinet.

3 FUTURE STRATEGY

3.1 The Task and Finish Group felt that robust monitoring of the Centre needed to take place in the future, through regular monitoring and review meetings between Mytime

Active, senior Council officers and Councillors. Progress on the outcome of these meetings should be reviewed on an annual basis by the Community Overview and Scrutiny Panel.

3.2 Quarterly meetings should take place to not only monitor the progress of the investment programme, but also to review more strategic operational approaches and future aspirations and service delivery of the site.

3.3 As users of the Centre had indicated that greater improvements could be made in communicating planned investment at the Centre, it was felt that officers of the Council should attend user group meetings at Dibden and assist in the minuting of these meetings, to be distributed to service users.

3.4 Members felt that greater collaboration should take place between the Council and Mytime Active. One example of this is through the Council hiring its flail/leaf collection machine to Mytime Active who had indicated that they were unable to purchase their own machine as it would have very limited use (only 6 weeks of the year) that would not justify the spend. The Council has a greater need for this equipment as it is used to maintain the foliage on the cliff tops at Milford and Barton.

4. FINANCIAL IMPLICATIONS

4.1 The proposed rent increase of £7,261 per year over the next five years of the contract amounts to £36,305 additional income for the Council over this period.

5. PORTFOLIO HOLDER'S COMMENTS

5.1 I am very pleased with the outcome of the report. Working closely with Mytime we have been able to find a compromise which is acceptable to both parties and going forward we will work collaboratively to ensure proper engagement between club members, users, ward members and myself as Portfolio Holder, to help influence the investment strategy. My thanks to the task and finish group for their excellent work.

6.0 RECOMMENDATION

6.1 That the Cabinet approve the following: -

a) That the rental for Dibden Golf Course be fixed at £152,471 per annum from 27 April 2017 for the next five year period of the contract;

b) That the Council does not claim back the NNDR entitlement of £4,000 per year for 2017/18; and

c) That the Council review the NNDR entitlement claim on an annual basis.

Further information:

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Background Papers:

Published documents

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CABINET – 5 JULY 2017 **PORTFOLIO: LEADER/ALL**

ANNUAL PERFORMANCE AND PROVISIONAL BUDGET OUTTURN REPORT 2016/17

1. INTRODUCTION

1.1 'Our corporate plan' is supported by a Delivery Plan which sets out in more detail the context of the main issues the plan aims to address and key delivery actions which will contribute to the delivery of the plan. This report provides an overview of the Council's performance and achievements over the last 12 months and sets out provisional details of the 2016/17 projected financial outturn positions for the General Fund, Housing Revenue Account and Capital Programme. In recognition of some of the challenges moving forward, it also sets out further key delivery actions for 2017/18.

1.2 The Council's statutory Statement of Accounts will be completed and signed by the Responsible Financial (S151) Officer by 30 June and will be presented to Audit Committee in August following external audit. Should there be any significant variations from the figures presented in this report, they will be highlighted at that Committee. The Outturn now presented is in management format.

2. BACKGROUND

2.1 Much of the focus for 2016/17 has been on the achievement of the service reviews and key activities contained within the delivery plan, whilst maintaining frontline service delivery in support of the visions and priorities of the corporate plan.

2.2 The Council's financial planning process further supports the delivery of the corporate objectives and the annual budget, and its performance, is an element of the overall corporate plan. The General Fund budget for 2016/17 was set at £17.192 million.

2.3 The provisional revenue Outturn (some areas of account still need to be resolved) for the year is an overall saving of £3.084m. The requirement for savings in order to meet the reduced budget for 2017/18 has resulted in significant savings being realised in 2016/17 (net £1.796m) with the majority of these being on-going. A review of the Asset Management Programme also resulted in considerable savings during the year (net £649k) and additional income contributed to the overall position, including Car Parking, Health & Leisure and Planning (£639k).

3. PERFORMANCE

3.1 Performance continues to be maintained in spite of the ongoing funding reductions and Appendix 1 illustrates some of the Council's achievements and key data for 2016/17.

3.2 The level of central government funding has reduced by £2.665m from 2015/16 to 2017/18, with further reductions forecast in future years. Appendix 2 introduces the key delivery actions for 2017/18 which will contribute to addressing this major issue.

4. PROVISIONAL BUDGET OUTTURN

4.1 The Annual budget is an important element of the delivery of the Council's financial strategy which supports the delivery of core services and provides value for money to local taxpayers. Details of the provisional Budget Outturn position for the General Fund are set out in Appendix 3.

5. ENVIRONMENTAL, CRIME AND DISORDER AND EQUALITY IMPLICATIONS

5.1 There are no environmental, crime and disorder or equality implications arising directly from this report.

6. LEADER'S COMMENTS

6.1 I am pleased that we continue to operate within our means and support the aims of our Corporate Plan.

7. RECOMMENDATIONS

7.1 It is recommended that Cabinet:

(a) Note the performance and achievements as set out in Appendix 1

(b) Note the key delivery actions for 2017/18 set out in Appendix 2

(c) Note the provisional General Fund outturn position

(d) Note the provisional outturn position of the Capital Programme

(e) Note the provisional outturn position of the Housing Revenue Account.

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Background Papers:
Our corporate plan –
Cabinet 3 February 2016

Appendix 1

OUR PERFORMANCE 2016/17

Page 15

Our vision: To secure a better future for the New Forest

Introduction

In February 2016 we agreed our Corporate Plan that aligned to the priorities of the then new administration. The priorities were set out as:

- Helping local business grow
- More homes for local people
- Good services outcomes for the community
- Protecting the local character of the place
- Living within our means
- Working with others to achieve more

The Corporate Plan is intended to be a working document that sets out our approach to how we can best support the community of the special place which is the wider New Forest district. The plan recognises that the backdrop to delivery over the medium term is managing the significant fiscal challenge.

We set a budget for 2017/18 which at £16.6 million is 10% less than the budget set in 2015/16 only two years earlier of £18.3 million. This has been achieved by:

- Reducing the size of the senior management team
- Reducing overall employee numbers by 70 (approximately 5%)
- Devolving responsibility to service managers with informed financial targets

This annual report looks back at 2016/17 and highlights the level of performance achieved against the priorities set, including "living within its means".

Barry Rickman
Leader

Bob Jackson
Chief Executive

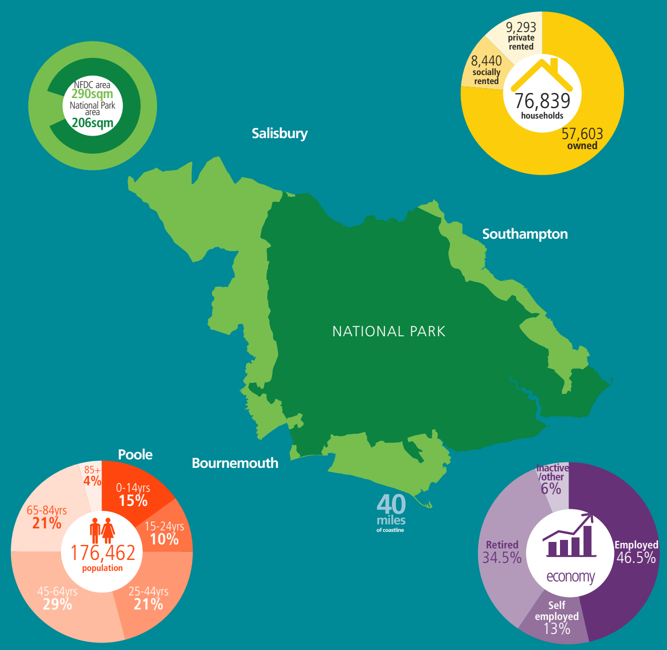
Our corporate plan

New Forest DISTRICT COUNCIL

2016 - 2020

New Forest District is a unique and special place, to live, work, visit, and enjoy

OUR PLACE



OUR VISION AND PRIORITIES

To secure a better future for the New Forest by:

- Supporting local businesses to prosper for the benefit of the community
- Assisting the wellbeing of those people who live and work within the district
- Protecting the special and unique character of the New Forest

Our priorities: **Underpinned by:**

OUR VALUES

We will be **ambitious** in our desire to work for and with our local communities. We are **financially responsible** with the public funds made available to us and we will be **innovative** and **customer focused** in how we improve outcomes for our community. We will be **collaborative** in our working, and are **proud** to work for and with others to represent the best interests of our unique and special place. We will be **open** in our approach and with our plans to deliver our aims and priorities.

You can read how we are delivering these aims in our Delivery Plan newforest.gov.uk

Helping local business grow

- Business Rates (Non-domestic rating income) grew to £67m in 2016/17, an increase of 6% from 2015/16.
- The level of employment of our resident population rose to 82,700; an increase of 4,300 on the previous year, which equates to a 3% increase in real terms.
- Local businesses continued to invest in the area including Exxon Mobil's £28 million investment in new plant contributing to the economic prosperity of the area.
- Hundreds of business people visited the second New Forest Business Expo, where 80 local companies showcased their products and services.
- The benefits to the local community from a thriving local business economy were also recognised this year as the theme for the council's representation at the New Forest Show. At which the opportunity was also taken to showcase New Forest business to the Enterprise M3 Local Enterprise Partnership board
- 21 New Forest businesses celebrated their success at the eleventh annual New Forest Brilliance in Business Awards. Seven businesses won awards.
- Over £90,000 is estimated to have been generated in the district by tv and film activity in the first year of our partnership with Creative England to encourage filming in the area. This also saw 50 more New Forest locations added to a database for film-makers.

More homes for local people

- Public consultation took place on the new Local Plan which is being developed to meet need and will likely include proposals for 10,000 new houses in the district over the next 20 years.
- With 144 households placed in bed and breakfast during the year, homelessness continued to be an issue.
- 299 households from the homesearch register were rehoused in 2016/17. However there are still over 3,000 applicants seeking council housing. We will continue to work hard to address this issue and are working on a revised housing strategy.
- The £5.8 million North Milton new homes project was completed and provided 21 new homes, as well as significant improvements to the whole estate.
- A grant award, based upon the number of second homes in the area, will allow the council to promote and assist the development of community housing schemes in the future.
- Action was taken to improve the management and standards of private sector leasing properties to provide temporary accommodation to those in urgent housing need.

	2015/16	2016/17	+/-
Total number of additional homes built	138	354	+216
Number of affordable homes built (including 21 delivered by NFDC in 2016/17)	31	106	+75

Service outcomes for the community

We continue to deliver the services expected by the community.

- Over 10 million waste and recycling collections were made during the year with only 0.06% reported as missed.
- We made 1,263 planning decisions (1,312 2015/16) with 1,048 applications approved.
- Around 10,300 households were supported with housing benefit or council tax reduction, against 10,500 the previous year.
- 975 (1,075 2015/16) food hygiene inspections were carried out with ratings published allowing people to make informed choices about where they eat.
- Our community alarm service ‘Appletree Careline’ launched a new wristband service in response to customer suggestions. The service quickly gets help to an individual and around 600 people signed up to the new service.
- We continued to provide 24 hour monitoring of the 56 cameras across the district, responding to 1,075 incidents and assisting the Police in 48 arrests.
- ‘RemindMe’, a text message reminder service, aimed at improving glass recycling rates was launched. Within the first two weeks over 10,000 residents had registered for the service.
- As more public services move to digital delivery our ‘digital champions’ have helped over 150 people get online, including helping people find work, doing their business accounts online and claiming universal credit. We also provided training to many community groups on welfare reforms.
- We provided nearly 200 disabled facility grants at a cost of around £1 million to allow people to remain in their own homes.
- As part of our commitment to local services, construction started on two new public conveniences at New Milton and Lymington - continuing the modernisation and renovation of such facilities.

	2015/16	2016/17	+/-
Percentage of household waste sent for reuse, recycling and composting	30%	30%	-
Cost of waste collection per household	£48.94	£49.40	+46p
Health & Leisure centre membership	7,073	7,616	+543

Protecting the local character of our place

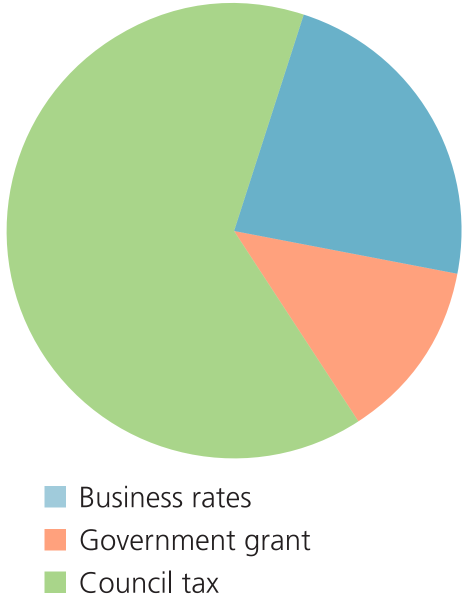
- The 'leave nothing but footprints' anti-litter drive was continued with the National Park Authority and the Forestry Commission, and the annual community litter-pick (this year 'The Great British Spring Clean') was supported by 245 volunteers over the course of a weekend.
- In response to an increase in reported fly tipping incidents (990 during the year) we launched the enviro-crime campaign to make our actions more visible to residents. We have also seen an increase in the number of abandoned vehicles with 60 being removed in 2016/17 against 26 the previous year.
- We removed over 10 tonnes of metal from World War II invasion defences at Hordle cliff beach.
- The grounds maintenance team continued to cut 500,000 square metres of grass every week during the grass cutting season - whilst securing a new agreement with the county council to maintain urban grass verges. 27,000 trees were also inspected during the year.
- To protect the local character of our place, planning enforcement served nine enforcement notices in 2016/17 in response to identified harmful breaches of planning control and investigated 650 potential enforcement cases.

Living within our means

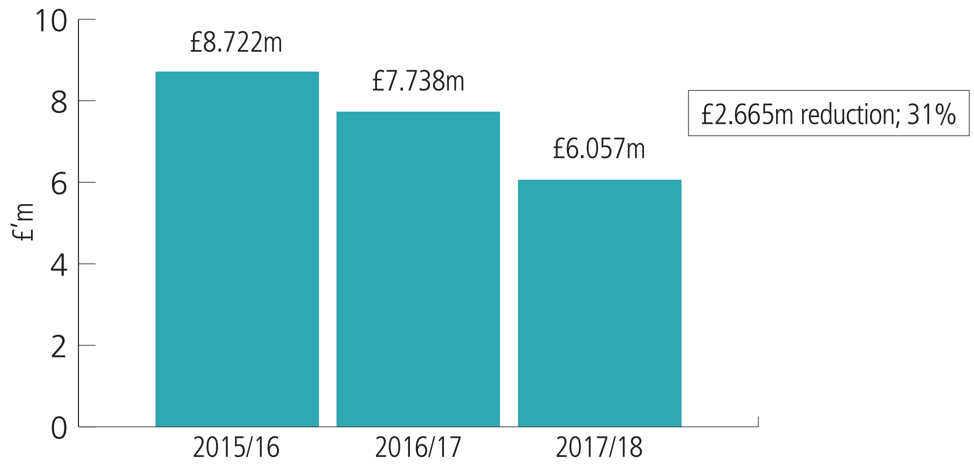
- The undertaking of several service reviews, additional income generation, and a review of our asset maintenance and replacement programme resulted in significant overall savings during the year against the original 2016/17 revenue budget.
- Despite significant reductions in central government support funding, a balanced budget for 2017/18 was set in February 2017, including £2.6m of on-going savings and income generation.
- NFDC Council Tax was set at £163.36 per annum, equivalent to £3.14 per week (average band D property) for the 2017/18 financial year.
- We developed and approved a new regeneration, redevelopment and income generation strategy. Work continues into 2017/18 in order to deliver the strategy objectives.
- There has been a reduction of 70 employees in the past two years, an equivalent of 47 full time posts and 5.6% of the workforce.

	2015/16	2016/17	2017/18
General fund budget - £ million	18.327	17.191	16.587
Reduction	-	-	9.5%

How the council is funded; 2017/18 budget



Government support grant 2015/16 - 2017/18



Working with others to achieve more

Page 22

- £459,500 in grants was approved for local community and voluntary groups.
- The Chairman's volunteer awards celebrated 12 individuals and organisations who give their time as volunteers.
- Freedom of the district was awarded to 17 Port and Maritime Regiment RLC and a community event was held in Lyndhurst.
- Planning permission for 27 new rural affordable homes was granted as part of our work with the Hampshire Alliance for Rural Affordable Housing.

We continue to work in partnership with other local authorities and public sector partners to deliver a wide range of services, and are committed to the delivery of good public services to secure a better future for the New Forest.

Appendix 2

Key Delivery Actions during 2017/18

Review			Success Measure	Portfolio Responsibility
PLANNING & HOUSING	PH.1	**Local Plan** *Local plan consultation and draft submission for adoption*	More homes Economic growth	Planning & Transportation
	PH.2	**Housing Strategy** *Review the Councils policy for the provision of all types of housing in the context of the Local Plan review, the recent Housing White Paper, the Councils role as a social landlord and the needs of all residents of the District.*	More homes Economic growth	Housing & Communities
	PH.3	**Building Control** *Service delivery review of the Building Control service.*	Lower costs More efficient and effective working	Planning & Transportation
	PH.4	**Tax & Benefits** *Review in light of changes arising from Universal Credit implementation*	More efficient and effective working	Finance & Efficiency
	PH.5	**Planning Service** *To review resources taking into account Housing White Paper and the Local Plan.*	More efficient and effective working	Planning & Transportation
GOVERNANCE & REGULATION	GR.1	**Financial Strategy** *To develop a strategic financial plan that is sustainable for the long term*	Lower costs Income generation Self sufficient	Finance & Efficiency
	GR.2	**Income Generation Strategy** *Delivery of income generation strategy including commercial investment*	Income generation Increased Asset Portfolio	Finance & Efficiency
	GR.3	**Member Support** *To review the current democratic process to ensure that the links between the Council and local communities meet the needs of local people*	More efficient and effective working	Leader's
OPERATIONS	O.1	**Waste & Recycling** *Determine strategy including outcomes of the county wide Project Integra review*	Improved service delivery Lower costs More efficient and effective working	Environment
	O.2	**Health & Leisure Centres** *Service delivery review to challenge existing arrangements and maximise outcomes for the council and the customer in the longer term*	Lower costs More efficient and effective working	Health & Leisure
	O.3	**Enforcement Activity (Streetscene)** *Identify opportunities for joining up enforcement activities of visible officers*	Lower costs More efficient and effective working	Environment
	O.4	**Accommodation Strategy** *Develop an accommodation strategy to include*	Optimisation of assets	Finance & Efficiency

		operational sites to meet the future needs of the Council	Lower costs	
	O.5	**Coastal** *Ongoing identification and review of coastal schemes and funding arrangements*	Lower costs More efficient and effective working	Environment
RESOURCES	**R.1**	**Performance Management** *Review of Performance Management framework*	Improved service delivery Lower cost	Leader's
	R.2	**Digital Service Delivery** *Improved service delivery through modernised working*	Improved service delivery Lower costs Increased skills	Finance & Efficiency
	R.3	**Pay & Reward** *To determine a fit for purpose pay & reward strategy.*	Recruit & retain the right people.	Leader's
	R.4	**Building Works** *Service delivery review to challenge existing model and maximise outcomes for the council and the customer, including optimising revenue potential and ensuring efficiency and effectiveness of the department*	Lower costs More efficient and effective working	Finance & Efficiency
	R.5	**Customer Strategy** *To transform the way customers access our services, through the better use of digital service delivery.*	Improved service delivery Lower costs More efficient and effective working	Finance & Efficiency
All service reviews will consider opportunities for collaboration and income generation.				

BUDGET OUTTURN POSITION

SUMMARY GENERAL FUND OUTTURN INFORMATION 2016/17 (£'000)

Original Budget			**17,192**
Financial Monitoring	**Savings/Income**	**Requirements**	**NET TOTAL**
August	-731	77	**-654**
November	-1,061	279	**-782**
April	-881	430	**-451**
	-2,673	**786**	**-1,887**
Outturn	-1,574	377	**-1,197**
	-4,247	**1,163**	**-3,084**
Rephasings	**Into 16/17**	**Out of 16/17**	**NET TOTAL**
August	2,297		**2,297**
November		-272	**-272**
April		-1,103	**-1,103**
	2,297	**-1,375**	**922**
Outturn		-207	**-207**
	2,297	**-1,582**	**715**
Outturn Position			**14,823**

Portfolio/Committee Level Outturn Analysis

Leaders	57
Environment (1)*	-134
General Purposes and Licensing	-30
Planning and Transportation (2)*	-193
Planning Development Control	-48
Health and Leisure (3)*	-320
Housing and Communities	-73
Finance and Efficiency (4)*	-456
	-1,197

Environment	-51
Health and Leisure	-126
Finance and Efficiency	-30
	-207

*** Service Variations >-£25,000**

(1) - Street Scene	-58
(1) - Environmental Health	-34
(1) - Public Conveniences	-25
(2) - Planning Policy	-65
(2) - Environmental Design	-29
(2) - Transportation	-70
(3) - Health & Leisure Centres	-255
(3) - Sports & Comm. Develop.	-46
(4) - Office Accomodation	-47
(4) - ICT Workplan / Contracts	-49

SUMMARY CAPITAL PROGRAMME OUTTURN INFORMATION 2016/17 (£'000)

	GENERAL FUND		HRA		TOTAL
Original Budget	3,291		17,378		**20,669**
Financial Monitoring	**Savings/Income**	**Requirements**	**Savings/Income**	**Requirements**	**NET TOTAL**
August		1,363			**1,363**
November		100			**100**
April	-161	130	-1,694	231	**-1,494**
	-161	**1,593**	**-1,694**	**231**	**-31**
Outturn		61		485	**546**
	-161	**1,654**	**-1,694**	**716**	**515**
Rephasings	**Into 16/17**	**Out of 16/17**	**Into 16/17**	**Out of 16/17**	**NET TOTAL**
August	1,861		300		**2,161**
November		-1,050		-1,900	**-2,950**
April		-2,050			**-2,050**
	1,861	**-3,100**	**300**	**-1,900**	**-2,839**
Outturn		-183		-8	**-191**
	1,861	**-3,283**	**300**	**-1,908**	**-3,030**
Outturn Position					**18,154**

Portfolio/Committee Level Outturn Analysis

Environment - Coast Protection	33
Planning and Transportation	-2
Open Spaces	11
Finance and Efficiency	19
Housing Revenue Account*	485
	546

Environment - Coast Protection	-53
Environment - Other	-115
Planning and Transportation	-7
Open Spaces	3
Leisure	-11
Housing Revenue Account	-8
	-191

*** Project Variations >+/-£25,000**

Stocklands Purchase (land swop)	623
Major Repairs	142
North Milton Estate	-194
Acquisitions	-96

HOUSING REVENUE ACCOUNT OUTTURN INFORMATION 2016/17 (£'000)

	Original Budget	Budget Variations via Financial Monitoring	Latest Budget	Outturn Actuals	Outturn Variation against Latest Budget
INCOME					
Dwelling Rents	-26,317	32	-26,285	-26,288	-3
Non Dwelling Rents	-706	-24	-730	-734	-3
Charges for Services & Facilities	-752	8	-744	-750	-6
Contributions towards Expenditure	-58	-14	-72	-60	12
Interest Receivable	-75	0	-75	-75	0
Sales Administration Recharge	-26	-16	-42	-40	2
Shared Amenities Contribution	-179	0	-179	-178	1
TOTAL INCOME	**-28,113**	**-14**	**-28,127**	**-28,126**	**1**
EXPENDITURE					
Repairs & Maintenance					
Cyclical Maintenance	1,472	0	1,472	1,109	-363
Disabled Facilities	509	0	509	551	42
Reactive Maintenance	2,789	0	2,789	2,585	-204
Supervision & Management					
General Management	3,746	-262	3,484	3,493	9
Special Services	1,220	-24	1,195	1,117	-79
Homeless Assistance	62	-1	61	58	-3
Rents, Rates, Taxes and Other Charges	11	11	22	43	21
Provision for Bad Debt	150	0	150	65	-85
Capital Financing Costs	4,488	0	4,488	4,487	-1
RCCO	13,667	-1,994	11,673	10,540	-1,133
TOTAL EXPENDITURE	**28,113**	**-2,270**	**25,843**	**24,046**	**-1,797**
HRA OPERATING SURPLUS(-) / DEFICIT	**0**	**-2,284**	**-2,284**	**-4,080**	**-1,796**
HRA Total Annual Surplus(-) / Deficit					**-4,080**
Transfer to ICT Reserve M410 HY001					**59**
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT					**-4,021**

CABINET - 5 JULY 2017 **PORTFOLIO: FINANCE AND EFFICIENCY**

TREASURY MANAGEMENT ANNUAL OUTTURN REPORT 2016/17

1. PURPOSE

1.1. New Forest District Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice, which includes an annual report on the treasury management strategy after the end of each financial year.

2. SUMMARY

2.1. Treasury management in the context of this report is defined as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2. This annual report sets out the performance of the treasury management function during 2016/17, to include the effects of the decisions taken and the transactions executed in the past year.

2.3. Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since March 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

2.4. All treasury activity has complied with the Council's Treasury Management Strategy and Investment Strategy for 2016/17, and all relevant statute, guidance and accounting standards. In addition the Council's treasury advisers, Arlingclose, provide support in undertaking treasury management activities.

2.5. The Council has complied with all of the prudential indicators set in its Treasury Management Strategy; these are detailed fully in Appendix 1.

3. EXTERNAL CONTEXT

3.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2016/17.

Economic Background

3.2. Politically, 2016/17 was an extraordinary 12 month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA.

3.3. UK inflation has been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.

3.4. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases.

3.5. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016, and in February the unemployment rate dropped to 4.75%; its lowest level in 11 years.

Financial Markets

3.6. After recovering from an initial sharp drop in Quarter 2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March. Overnight money market rates have remained low since Bank Rate was cut in August.

Credit Background

3.7. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

4. LOCAL CONTEXT

4.1. At 31/03/2017 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £147.9m, while usable reserves and working capital which are the underlying resources available for investment were £62.8m (principal invested plus gains on investments with a variable net asset value).

4.2. At 31/03/2017, the Council had £144.1m of borrowing and £62.0m of principal invested. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, however the Council will be looking to borrow up to a further £12m to part-finance direct commercial property investment in both 2018/19 and 2019/20.

4.3. The Council's General Fund's CFR is forecast to increase by £13.2m in the period to 31 March 2019; this is principally to allow for the potential of direct commercial property investment. The updated prudential indicators attached as appendix 1 take this revised CFR into account. The Council's HRA CFR is currently expected to reduce by £4.1m per year from 2017/18, as instalments of the HRA settlement become due for repayment.

5. BORROWING STRATEGY

5.1. At 31/03/2017 the Council held £144.1m of loans, (a decrease of £0.2m on 31/03/2016 due to repayment) with the vast majority of the loan being in relation to the resettlement of the HRA in 2012/13.

5.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

5.3. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

5.4. The Council's portfolio of long-term debt is in the form of loans from the Public Works Loan Board (PWLB). A cautious approach has been applied in terms of take-up of new borrowing to minimise debt interest payments without compromising the long-term stability of the portfolio. No new borrowing took place during 2016/17. Internal resources in lieu of external borrowing have been used to lower overall treasury risk by reducing both external debt and temporary investments.

Table 1: Borrowing Activity in 2016/17

	Balance on 31/03/2016 £m	Net New Borrowing £m	Balance on 31/03/2017 £m
CFR	147.8		147.9
Short Term Borrowing[1]	0.2	4.1	4.3
Long Term Borrowing	144.1	(4.3)	139.8
TOTAL BORROWING	144.3	(0.2)	144.1
TOTAL EXTERNAL DEBT	144.3	(0.2)	144.1
Increase/ (Decrease) in Borrowing £m			(0.2)

Debt Rescheduling

5.5. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

6. INVESTMENT ACTIVITY

6.1. The combined effect of the EU Bank Recovery and Resolution Directive and the UK's Deposit Guarantee Scheme Directive is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

6.2. The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities, means that the risk of making unsecured deposits rose relative to other investment options. Since 2014/15 the Council therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

6.3. The Council has held invested funds representing income received in advance of expenditure plus balances and reserves held. During 2016/17 the Council's investment balances have ranged between £57.0 and £88.9 million.

[1] Loans with maturities less than 1 year.

Table 2: Investment Activity in 2016/17

Investments	Balance on 31/03/2016 £m	Balance on 31/03/2017 £m	Average Rate/Yield on 31/03/17 %	Average Life on 31/03/17 years
Short term Investments				
- Banks and Building Societies:				
- Unsecured	8.3	7.0	0.61	0.14
- Secured	4.8	8.8	0.56	0.51
- Money Market Funds	11.0	12.3	0.25	0.00
- Local Authorities	8.0	12.0	0.82	0.45
- Corporate Bonds	1.0	2.6	0.54	0.50
- Government Bonds	3.0	-	-	-
	36.1	**42.7**	**0.55**	**0.28**
Long term investments				
- Banks and Building Societies:				
- Secured	9.5	11.8	0.80	1.74
- Local Authorities	7.0	3.0	1.40	1.40
	16.5	**14.8**	**0.92**	**1.67**
High yield investments				
- Pooled Property Funds	3.2	3.2	4.53	n/a
- Pooled Equity Funds	-	2.1	1.88*	n/a
	3.2	**5.3**	**3.48***	**n/a**
TOTAL INVESTMENTS	**55.8**	**62.8**	**0.88***	**0.64**
Increase/ (Decrease) in Investments £m		7.0		

* The yields provided for pooled funds include investments that were held for part of the year, and therefore do not represent a full 12 month yield.

6.4. Both the CIPFA Code and the government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.5. Over the year the Council reduced its exposure to unsecured bank and building society investments by increasing its exposure to secured bank and building society investments, and corporate bonds. The Council has also invested in further high yield investments by investing in pooled equity funds

6.6. The investments in pooled property and equity funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Council's pooled fund investments are in the funds' distributing share classes which pay out the income generated.

6.7. Although money can be redeemed from the pooled funds at short notice, the Council's intention is to hold them for at least the medium term. Their performance and suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.

6.8. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

6.9. Counterparty credit quality was assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

6.10. The Council will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

6.11. The Council maintained a sufficient level of liquidity through the use of call accounts and money market funds. The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate has been maintained at 0.25% since August 2016 and short-term money market rates have remained at relatively low levels which continued to have a significant impact on cash investment income.

6.12. The Council's average cash balances were £70.1m during the year and interest earned for the year was £0.670m, giving an average yield of 0.96% (in comparison to 0.91% in 2015/16).

7. COMPLIANCE WITH PRUDENTIAL INDICATORS

7.1. The Council confirms compliance with its Prudential Indicators for 2016/17, which were set in February 2016.

8. Treasury Management Indicators

8.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

8.2. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

Table 3: Interest Rate Exposures

	Approved limits for 2016/17	Maximum during 2016/17	Compliance with limits:
Upper limit on fixed interest rate investment exposure	£25.0m	£9.0m	Yes
Upper limit on variable interest rate investment exposure	£90.0m	£83.9m	Yes
Upper limit on fixed interest rate borrowing exposure	£178.1m	£144.3m	Yes
Upper limit on variable interest rate borrowing exposure	£178.1m	£2.0m	Yes

8.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

8.4. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 4: Maturity Structure of Borrowing

	Upper	Lower	Actual
Under 12 months	25%	0%	3.0%
12 months and within 24 months	25%	0%	3.0%
24 months and within 5 years	25%	0%	9.0%
5 years and within 10 years	25%	0%	14.5%
10 years and above	100%	0%	70.5%

Principal Sums Invested for Periods Longer than 364 days

8.5. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£25m	£25m	£25m
Maximum invested during the financial year	£21.3m		

9. **CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS**

9.1. None arising directly from this report.

10. **RECOMMENDATION**

(a) That the Cabinet consider the performance of the treasury management function detailed in this report.

(b) That it be a recommendation to the Council that the revised prudential indicators for 2017/18 – 2018/19 as set out in the report be approved.

Further information	**Background papers**
Please contact Andrew Boutflower (HCC), or Alan Bethune	The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance
	Local Government Act 2003
email: andrew.boutflower@hants.gov.uk alan.bethune@nfdc.gov.uk	SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
	Treasury Management Strategy Report 2016/17 Audit Committee – 22 January 2016 Council - 22 February 2016 Treasury Management Strategy Report 2017/18 Audit Committee – 27 January 2017 Council – 20 February 2017 Treasury Management Mid-Year Monitoring Report 2016/17 Audit Committee – 23 September 2016 Treasury Management Annual Outturn Report 2015/16 Audit Committee – 28 June 2016 Cabinet – 6 July 2016 Council – 11 July 2016
	Published Papers

PRUDENTIAL INDICATORS 2016/17

The Local Government Act 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	4.1	6.4	**4.2**	7.9	20.4
HRA	16.6	13.4	**13.9**	15.4	21.3
Total Expenditure	**20.7**	**19.8**	**18.1**	**23.3**	**41.7**
Capital Receipts	1.3	3.0	**4.4**	3.0	3.0
Grants	1.6	2.4	**1.4**	3.9	3.3
Reserves	2.5	2.0	**-**	4.5	12.4
Revenue	13.7	10.6	**10.5**	9.1	9.1
Developers Contributions	0.8	0.4	**0.7**	0.9	0.4
Borrowing	0.8	1.4	**1.1**	1.9	13.5
Total Financing	**20.7**	**19.8**	**18.1**	**23.3**	**41.7**

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Approved £m	31.03.17 Revised £m	31.03.17 Actual £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	3.5	3.5	**3.3**	4.0	16.5
HRA	144.6	144.6	**144.6**	140.5	136.4
Total CFR	**148.1**	**148.1**	**147.9**	**144.5**	**152.9**

The General Fund CFR is forecast to rise by £13.2m over the next two years as capital expenditure financed by debt outweighs resources put aside for debt management, but the HRA CFR will fall by £8.2m as the first instalments of the Self Financing Settlement borrowing are repaid.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.17 Forecast £m	31.03.17 Revised £m	31.03.17 Actual £m	31.03.18 Estimate £m	31.03.19 Estimate £m
Borrowing	144.1	144.1	**144.1**	139.8	147.5

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	163.1	163.0	**144.1**	159.4	167.8

Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 Approved £m	2016/17 Revised £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	178.1	178.0	**144.1**	174.4	194.8

The increase in authorised limit for external debt for 2018/19 is reflective of the total potential borrowing as a result of the Council's approved Commercial Property Investment strategy.

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Approved %	2016/17 Revised %	2016/17 Actual %	2017/18 Estimate %	2018/19 Estimate %
General Fund	0.6	0.6	**0.1**	0.8	2.3
HRA	0.0	0.0	**0.0**	0.0	(0.2)

In 2018/19 it is estimated that the ratio of financing costs to Net Revenue Stream for the HRA will be -0.2%. This reduction reflects the decrease in interest payable on the HRA loan, due to the commencement of repayment of principal from 2017/18.

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2002 and complies with all revisions of the Code.

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CABINET– 5 JULY 2017 **PORTFOLIO: FINANCE & EFFICIENCY/ALL**

MEDIUM TERM FINANCIAL PLAN 2017 ONWARDS

1. Purpose of Report

1.1 To consider the initial development of the Medium Term Financial Plan 2017 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2018/19.

2. Background

2.1 Over the previous medium term the Council has seen a significant reduction in government determined resources (£9.444m in 2015/16, reduced by 31% to £6.513m in 2017/18) and is forecast to receive further decreased funding going forward. Despite these funding reductions, the Council to date has been able to consistently produce a balanced budget protecting front line services.

2.2 The Council's financial strategy to date has been one of cost reduction and the crystallisation of efficiencies from all services (Senior Management Review, Budget Stabilisation), supported lately with targeting new income generation (Commercial Property Investment Strategy). Whilst the cost reduction approach has been effective in achieving balanced budgets thus far, and is forecast to yield further savings over the next 2 years, going forward the Council will need to consider its overall organisational business model in order to ensure the future protection of its services and ensure its financial sustainability. Actions to be considered are explored further in section 5.

2.3 Actions need to commence on the development of future years' budgets. To support this work it is necessary that an assessment is made of the likely financial scenario based upon latest available information. This future outlook is set out within this report and appendix 1, to help support the important work of Portfolio Holders and officers in developing future plans.

2.4 In October 2015, the Government committed that local government should retain all taxes raised locally, including 100% of locally collected business rates. This amounted to a significant reform of the local government finance system. Latest information suggests that as a result of the general election in June 2017, the bill is now effectively suspended with no current plans for its introduction. The overall 'Fair Funding' review will continue but the DCLG is thinking again about 100% retention. The Pilots currently underway in Greater Manchester and Liverpool City Region will continue, and any consideration of future initiatives on 100% rate retention will take the pilots into account.

2.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2021/22. The effect of the final design on the business rate retention system as outlined in 2.4, including the frequency of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, has the potential to significantly amend the funding figures currently forecast.

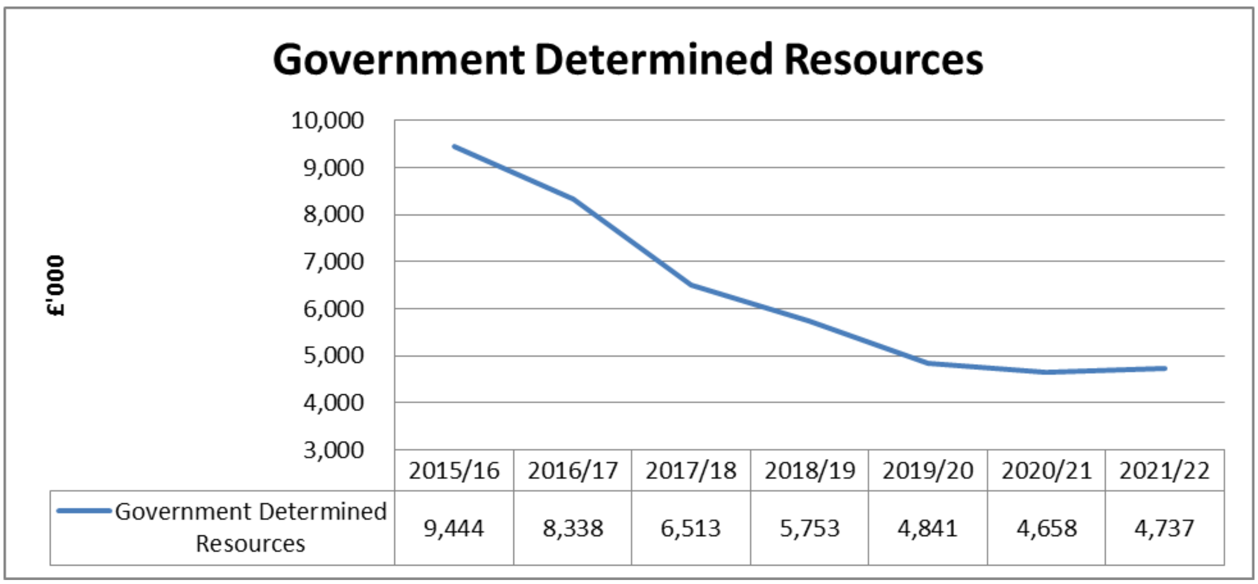
3. Funding Assumptions over the Medium Term

3.1 The performance of the Business Rates collection fund in 2016/17 results in a positive effect on the retained Business Rates for 2018/19 (a share of the collection fund surplus equivalent to £373k currently assumed).

3.2 The assumptions on business rate funding will require updating as the ongoing Fair Funding review takes shape. At present, it has been assumed that the Council will be no better or worse off due to changes in business rates, than previous determinations had advised. From 2020/21, retained annual business rate growth of 2.0% has been allowed for on the baseline.

3.3 By 2019/20, Revenue Support Grant will cease (£723k in 2017/18). It is also highly likely that the New Homes Bonus scheme will cease to provide a reliable funding source going forward, and so it is being assumed that this will cease entirely by 2021/22 (£1.480m in 2017/18).

3.4 The following graph demonstrates the severity of the reductions since 2015/16, and confirms the current Government Determined Resource funding assumptions to 2021/22:



3.5 An annual £5 increase in Council Tax has been allowed for in this Medium Term Financial Plan, in line with information received from Government based on allowable increases.

4. Spending Plans over the Medium Term

4.1 Increases in costs are expected to total c£3.2m over the next 4 year period, based on current activity and latest figures received.

4.2 The Medium Term Financial Plan assumptions include;

- Annual Pay Award of 1% per annum (equivalent to £220k PA)
- The impact of the local pay review, to £8.00 minimum (no inclusion of nationally muted £9.00 at this stage)
- Pension Increase Costs
- Fuel and Energy Cost Increases
- All other increases to be absorbed within existing overall Portfolio budgets,

except where they are agreed policy or strategy developments

4.3 The Budget Stabilisation Strategy, established following the inception of the revised Service Management structure completed in 2016/17, will be in its second year of the original 3 year programme in 2018/19. Savings from this strategy resulted in adjustments to the base budget for 2017/18 (year 1) of £1.579m. Current projections allow for further reductions in relation to this strategy, as demonstrated by the figures in the following table:

	2017/18	**2018/19**	**2019/20**	**Total to 2020**
Budget Stabilisation Strategy (£'000)	1,579	372	540	2,491

4.4 The items identified by the Service Managers in order to reach the £2.491m are intended to be management decisions (supported by their Portfolio Holders and presented to EMT by each Service Manager), and represent the officers' management contribution towards the overall budget deficit.

4.5 Although the Budget Stabilisation Strategy makes a significant contribution towards the required savings, further efficiency reviews outlined in the Council's Delivery Plan 2017/18, are also to be expected to yield further savings over the period, with £400k currently allowed for in the Medium Term assumptions to 2021.

4.6 Other assumptions already included within the forecast include;

- A reduction in Asset Maintenance & Replacement Resources from 2018/19
- An increase in interest earnings (back to previous levels prior to the base rate reduction)
- Income from Development projects carried out in previous years

5. Forecast Budget Deficit and Actions Required

<u>Forecast Budget Deficit</u>

5.1 The budget deficit outstanding, after allowing for the items as included above, is £1.3m to 2022. This is made up of the annual budget deficits as represented by the following table:

	2018/19	**2019/20**	**2020/21**	**2021/22**	**Total to 2022**
Estimated Budget Deficit (£'000)	143	447	458	252	1,300

Sensitivity analysis based on changes to pay award and the rate of inflation could well increase the annual deficits, as demonstrated by the alternative table below:

	2018/19	**2019/20**	**2020/21**	**2021/22**	**Total to 2022**
Estimated Budget Deficit (£'000)	513	719	682	478	2,392

5.2 The figures shown in each case above are the net effect taking into account the combination of reduced grant funding, increased Council Tax and increased costs.

The deficits over the period to 2022 represent a difficult financial challenge to the Council, when considering the figures already allow for significant levels of anticipated savings / efficiencies.

5.3 The reduced level of forecast deficit in 2021/22 is reflective of the likely on-going position, should the Council see and retain 2% annual growth in its retained Business Rates, and continue to increase Council Tax over the period to fund the anticipated annual cost increases.

Actions Required

5.4 In order to ensure that planned and further savings and efficiencies are realised and income generation improved, reviews and strategy developments need to maintain momentum and be driven by EMT and Portfolio Holders, supported by member panels, task and finish groups and key officers around the Council.

5.5 The Council needs to ensure its organisational business model best supports the Council's future success in frontline service delivery and financial sustainability. The Council's policies and strategies that affect economic growth across the District need to be aligned with the business model.

5.6 The actions the Council needs to consider are best summarised in five key action points:

1.	**Aligning resources to the Council's corporate plan and essential services**
2.	**Continuation of partnering and collaboration with others to reduce costs and transform service delivery**
3.	**Continuing on our path to act more business-like with targeted additional income generation**
4.	**Aiming to maximise income from local government finance reform**
5.	**Encouraging channel shift and the use of digital interaction, transforming our approach to customer services**

6. Reporting Timeline

6.1 It is important that the Medium Term Financial Plan supports the ambition of the Council and remains driven by the objectives as set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Cabinet which supports the development of the MTFP, through to the final setting of the 2018/19 budget:

	Cabinet Meeting	**Report**
1.	October	Medium Term Financial Plan to 2022 & Organisational Business Model
2.	December	Setting the Council Tax Base
3.	January	Updated progress on MTFP
4.	February	MTFP to 2022 and setting of 2018/19 budget

7. Crime and Disorder / Equality and Diversity / Environmental Implications

7.1 There are no direct implications as a result of this report.

8. Portfolio Holder Comments

8.1 In the changing context of local government finance I support the Council's direction of travel as outlined in this report.

9. Recommended

Cabinet are asked to recommend to Council;

a) That the revised MTFP, as outlined within the report and Appendix 1 be adopted;
b) That the reporting timeline as set out in section 6 be agreed; and
c) That consideration of the Council's organisational business model and plans for options to support the Medium Term Financial Plan as set out in the report, be progressed.

For Further Information Please Contact:
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APPENDIX 1

MEDIUM TERM FINANCIAL PLAN JULY 2017

	2017/18 £'000's	2018/19 £'000's	2019/20 £'000's	2020/21 £'000's	2021/22 £'000's
FUNDING					
Government Determined Resources	6,513	5,753	4,841	4,658	4,737
Council Tax	11,675	12,084	12,498	12,916	13,337
TOTAL FUNDING	**18,188**	**17,837**	**17,339**	**17,574**	**18,074**
Change in funding from previous year		**351**	**498**	**-235**	**-500**
SPENDING PLANS					
Pay & Price Increases		**921**	**744**	**748**	**752**
Ongoing Savings Analysis					
Budget Stabilisation Strategy		-372	-540		
Delivery Plan Reviews		-200	-175	-25	
Asset / Equipment Resources		-380			
Interest Earnings		-150	-50		
Income from Development projects		-27	-30	-30	
		-1,129	**-795**	**-55**	**0**
Change in spending from previous year		**-208**	**-51**	**693**	**752**
ANNUAL BUDGET DEFICIT		**143**	**447**	**458**	**252**
Cumulative Budget Deficit			**590**	**1,048**	**1,300**
Other Efficiency & Saving Plans		?	?	?	?
Income from Generation Strategies		?	?	?	?
On-going savings from 2016/17 outturn		?			
Organisational Business Model		?	?	?	?
General Fund Reserve		3,000	3,000	3,000	3,000