NOTICE OF MEETING

Meeting:	**CABINET**
Date and Time:	**WEDNESDAY, 6 DECEMBER 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 Email: jan.debnam@nfdc.gov.uk**

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. 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 4 October 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. CORPORATE PEER CHALLENGE - FEEDBACK REPORT (Pages 1 - 16)

To receive the report of the Peer Review Group.

5. REVIEW OF PARLIAMENTARY CONSTITUENCY BOUNDARIES (Pages 17 - 22)

To agree the response to be made in respect of the Government's consultation on revisions to the parliamentary constituency boundaries.

6. COUNCIL TAX REDUCTION SCHEME 2018/19 (Pages 23 - 36)

To agree the Council Tax Reduction Scheme for 2018/19.

7. COUNCIL TAX SUPPORT SCHEME - PROSECUTIONS AND PENALTIES POLICY (Pages 37 - 44)

To consider and agree the Council's policy.

8. THE COUNCIL TAX 2018/19 - SETTING THE TAX BASE (Pages 45 - 52)

To set the Council Tax Base for 2018/19.

9. MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS (Pages 53 - 60)

To consider the development of the Medium Term Financial Plan for 2018 onwards.

10. CHANGES TO THE 2017/18 TREASURY MANAGEMENT STRATEGY (Pages 61 - 64)

To approve amendments to the Treasury Management Strategy Statement.

11. RESIDENTIAL PROPERTY INVESTMENT STRATEGY (Pages 65 - 84)

To consider a strategy for investment in residential properties.

12. PAYMENT SERVICES DIRECTIVE

The Payment Services Directive, incorporated into UK law, will make it illegal for the Council to charge extra for credit or debit card transactions after 13 January 2018. The Council's existing policy of levying a 1.5% fee on credit charge transactions for Housing Rents, Council Tax and Business Rates will therefore be redacted from this date.

The Cabinet are accordingly:

RECOMMENDED:

To note the above change to the card charging policy, with effect from 13 January 2018.

13. OUTSIDE BODY APPOINTMENTS

Subsequent to the recent changes to portfolios, it is necessary to amend the Council's representation on some outside bodies.

RECOMMENDED:

That the following amendments be made to the Council's representation on outside bodies:

Outside Body		**Current representative**		**New Representative**
Community First – New Forest		Cllr Mrs D E Andrews		Vacancy
Forest Forge Theatre Company		Cllr Mrs A M Rostand (Deputy Cllr Mrs C V Ward)		Cllr Mrs C V Ward (Deputy Cllr W H Dow)
Hampshire Police and Crime Panel		(Deputy Portfolio Holder for Housing and Communities)		(Deputy Portfolio Holder for Community Affairs)
Local Government Association Coastal Issues Group		Portfolio Holder for Environment		Portfolio Holder for Environment and Regulatory Services
New Forest Citizen's Advice Bureau		(Deputy Mrs D E Andrews)		(Deputy Vacancy)
Project Integra Strategic Board		Portfolio Holder for Environment (Deputy Portfolio Holder for Planning and Transportation)		Portfolio Holder Environment and Regulatory Services (Deputy Portfolio Holder Community Affairs)
Safer New Forest Partnership		Portfolio Holder Housing and Communities		Portfolio Holder Community Affairs

To:

Councillors	**Councillors**
Mrs D E Andrews	E J Heron (Vice-Chairman)
J E Binns	J D Heron
Mrs J L Cleary	Mrs A J Hoare
M R Harris	B Rickman (Chairman)

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CABINET – 6 DECEMBER 2017

PORTFOLIO: LEADER AND CORPORATE AFFAIRS

CORPORATE PEER CHALLENGE – FEEDBACK REPORT

1. INTRODUCTION

1.1 As part of their approach to sector led improvement the Local Government Association offer all councils the opportunity to undergo a Corporate Peer Challenge, focused and tailored to meet individual council's needs and designed to complement and add value to a council's own performance and improvement focus. This Council welcomed the opportunity for external challenge to assess the nature and appropriateness of its plans and took up the offer with a review undertaken in October 2017.

1.2 This report presents the peer team's feedback and recommendations (Appendix 1).

2. BACKGROUND

2.1 In preparation for the review the Council developed a position statement, setting out some key background information in support of each of the following areas of focus:

1. **Understanding of local context and priority setting**: Does the Council understand its local context and has it established a clear set of priorities?
2. **Financial planning and viability**: Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
3. **Political and managerial leadership**: Does the Council have effective political and managerial leadership and is it a constructive partnership?
4. **Governance and decision-making**: Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
5. **Organisational capacity**: Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

2.2 Further detail on the purpose and approach to the peer challenge is contained within the report.

3. PEER RECOMMENDATIONS AND NEXT STEPS

3.1 The appended feedback report sets out the peer team's observations against each area of focus and makes the following key recommendations in support of future improvements for the Council to consider:

a) Develop the strategic framework with underpinning action plans to deliver the Council's vision for the broader district area

b) Align the Medium Term Financial Plan and investment strategies within that strategic framework

c) Consider alternative models for delivery through options appraisals and the use of external expertise to most effectively achieve the Council's objectives

d) Invest in the ICT infrastructure to leverage change

e) Engage with staff and managers in developing the future direction of travel for the Council

f) Review levels of decision making to empower managers and staff to deliver

g) Review the requirements for more formal engagement arrangements with the National Park Authority including, to be fully effective, a review of current appointments to the National Park

h) Prepare a robust and sound Local Plan, in a realistic but timely way.

3.2 In considering these recommendations the Council will develop an action plan, to be presented to Cabinet in early 2018. It is intended that both the report and the action plan, along with the Council's position statement, will be published on the Council's website.

3.3 Councils receiving a Corporate Peer Challenge are strongly encouraged to consider a follow-up visit by the peer team, to enable the Council to demonstrate progress achieved. This is likely to take place typically between 12 and 24 months after the initial challenge.

4. FINANCIAL IMPLICATIONS

4.1 None arising directly from this report.

5. ENVIRONMENTAL, EQUALITY AND DIVERSITY IMPLICATIONS

5.1 None arising directly from this report.

6. PORTFOLIO HOLDER COMMENTS

6.1 The Leader is grateful to the peer review team and all members and staff who took part in the process.

7. RECOMMENDATIONS

7.1 Cabinet are asked to note the content of the Corporate Peer Challenge Feedback Report and the intention to develop an action plan in response to the recommendations made.

For further information contact:

Rebecca Drummond
Service Manager – Business Improvement & Customer Services
023 8028 5588
rebecca.drummond@nfdc.gov.uk

Background Papers:

Corporate Peer Challenge – NFDC Position Statement

Corporate Peer Challenge
New Forest District Council

2nd to 5th October 2017

Feedback Report

1. Executive Summary

New Forest District Council has an excellent understanding of its local context – the particular mix of the New Forest National Park, covering much of the area of the district, the more densely populated urban areas around the edge and a significant length of coastline. These provide a range of both challenges and opportunities for service delivery and development, and to ensure sustainable communities. The New Forest area provides significant complexities in terms of governance arrangements, both from its historic origins as an ancient royal hunting forest and much more recently the National Park Authority, which is the planning authority for about 80% of the area of the district. This understanding of the area is expressed in the Council's commitment to preserve what is unique about the area, including ensuring that the New Forest remains a 'living forest', and an appropriate statement of Vision and Priorities. The Council demonstrates a desire to take advantage of regeneration opportunities such as those presented along the area of Totton and Waterside.

Both the Leader and Chief Executive are well respected and seen to be taking the lead in making the case that the Council must change how it does things if it is to remain financially secure and successfully meet the challenges of the future. Front line services are run in a way which takes account of local circumstances and resident satisfaction with these services is reported to be very high. Member-officer relationships are good, the workforce is loyal to the authority and committed to the area and value their colleagues. Many of that workforce also recognise that change is required and would like to contribute to developing and delivering new ways of working for the district. The Council is financially sound, and enjoys a relatively healthy level of both general fund and capital reserves and is well positioned to invest in the future. But it also understands that revenue funding will become more challenging and there is an increasing need to deliver savings.

The Council is therefore well placed to address the future challenges on behalf of the district, but a number of issues need to be addressed if it is to do so effectively. The Council needs to ensure that the sense of being a 'special place' does not get in the way of doing things differently or become a barrier to partnerships, particularly beyond the district boundaries. It needs to consider what it wants to achieve for the whole of the New Forest district and its residents, and then consider how best to deliver this – to improve outcomes and reduce costs where possible. More rigorous options appraisals, drawing on external expertise where appropriate, would be helpful. Most of the Council's services are delivered in-house. There needs to be a wider recognition that other arrangements may well achieve the same or better outcomes for communities on behalf of the Council, for example in respect of the operation of five Health and Leisure Centres.

There needs to be a clearer articulation of what the council of the future will look like, and the Organisational Strategy needs to be underpinned by clear plans to deliver that vision and the Council's priorities. Senior managers need to engage more effectively with service managers and empower staff to make greater use of the knowledge, leadership capacity and willingness across the organisation to deliver change. There is a widespread recognition that the Council's ICT infrastructure is inadequate and needs significant enhancement to drive efficiency gains and leverage change. The Council should use some of its capital resources to invest in rapid improvements to ICT. But this investment alone

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will not bring about new and improved ways of working, there is still more work to do to ensure that all members and officers embrace the need to do things differently. The financial investment must be supported by thorough analysis and demonstrate how it can deliver value for the Council.

Delivering sufficient housing, along with employment opportunities for local residents, is a key challenge for the Council in ensuring sustainable communities across the New Forest district. Relationships with the National Park Authority are crucial for the Council in this regard. It needs to consider how it can sustain good relationships with the Park Authority, along with the ability to provide effective challenge on behalf of the communities of the New Forest and the wider district, including in respect of housing allocations. It has been over 10 years since the National Park Authority was created. The Council should reflect on the arrangements in place for engaging with the National Park to best represent the broader responsibilities of the District Council. The issue of the identity of the wider District is important. This is not synonymous with the National Park area where just 20% of the population of the district live, although many more value the recreational opportunities and high quality environment it offers.

The Council is in the process of developing a new Local Plan. This will have a major impact on the future of the District, including the provision of the housing which it knows local people need along with sustainable development and economic regeneration. It needs greater focus and drive to get a sound, robust Plan in place to shape that future and avoid the risk of unwanted development.

2. Key recommendations

a) Develop the strategic framework with underpinning action plans to deliver the Council's vision for the broader district area

b) Align the Medium Term Financial Plan and investment strategies within that strategic framework

c) Consider alternative models for delivery through options appraisals and the use of external expertise to most effectively achieve the Council's objectives

d) Invest in your ICT infrastructure to leverage change

e) Engage with staff and managers in developing the future direction of travel for the Council

f) Review levels of decision making to empower managers and staff to deliver

g) Review the requirements for more formal engagement arrangements with the National Park Authority including, to be fully effective, a review of current appointments to the National Park

h) Prepare a robust and sound Local Plan, in a realistic but timely way.

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3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at New Forest were:

- Dorcas Bunton, Chief Executive, Derbyshire Dales District Council
- Cllr Andrew Proctor, Leader, Broadland District Council
- Lindsay Barker, Deputy Chief Executive, Mid Suffolk and Babergh District Councils
- Mark Green, Director of Finance & Business Improvement, Maidstone Borough Council
- David Armin, LGA peer challenge manager

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges. These are the areas we believe are critical to councils' performance and improvement:

1. **Understanding of the local place and priority setting**: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?

2. **Leadership of Place**: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

3. **Organisational leadership and governance**: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

4. **Financial planning and viability**: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

5. **Capacity to deliver**: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

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In considering these core components, the Council asked the peer team to give attention to the following issues:

- With the further reductions in funding, how effective are our arrangements to deliver with less?
- Can the organisation sustain capability and capacity within its existing workforce?
- Are arrangements in place to support new ways of working?

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement-focused and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The peer challenge began with an orientation tour around the District, with visits to some key sites and projects, giving the opportunity to speak with some of the Council and partner staff who work there. This was a valuable opportunity for the team to see the wide range of different communities and environments which make the New Forest District a special place and the challenges these present.

The team spent four days onsite at New Forest, during which they:

- Spoke to more than 60 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 30 meetings, visits to key sites in the area and additional research and reading.
- Collectively spent more than 200 hours to determine their findings – the equivalent of one person spending more than five weeks in New Forest District Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (2nd to 5th October 2017). In presenting feedback to you, we have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

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4. Feedback

4.1 Understanding of the local place and priority setting

New Forest District Council has an excellent understanding of its local context. The particular mix of the New Forest National Park (covering much of the area of the district and with a unique approach to land management based on ancient grazing rights), the more densely populated urban areas around the edge of the district and a significant length of coastline, including the largest oil refinery in the country. These provide a range of both challenges and opportunities for service delivery and development, and to ensure sustainable communities. This understanding of the area is demonstrated in the Council's commitment to preserve what is unique about the area, along with a desire to take advantage of regeneration opportunities. These include those presented along the area of Totton and Waterside, such as the proposals for development for the now disused Fawley power station (once one of the largest buildings in Europe).

There is a positive acceptance of the need for development among elected members and the wider community. For example, in the recognition of the importance of more social and affordable housing in the New Forest National Park area if a living, working New Forest is to be sustained. High house prices and low wages for many working within the District make affordable housing and promoting business growth (especially higher value added work) the key challenges, whilst protecting the special characteristics of the place. This is acknowledged in the priorities in the Council's 2016-2020 Corporate Plan. These priorities now need further articulation in terms of what the Council wants to achieve and more detailed plans to deliver them. For example, by taking advantage of current work to develop a clear strategy for the economic development of the District.

The special nature of the New Forest area is a real asset – contributing to a high quality of life for residents and attracting visitors, in addition to its environmental value. But it gives rise to a number of issues and challenges. The New Forest NP covers most of the District and in turn lies mainly within the District boundaries. Council plans should reflect the needs of the broader district area. The influence of the area of the National Park is significantly important, but should be proportionate with the broader district area needs – given that just 20% of the District population live within the area of the National Park. During our review this did not always appear the case. The identity of the National Park and the Council are closely intertwined but should not be synonymous. The Council needs to ensure that its identity and plans more fully reflect the needs of the population and economic and other activity beyond the area of the National Park. The further development of the Corporate Plan and the Organisational Strategy 2022 provide the opportunity to do this. Moreover, the sense of being a 'special place' may be a barrier to addressing some challenging issues. This is evident in an apparent reluctance by some to consider alternative delivery models to achieve the Council's objectives, and a belief that learning and good practice elsewhere may not be transferable to the unique circumstances of the New Forest. We believe

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that this mindset is changing, but this openness to new ways of doing things needs to be further nurtured and supported.

4.2 Leadership of Place

The New Forest area has significant complexities in terms of governance arrangements, both from its historic origins as an ancient royal hunting forest and much more recently, with the creation of the National Park Authority (NFNPA). The NFNPA is the planning authority for about 80% of the area of the District. A substantial part of the Park is Crown lands, managed by the Forestry Commission. These complex governance arrangements make partnership working within the District particularly important. The Council has a good understanding of these arrangements and the Leader and Chief Executive are both well respected by partners. Influencing partners, especially the Park Authority, will be crucial to achieving the Council's vision for the District. The NFNPA's principal objectives are to protect the natural and cultural heritage of the area and to promote the public understanding and enjoyment of these. But it has a secondary objective of fostering the social and economic wellbeing of local communities, which provides common ground with the Council's priorities and in turn provides the opportunity to further strengthen relationships. Such opportunities include the development of the Green Halo partnership, intended to provide an exemplar of how precious landscapes can work in harmony with thriving economically successful communities.

The relationship with the NFNPA is of key importance – for example in addressing the need for more housing. The Council needs to ensure that this relationship is strong enough to allow for robust challenge and for areas of difference to be resolved. The Council should consider whether a formal engagement mechanism, involving leading District Councillors and Park Authority members would better enable the Council and Park Authority to discuss their respective areas of interest and provide an opportunity for improved cooperation and challenge, where appropriate. Currently, there are eight District Councillors who sit on the Park Authority (out of a total of 22 members of the NFNPA). Four are appointed by the District Council and four by the County Council, including both the Leader and Deputy Leader of the Council. A more formal arrangement for relationships between the Council and Park Authority could help to ensure leading Councillors are in a position to maximise their influence. Although to be fully effective, it would require a review of existing appointments to the Park Authority.

The Council has recognised the importance of partnerships in promoting the economic development of the District and has engaged well with Hampshire County Council and the two Local Enterprise Partnerships (LEPs) that affect the area – the Solent and M3 LEPs. This has led, for example, to investment in facilities at Brockenhurst College. The LEPs are ready to consider further investment in the District, but are looking for more delivery-ready schemes. The Council is also developing a framework so that it can work with partners to realise the development opportunities which exist along the area of Totton and Waterside. The sense that New Forest is 'different' can be a barrier to establishing

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partnerships beyond the District boundaries. The location of the district (across the Solent from the rest of Hampshire and on the boundary of two former Government office regions) gives rise to a perception that the Council has 'no natural partners'. But the above examples around economic development show that New Forest is able to forge effective partnerships around shared objectives.

Providing sufficient and affordable housing is a key challenge for the District, which will require leadership. The Council has already shown this through its agreed policy and allocation of resources to build more council housing, which is leading to the construction of some high quality council housing of innovative design. However, we noted some frustration among members and officers at the resistance of the Park Authority to agree further social housing which would help build more sustainable communities in the area of the National Park.

The Government consultation on objectively assessed need (OAN) for housing was published in September 2017. Under the proposed standardised methodology an assessment has been made of 965 new homes per annum over the period 2016 – 2036 across the District. If confirmed at this level, this will be very difficult to achieve in practice. The consultation acknowledges that 86% of the District is national park or similar land where development opportunities are particularly limited. A figure for housing need in these areas is not given and should be determined locally. The consultation also notes that the duty to co-operate will be crucial for authorities in such a situation, provision in other authorities to meet their housing need could be particularly important. Again this speaks to the importance of good relationships and strong partnerships, but also that of the Local Development Plan irrespective of the final figure for OAN. The Council is in the process of updating its Local Plan and is preparing its plan for submission in mid-2018. This needs to be a credible and sound Plan to shape the district as the Council wishes, deliver the housing needed and reduce the risk of unwanted development. Such a realistic plan will mean the Council is better placed to influence its partners (the NFNPA and neighbouring authorities) around housing allocations. We understand that the Council is giving focus and attention to the Local Plan, which it needs to continue to drive through. The experience of other District Councils in developing sound Local Plans is that very significant time and resource is required. The Council needs to be satisfied that it has the appropriate capacity.

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4.3 Organisational leadership and governance

The Council has well established and experienced political leadership. The ruling Conservative group has a large majority. The Chief Executive was appointed in 2015 following an internal promotion. There are good member-officer relationships and members value staff and the contribution they make. There are a number of opportunities for members to be engaged and help shape the future direction of the Council if they wish, for example through overview & scrutiny and related task & finish groups and through questions at Cabinet meetings. Task & finish groups are considered to have helped foster good relationships between members and a wider range of officers. The engagement of elected members could be widened and made more effective by more clearly linking task & finish groups to Council priorities.

The Leader and Chief Executive have been visible in making the case for change through a series of staff briefings. These have emphasised the financial challenges which lie ahead and the need for the council to be leaner and work more flexibly and responsively, taking advantage of new technology and new methods of service delivery. This is laid out in the Organisational Strategy 2017-2022. Staff recognise and understand the need to change the way they work. They feel that managers are generally accessible, particularly in their own service areas. They also feel well supported through access to training and development opportunities.

This provides the Council with a good basis on which to take forward change, but more needs to be done. There is a sense that New Forest is ‘on the cusp of change’, but staff need a clearer articulation of what the council of the future will be like (beyond having less employees and a smaller budget); the underlying drivers for change and what this will mean for them. Some staff felt that Executive Management Team (EMT) was remote, notwithstanding that line management was considered accessible. It may be that there is still a culture of silo-based working. We found clear evidence of a commitment to New Forest, leadership capacity and the potential for innovation in managers and staff across the organisation. The Council needs to harness this more effectively. Service managers could be more involved with EMT in contributing towards strategic thinking and developing the future organisation, for example through periodic joint sessions with EMT to work through particular issues in depth. The Council could build on the staff engagement with change which the previous ‘Fit for the Future’ programme had established. More generally, the Council should allow staff greater freedom to take and deliver operational decisions within an agreed framework of priorities and standards.

The Council’s approach to strategy development in general could be more robust, based on evidence, consultation and engagement with relevant stakeholders. Its agreed strategies should include clear actions to deliver the intended outcomes. For example, the Organisational Strategy needs to further developed with specific action plans to deliver the intended outcomes and savings.

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4.4 Financial planning and viability

The Council enjoys a healthy financial position at the current time relative to many of its peers, notwithstanding the reduction of central government grant funding in recent years. The net revenue budget for 2017-18 is £18.2 million. The Council has a comparatively high level of reserves which have increased in recent years (some £50 million in total when Housing Revenue Account (HRA) reserves are included). At 31st March 2017 general fund reserves were £3 million and capital reserves some £19.5 million. The relatively healthy level of reserves means New Forest is well placed to invest to achieve future efficiency gains. This financial position has been aided by the budget stabilisation strategy to date (essentially top slicing the required savings from each portfolio budget area) and a track record of underspending each year. Although helping to contribute towards reserves, there is a lack of clarity around the reasons for this pattern of underspending. It was attributed in part to unspent asset maintenance budgets. It may also reflect an excessively cautious approach to spending and a wish by service managers to retain some local flexibility in their budgets.

The external audit for 2016/17 gave a positive view of the financial statements. The Annual Financial Report was finalised over a month before the deadline, which means the Council is well-placed to meet the earlier, end July 2018, deadline for the 2017/18 accounts.

However, the Council recognises that the revenue (general) funding will become more challenging over the next few years. Assuming members continue to approve the maximum increase in Council Tax permitted without a referendum (£5 per household per annum), and some cautious assumptions on cost pressures (such as salary inflation remains at 1%), there is a funding gap of £1.4 million per annum by 2021-22, where actions to deliver the required savings have not yet been identified. This will be greater if cost pressures are larger than anticipated or other planned savings are not delivered.

The Council has relatively limited land and other revenue earning assets, apart from those required for service delivery or council houses. The Treasury Management Strategy allows for long term investment to achieve greater returns. The Council is making effective use of external advice both around Treasury management and budget planning. It has recently adopted a commercial property investment strategy to enable investment of up to £30 million and is considering establishing a non-HRA housing development company. Here, too, it is important that the Council makes effective use of professional advice in deploying its resources.

There are some examples of the Council taking innovative approaches to secure a better return on assets. For example, it has entered into a public / private partnership for management of the Dibden Golf Centre, which is leading to improved returns of circa £150k per annum, and its relationship with Creative England which has brought filming for cinema and television into the area. The Council now needs to extend such approaches into other areas of its business.

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To deliver more significant and sustainable savings to address the budget gap, whilst continuing to deliver the outcomes it wants to achieve in the community, the Council needs to make more use of options appraisals and external expertise to identify how best to deliver those outcomes. Moreover, the most effective delivery model need not always be the Council itself. For example, the Council runs five Health & Leisure Centres and has invested in these to offer an impressive level of facilities, which are valued by those that use them. However, this approach should be subject to an options appraisal to see if the current delivery model is the best way to achieve the desired health and wellbeing outcomes across the wider community. Such a review may help to ameliorate pressures on the revenue budget while continuing to deliver the desired outcomes on behalf of the Council.

The Council's use of financial resources should be more clearly linked to its strategic priorities, through both the Corporate Plan and in the Medium Term Financial Strategy (MTFS). The MTFS should show how the strategy flows from corporate priorities. At present it has too narrow a focus, as it concentrates principally on how to address the projected budget gap. A more strategic approach to financial planning could be beneficial, with more use of scenario planning and risk assessment. The pattern of regular underspends may indicate that resources have not been as effectively aligned to priorities as they could have been. Similarly, actions to deliver the required savings should be made more explicit where possible. In line with our earlier observations regarding the Council's approach to strategic planning, its business planning processes should be more robust and compliant with recommended practice in some areas. For example, we would expect it to have a 30 year business plan for the HRA, not least because this is such a significant area of activity and investment for the Council.

The Council's section 151 officer (formally responsible for giving financial advice to the Council), although reporting to a member of EMT, is not formally part of EMT but he does attend its meetings *ex officio.* Although we understand that the postholder has regular access to both the Chief Executive and portfolio holder for Finance, the Council needs to continue to satisfy itself that the post has sufficient status to discharge the statutory duties effectively.

We understand that the Council's financial regulations have not been reviewed for several years. Levels of delegation to service managers appear unrealistically low. The Council may wish to review this, as part of a wider consideration of levels of decision making, to promote more flexible and effective working.

4.5 Capacity to deliver

The Council has a committed workforce who are happy to work for it and take pride in New Forest. They are clearly prepared to 'go the extra mile' and members recognise and value this.

There are a number of good and innovative projects which the Council has implemented, sometimes in the face of some initial opposition from sections of the community. These include the scheme at Milford on Sea to reinstate the sea defences, incorporating beach huts, in a particularly innovative and impressive

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design. Both had been damaged during severe weather a couple of years ago – the immediate emergency response to this incident being an example of staff commitment to serving the community. (The Council's experience of coastal management means that it is the lead authority for regional coastal monitoring).

The Council engages well with service users and residents. A particularly good example is the Tenant Involvement Volunteers, who provide a link between the authority and its council house tenants. They undertake surveys of resident's opinions, offer help and advice to new tenants and have commented on and influenced the development of the Council's policies and practices in respect of housing management, including improved signage; a customer charter and the voids policy and the use of items of furniture etc. left by previous tenants. It is felt the Council is much more responsive to tenant concerns than a few years ago.

The Council works well with local partners such as Town and Parish Councils. Their relationships with the District Council are generally regarded as good and there are a number of service delivery partnerships, such as the recently refurbished Ringwood Gateway. This provides a one-stop shop to access services of the Town, District and County Councils and shared office space, including a drop-in centre with workstations for use by both New Forest and Hampshire's staff.

The Council delivers services that are tailored to the local context and valued by residents. Satisfaction with services as measured by surveys of users of leisure services and housing etc. is high. It endeavours to provide services which respond to residents' expectations and local circumstances. For example, refuse collection is by black sacks as wheelie bins are not practical in many parts of the district, where gravel drives with cattle grids are commonplace. But an unintended consequence of this is that recycling rates are low compared to the national average. Text messages are used to encourage residents to place out their glass recycling. In a situation where there will be continuing reductions in revenue budgets, we believe that the Council needs to review service provision and challenge what is actually needed, to ensure it is proportionate and affordable.

This should also include consideration of the most effective service delivery models, including more use of partnership approaches with partners from both public and private sectors. Partnership working and shared service arrangements have been relatively limited to date, mainly with the National Park, parish councils and Hampshire County Council. There now appears to be a greater willingness to consider such opportunities, which may not only realise financial savings but also offer greater resilience and opportunities to access learning and good practice from elsewhere. More generally, there is need for the Council (both members and officers) to be more open to new ways of working, good practice and fresh thinking from elsewhere. The perceived 'specialness' of New Forest should not be barrier to learning and doing things better.

We have noted the Council's strong financial position in terms of its capacity to invest. It now needs to take advantage of this. The ICT infrastructure is a source of frustration, leading to a continuing reliance on manual systems in some areas. The payroll system was cited as requiring improvement. Significant investment is

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required to unlock efficiencies, create capacity and provide solid business information to support decision making and the development of evidence-based strategies. This investment will consist both in management time analysing and developing solutions, and cash investment in human and physical resources to enable effective implementation. The website was identified by a number of people as needing a thorough revamp to make it make accessible and useful from a resident / service user perspective.

Better ICT is seen as key to more flexible working, to realise efficiency gains and financial savings and potentially make the Council a more attractive place to work in future. However, ICT is only part of the solution in terms of delivering new ways of working. Investment in ICT needs to be supported by informed and expert analysis of the problems to be addressed and the opportunities that technology offers. Cultural issues need to be addressed too. There is a need to empower staff so that they feel confident that they can exercise discretion and flexibility in delivering results to meet agreed objectives. In terms of flexible / home working, a number of staff continue to value the social aspects of coming to work. The Council will need to ensure that there are arrangements for team meetings and similar to address this and support information sharing across teams and the wider authority.

There are significant levels of experience and skills among the Council's workforce. However, recruitment difficulties are becoming a concern, particularly to service managers, and vacancy rates are relatively high. High housing costs and poor public transport links and the relative isolation of the New Forest area may be a barrier to recruitment. There will also be competition for talent from larger nearby authorities such as Bournemouth and Southampton. So it will be increasingly important to invest in growing and retaining the Council's own talent, including through ensuring New Forest remains a fulfilling and more flexible place to work, where staff are engaged in the future direction of the authority and take satisfaction in providing good services to residents and visitors.

5. Next steps

Immediate next steps

We appreciate you will want to reflect on these findings and suggestions with your senior managerial and political leadership in order to determine how the Council wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Kate Herbert, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). Her contact details are: Tel 07867 632404 or Email kate.herbert@local.gov.uk .

In the meantime, we are keen to continue the relationship we have formed with you and colleagues through the peer challenge. We will endeavour to provide additional

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information and signposting about the issues we have raised in this report to help inform your ongoing consideration.

Follow up visit

The LGA peer challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 12-24 months.

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CABINET – 6 DECEMBER 2017 **PORTFOLIO: COMMUNITY AFFAIRS**

REVIEW OF PARLIAMENTARY CONSTITUENCY BOUNDARIES

1. INTRODUCTION

1.1 The Government in 2015 decided to reduce the number of members of Parliament from 650 to 600. In 2016 the Boundary Commission for England published and consulted on initial proposals for revised Parliamentary Constituency boundaries and, after taking responses into consideration, published further proposals at the beginning of 2017. Revised proposals have now been published by the Commission and comments invited.

1.2 The Cabinet is asked to consider the proposals that affect New Forest District. The existing and proposed boundaries are shown in Appendices 1 and 2.

2. BACKGROUND

2.1 The Boundary Commission will make recommendations for new Parliamentary constituency boundaries in September 2018. The rules under which the Commission must operate require a reduction in the number of constituencies in England from 533 to 501 and require that the electorate in every constituency (apart from the Isle of Wight and two constituencies in Scotland) – falls within 5% of the "electoral quota" of 74,757. This means that every constituency, other than the three mentioned, must have an electorate that is no smaller than 71,031 and no larger than 78,507.

2.2 The Commission has approached its task, initially on a regional, and then a sub-regional basis. On that basis the South East Region of England has been allocated 83 constituencies, a reduction of one from the current 84. Hampshire (including the unitary authorities of Portsmouth and Southampton) has been allocated 17 seats, a reduction of one from the current 18.

2.3 The Boundary Commission's initial proposals, published at the beginning of 2017, were:

New Forest West:
Current composition with the inclusion of the Boldre and Sway District ward, resulting in an electorate of 71,289.

New Forest East:
Current composition, without Boldre & Sway, and including the Test Valley Borough wards of Blackwater and Dun Valley, resulting in an electorate of 72,750.

2.4 The District Council did not object to the initial proposals, recognising that the status quo across New Forest District could not be maintained.

3. CURRENT PROPOSALS

3.1 There were, however, representations opposing the proposals for New Forest East. Views were expressed that residents of the Dun Valley area (proposed for inclusion in New Forest East) had strong ties to Romsey, Andover, Salisbury or Winchester, rather than New Forest communities. While acknowledging that this is a finely balanced matter, the Commission has been persuaded by these arguments and now proposes that the New Forest East Constituency takes in the Chilworth, Nursling and Rownhams Ward of Test Valley Borough Council, rather than Blackwater and Dun Valley. The revised proposals are shown in Appendix 2.

3.2 In making its recommendation, the Commission has recognised that residents of Chilworth, Nursling and Rownhams might feel limited affinity with the rural areas of the New Forest East Constituency, but might have more similarities with the built-up area in and around Totton, which is in New Forest East constituency.

4. DISTRICT COUNCIL'S VIEWS

4.1 The Cabinet is asked to consider the revised proposals for the New Forest East and West Constituencies and decide whether to make representations for schemes other than those now proposed by the Boundary Commission.

4.2 In doing so, the Cabinet will be aware, as it has been during all stages of the Parliamentary boundary review, that retaining two self-contained constituencies for New Forest District is not an option under the revised electoral equality calculations that apply. The current New Forest East Constituency, while containing a large rural, sparsely populated, areas on its west and north sides, also includes the more urban areas of Totton and the Waterside. It therefore does not appear unreasonable to include a further, small, "urban" area in the constituency.

4.3 In all the circumstances, it is suggested that no objection be raised to the Boundary Commission's revised proposals.

5. FINANCIAL IMPLICATIONS

5.1 There will be additional costs of administering Parliamentary elections because of the proposed cross-boundary arrangements (with part of New Forest overlapping with Test Valley), but these costs would be met by the Government as part of the administration of the elections.

6. ENVIRONMENTAL, CRIME & DISORDER AND EQUALITY & DIVERSITY IMPLICATIONS

6.1 There are none.

7. PORTFOLIO HOLDER'S COMMENTS

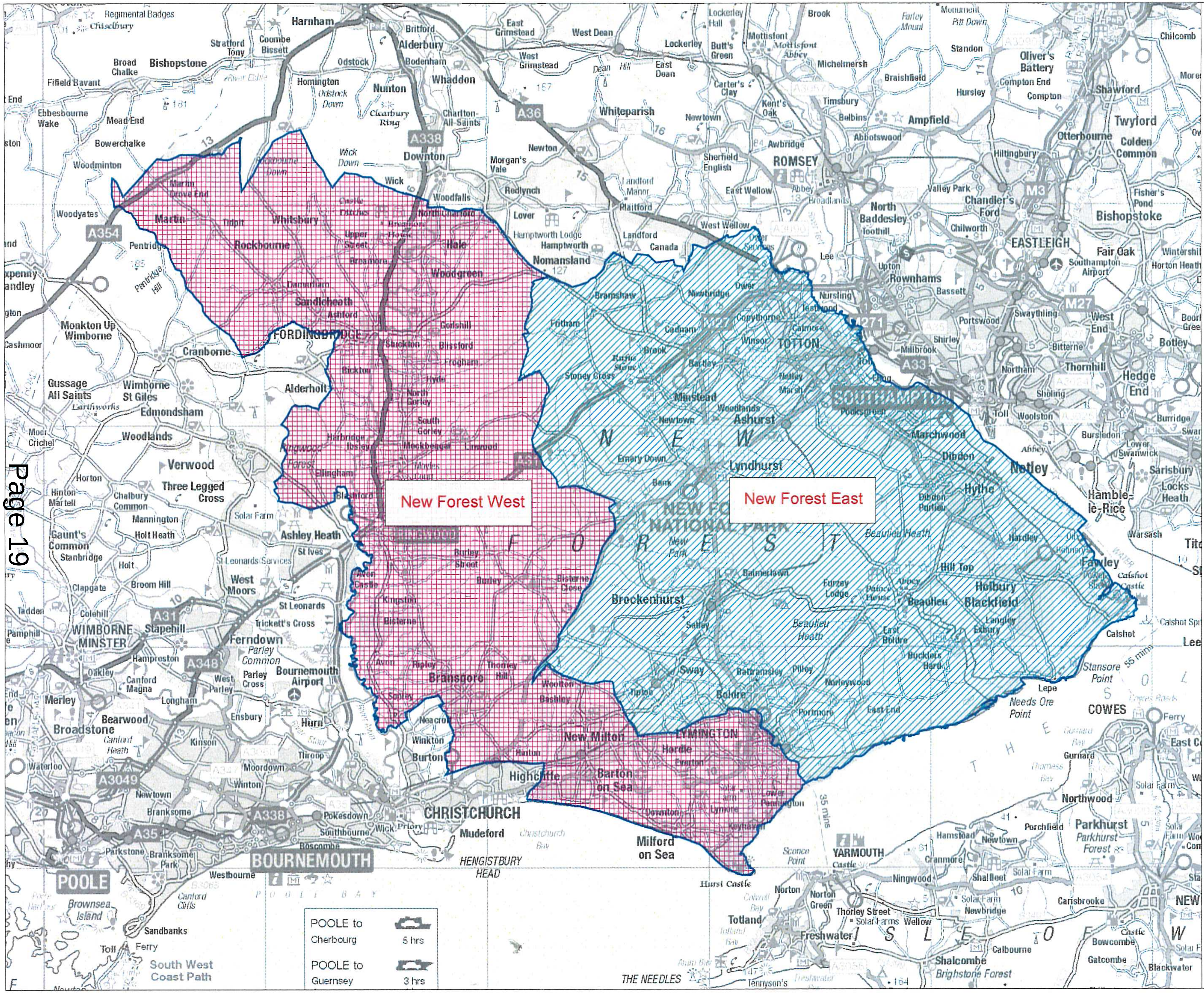
7.1 I am satisfied that a suitable solution has been found to achieve the necessary changes.

8. RECOMMENDATION:

8.1 That, as the current position of two self-contained Parliamentary Constituencies covering New Forest District cannot be maintained under the new rules, no objection be raised to the revised arrangements proposed by the Boundary Commission for the New Forest East and New Forest West Parliamentary Constituencies.

Further information:
Rosemary Rutins
Service Manager, Democratic Services & Member Support
Tel: (023) 8028 5588
e-mail: rosemary.rutins@nfdc.gov.uk

Background Papers:
Published documents



New Forest
DISTRICT COUNCIL

Tel: 023 8028 5000
www.newforest.gov.uk

APPENDIX 1

Existing

Scale 1:165000

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APPENDIX 2

Proposec

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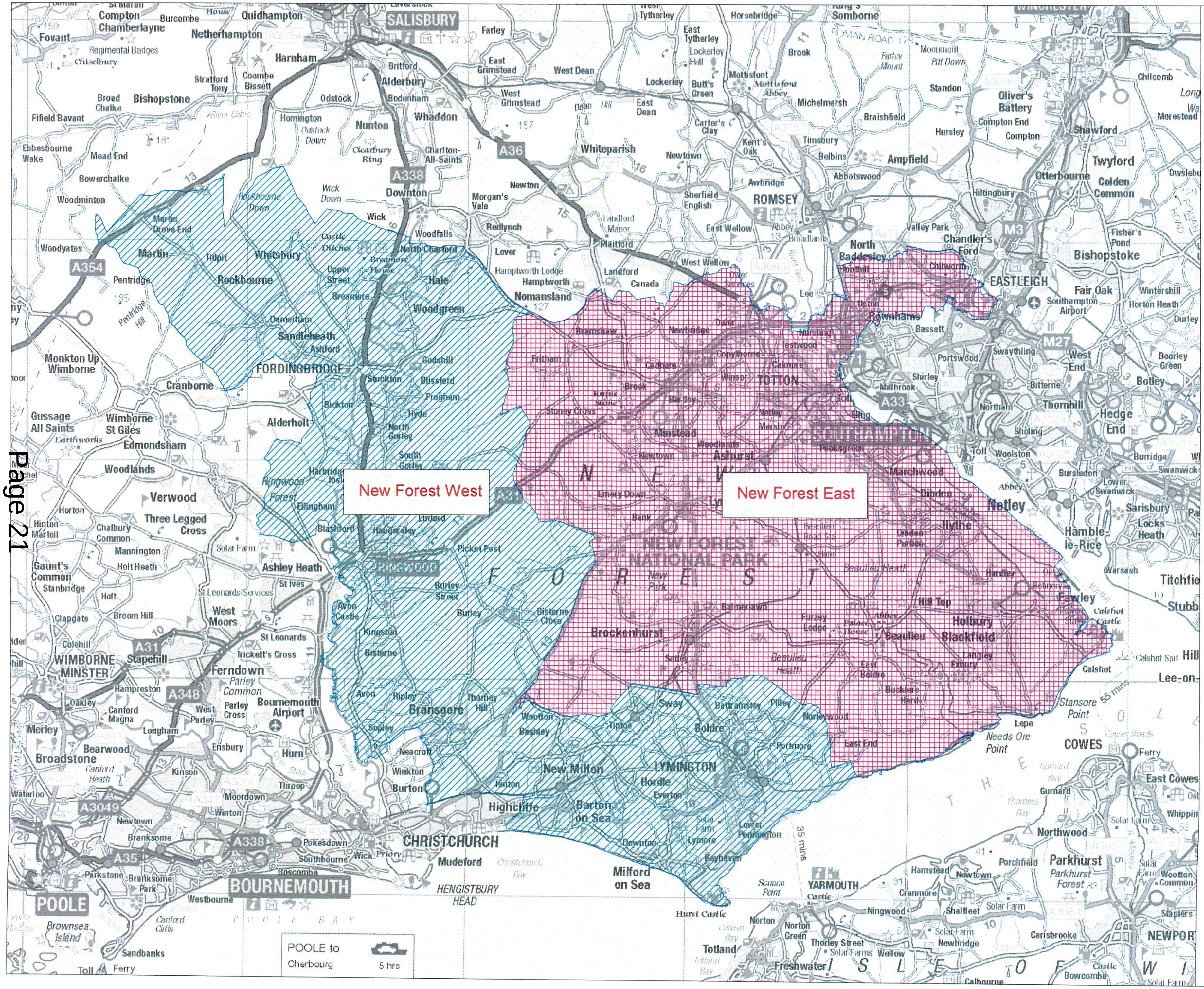

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CABINET – 6 DECEMBER 2017

PORTFOLIO: FINANCE, CORPORATE SERVICES AND IMPROVEMENT

COUNCIL TAX REDUCTION SCHEME 2018/19

1. INTRODUCTION

1.1 Members will recall that the national scheme for Council Tax Benefit (which provided financial help for those on low income) was abolished on 31 March 2013. Instead, local authorities are responsible for setting up their own local Council Tax Reduction Scheme for those of working age on low income. The Government stipulated that there must be no change to the level of help that pensioners already receive.

1.2 The Council Tax Reduction Scheme must be formally made by the Council no later than 31 January 2018, to take effect from 1 April 2018. The Government has constructed rules for a ‘default scheme’ which will have to be operated by any council that does not make a local scheme. This replicates the former rules for council tax benefits. It is contained in schedule 1 of The Council Tax (Default Schemes) (England) Regulations 2012.

1.3 The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.

1.4 Approximately 8,800 claimants are receiving Council Tax Reduction. Of these 2,700 are working age (1,000 are working and 88% have children), 1,500 are vulnerable and 4,600 are of pensionable age.

1.5 The current Council Tax Reduction Scheme costs approximately £8.2 million. This is split between:

Working Age employed	£ 605,000
Working Age other	£1,466,000
Vulnerable	£1,632,000
Pensioner	£4,546,000

The cost is shared between New Forest District Council, Hampshire County Council, Hampshire Police and Hampshire Fire and Rescue.

1.6 When the Council Tax Reduction Scheme was introduced, approximately 90% of the cost was reimbursed by the government within the formula grant process. The balance of the cost was shared by the council and the Precepting bodies as part of the tax base collection. Changes to the amount of Council Tax Reduction awarded now affects the tax base of each organisation and is no longer identified within the overall formula grant allocation.

2. REVIEW PROCESS

2.1 The Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2018.

2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Panel and Cabinet and full Council in December 2017.

3. THE CURRENT LOCAL COUNCIL TAX REDUCTION SCHEME

3.1 The council's Council Tax Reduction Scheme protects the vulnerable. A person is vulnerable if they (or a partner) are in receipt of Disability Living Allowance, Personal Independence Payments or Severe Disablement Allowance.

3.2 The council's Council Tax Reduction Scheme for 2017/18 requires all working age claimants (except the vulnerable) to pay a minimum of 10.0% council tax (8.5% in 2013/14). Previously some of these claimants would have received full council tax benefit and paid no council tax. These changes were agreed by a Task and Finish group, Corporate Overview Panel and Council.

3.3 The council's Council Tax Reduction Scheme also includes:

A. Council tax reductions are capped at band D (so that claimants living in higher banded properties receive any reduction based on band D). This currently affects 88 claimants (102 in 16/17), 65 being in a Band E property (74 in 16/17).

B. The savings limit is now £6,000 (previously £16,000), so that claimants on low income with more than £6,000 in savings are not entitled to any reduction.

C. There is no entitlement to Second Adult Rebate.

D. The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings. 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.

E. The maximum period for backdating a claim is 4 weeks (previously 6 months)

F. To remove the family premium for new claims

G. To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of 2 for new claims and entitlements (some exemptions apply).

H. To use the gross Universal Credit payment as income in the calculation of Council Tax Reduction

4. MATTERS TO BE CONSIDERED BY TASK & FINISH GROUP

4.1 Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in recovery notices and working with those affected. In 2017/18 council tax bills increased, meaning council tax payers having to pay more. This is likely to continue in the forthcoming years, with predicted increases of roughly 3% to 4%. It is not anticipated that wages will increase at the same rate, which affects roughly one-third of working age claimants.

The collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, has increased slightly from 80.11% to 81.42%. See Appendix 2 for collection figures.

4.2 Many of the claimants have also been affected by other welfare reform changes, including the spare room subsidy, the benefit cap, which was further reduced from 7 November 2016, as well as an increase in the cost of living. Many working age state benefits are being frozen for the next 3 years, including the Local Housing Allowance despite rents increasing, and there are further welfare reforms to come, including the continued roll-out of Universal Credit.

5. DISCUSSION ON COUNCIL TAX REDUCITON SCHEME FOR 2018/19

5.1 The group considered the options below:

A. To maintain the current scheme with no changes

B. To increase or decrease the minimum contribution of 10%

C. To disregard in full Bereavement Support Payment in the calculation of Council Tax Reduction

D. To reduce temporary absence from 13 weeks to 4 and remain entitled to Council Tax Reduction (exemptions will apply)

E. To remove the Housing Element of Universal Credit within the calculation of Council Tax Reduction

5.2 Option A would not affect current claimants in that their support would not reduce and it's administratively simple.

However, a declining caseload means fewer claimants are in receipt of a Council Tax Reduction. See Appendix 1.

5.3 Option B will save differing amounts depending on the minimum contribution. See Appendix 3. Officers consider there is a "tipping point" where an increase in minimum contributions will result in less council tax being paid. Officers do not know where this tipping point is. Nationally, councils with larger minimum contributions have seen increase in arrears.

5.4 Option C is to reflect welfare changes and mirror changes being introduced in Housing Benefit. Bereavement Support Payment replaces Bereavement Payment, Bereavement Allowance and Widows Parents Allowance, which were all previously disregarded in full as income. This benefit is support those who have suffered from bereavement. It is simple and will help with administration of the scheme.

5.5 Option D is to mirror Housing Benefit, Universal Credit and pensioner claims for Council Tax Reduction. There are exemptions to this rule, including:

- Absences in connection with the death of a close relative
- Members of Her Majesty's forces
- A person who is receiving medically approved care in accommodation other than residential accommodation

- A person, their partner, or dependent child, undergoing medical treatment, medically approved convalescent in accommodation other that residential accommodation
- A person in hospital as a patient
- A person who has left their home through fear of violence

It is simple to administer and will help with the administration of the scheme.

5.6 Option E is remove the Housing Element of Universal Credit to ensure the claimant receives the same level of support as if Universal Credit was not in payment. By including the Housing Element, this inflates the claimant's applicable amount and increases their Council Tax Reduction.

6. CONSULTATION

6.1 The Council has a duty to consult on any changes to the scheme, and if it is proposed that no changes are made. The Council undertook a consultation exercise over a 6 week period, from 7 August 2017 to 17 September 2017. The consultation was advertised on the council's website, Facebook page, Twitter and on correspondence sent to recipients of a Council Tax Reduction. The major preceptors and Citizens Advice were also contacted.

6.2 The council only received 20 responses. Due to the minimal responses it is not possible to draw any real conclusions. However, most responses supported the recommendations.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications of each of the options were discussed.

Option A may incur minimal, or less costs

Option B savings will depend on the amount of the contribution and collection rates.

Option C cost will be minimal

Option D savings will be minimal, if any

Option E savings will be made, increasing as Universal Credit rolls-out. Estimate of £15,000pa

Therefore, the overall impact of these changes will be minimal. Savings to New Forest District Council will be even smaller as the council retains approximately 11% of the total council tax collected.

8. PORTFOLIO HOLDER COMMENTS

8.1 I am pleased to support what are essentially technical adjustments to keep our scheme in line with Government thinking and fair to our residents.

9. CORPORATE OVERVIEW AND SCRUTINY PANEL'S COMMENTS

9.1 The Panel support the Scheme as recommended.

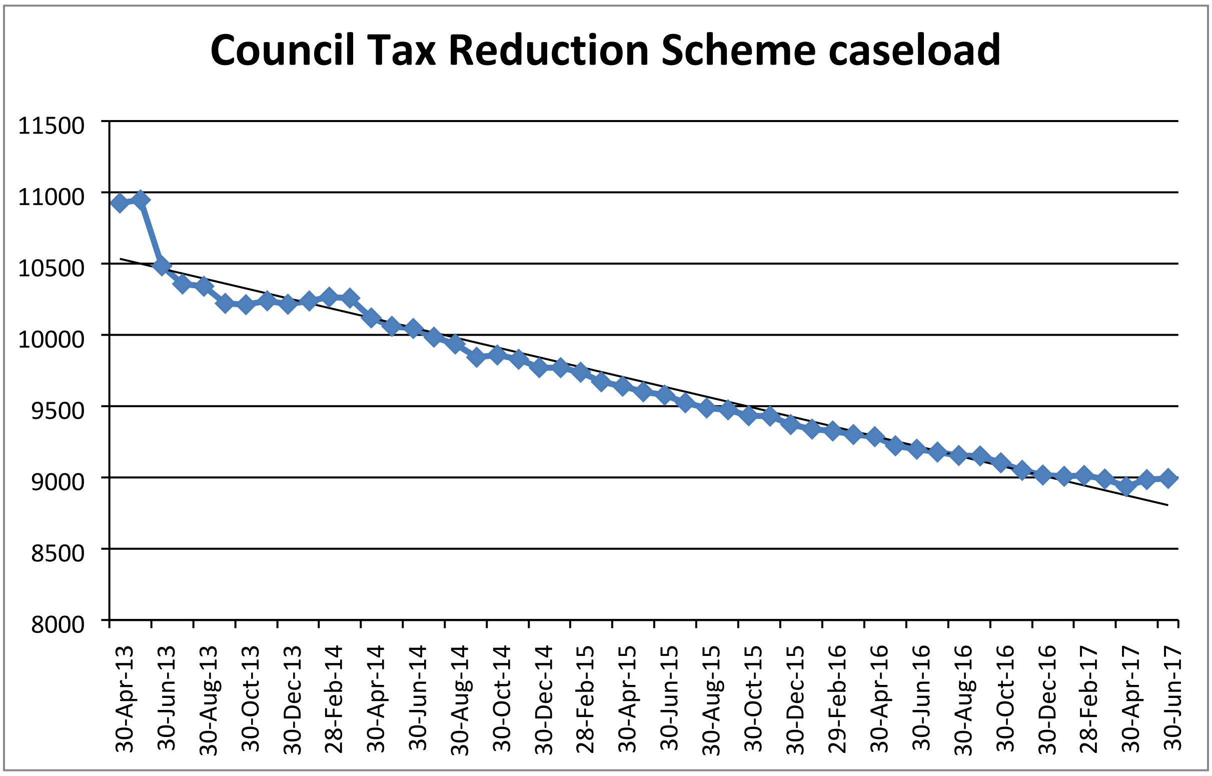
10 RECOMMENDED:

10.1 That the minimum contribution remain at 10% and that options, C, D and E, set out in paragraph 5.1 above, are all adopted.

Further Information: **Lead Officer:** Ryan Stevens Service Manager – Housing and Community Tel: 023 8028 5588 E-mail: ryan.stevens@nfdc.gov.uk **Members of Task & Finish Group:** Cllrs Michael Harris, Mark Steele, Dan Poole and Alan Penson **Portfolio Holder:** Cllr Jeremy Heron	**Background Information:** Minutes of Task & Finish Group Caseload graph Collection statistics Impact on changing the minimum contribution Impact of Housing element in Universal Credit in calculation Recovery notices comparison National statistics and Hampshire minimum contribution

APPENDIX 1

COUNCIL TAX REDUCTION SCHEME CASELOAD



APPENDIX 2

Collection statistics

POSITION STATEMENT AS AT 31.3.17

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	**£ 108,557,130.06**	**£ 107,368,450.00**	**£ 1,188,679.00**	**98.91%**
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 615,602.03	£ 521,129.00	£ 94,472.00	**84.65%**
WORKING AGE OTHER	£ 420,582.91	£ 322,499.00	£ 98,083.00	**76.68%**
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	**£ 1,036,184.94**	**£ 843,628.00**	**£ 192,556.00**	**81.42%**
PENSION AGE	£ 844,469.61	£ 832,922.00	£ 11,547.00	**98.63%**
VULNERABLE	£ 113,179.55	£ 91,452.00	£ 21,727.00	**80.80%**
PROTECTED ENTITLEMENT (PENSION AGE AND VULNERABLE) - NO MAXIMUM CAP	**£ 957,649.16**	**£ 924,374.00**	**£ 33,274.00**	**96.53%**
SUMMARY				
ALL REDUCTION SCHEME CASES	**£ 1,993,834.10**	**£ 1,768,003.76**	**£ 225,830.24**	**88.67%**
ALL NON-REDUCTION SCHEME CASES	**£ 106,563,295.96**	**£ 105,600,446.54**	**£ 962,849.42**	**99.10%**

POSITION STATEMENT AS AT 31.3.16

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	**£ 104,110,152.26**	**£ 102,853,822.56**	**£ 1,256,329.70**	**98.79%**
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 626,627.23	£ 518,136.94	£ 108,490.29	82.69%
WORKING AGE OTHER	£ 410,860.15	£ 312,983.91	£ 97,876.24	76.18%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	**£ 1,037,487.38**	**£ 831,120.85**	**£ 206,366.53**	**80.11%**
PROTECTED ENTITLEMENT (VULNERABLE PERSONS AND PERSONS OF PENSION AGE)	**£ 1,013,177.62**	**£ 989,443.09**	**£ 23,734.53**	**97.65%**
SUMMARY				
ALL REDUCTION SCHEME CASES	**£ 2,050,665.00**	**£ 1,820,563.94**	**£ 230,101.06**	**88.78%**
ALL NON-REDUCTION SCHEME CASES	**£ 102,059,487.26**	**£ 101,033,258.62**	**£ 1,026.228.64**	**98.99%**

POSITION STATEMENT AS AT 31/03/15				
	Net Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	**£ 102,960,861.09**	**£ 101,823,540.83**	**£ 1,137,320.26**	**98.90%**
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 620,793.18	£ 528,097.33	£ 92,695.85	85.07%
WORKING AGE OTHER	£ 432,371.08	£ 342,891.08	£ 89,480.00	79.30%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	**£ 1,053,164.26**	**£ 870,988.41**	**£ 182,175.85**	**82.70%**
PROTECTED ENTITLEMENT (VULNERABLE PERSONS AND PERSONS OF PENSION AGE)	**£ 1,087,349.78**	**£ 1,048,508.52**	**£ 38,841.26**	**96.43%**
SUMMARY				
ALL REDUCTION SCHEME CASES	**£ 2,140,514.04**	**£ 1,919,496.93**	**£ 221,017.11**	**89.67%**
ALL NON-REDUCTION SCHEME CASES	**£ 100,820,347.05**	**£ 99,904,043.90**	**£ 916,303.15**	**99.09%**

APPENDIX 3

Increasing the minimum contribution

Example 1

Lone parent, working part-time and getting Tax credits. Weekly income is £255.20 and the council tax bill is £1,038.47 (Band C and after SPD).

Amount to pay each month:

Minimum contribution	10%	12.5%	15%	20%
To pay per month	£45.13	£47.26	£49.48	£53.78
Increase from 17/18 pm		+£2.13	+£4.35	+£8.65
Annual increase		4.7%	9.6%	19%

Example 2

Single claimant getting Jobseekers Allowance of £73.10pw.

Amount to pay each month:

Minimum contribution	10%	12.5%	15%	20%
To pay per month	£8.65	£9.95	£12.98	£17.31
Increase from 17/18 pm		+£1.30	+£4.33	+£8.66
Annual increase		15%	50%	100%

Potential maximum additional income:

Minimum contribution	10%	12.5%	15%	20%
Savings p.a.	£0.00	£74,000	£148,000	£296,000

NFDC share is 11% of the above amounts.

APPENDIX 4

Example 1

Current Council Tax Reduction scheme

Mr Smith, working 30 hours per week, earning £824.18 per month.
Nil entitlement to Council Tax Reduction

Migrate to Universal Credit and including the housing element (HB no longer awarded)

Mr Smith claiming Universal Credit, working 30 hours per week, earning £824.18 per month.
£9.80 per week entitlement to Council Tax Reduction

Example 2

Current Council Tax Reduction scheme

Mrs Jones, working 20 hours a week earning £850.41 per month and not getting UC and has been getting CTR for 5 years.
Nil entitlement to Council Tax Reduction

Claiming Universal Credit and including the housing element

Mrs Brown, claims UC for the first time, working 20 hours a week earning £850.41 per month.
£7.10 per week entitlement to Council Tax Reduction

Only a small number of claimants are currently getting Universal Credit, this will rapidly accelerate next year when Universal Credit is fully rolled-out from May 2018 across the district and further when current Housing Benefit claims migrate to UC. Continuing to include the housing element of Universal Credit inflates the claimants applicable amount and increases their Council Tax Reduction.

Removing the housing element of Universal Credit will ensure the claimant receives the same level of support as if Universal Credit was not in payment.

APPENDIX 5

2013/14	CTR	Non-CTR
Reminder	6,805	12,729
Summons	1,289	3,572

2014/15	CTR	Non-CTR
Reminder	6,871	12,727
Summons	1,344	3,828

2015/16	CTR	Non-CTR
Reminder	5,607	13,117
Summons	1,103	3,477

2016/17	CTR	Non-CTR
Reminder	5,485	13,250
Summons	1,082	3,321

Since 2014/15, when the minimum contribution increased to 10%, Reminder notices and Summons have reduced.

APPENDIX 6

National picture - 2017/18 council tax reduction schemes
Of 326 councils:

- 264 have minimum payment. 45 less than 10%, 60 between 10% and 20%, 140 between 20% and 30% and 19 over 30%.
- 214 have removed Second Adult Rebate
- 98 have a savings cap – most common is £6,000
- 100 have a band cap – the most common is a Band D cap
- As the minimum contribution increases collection rates decrease

Minimum contributions in Hampshire and neighbouring councils

	17/18
Basingstoke	0
East Hants	0
Eastleigh	0
Fareham	20
Gosport	30
Hart	0
Havant	8.5
Isle Of Wight	20
New Forest	10
Portsmouth	20
Rushmoor	10
Southampton	25
Test Valley	0
Winchester	0

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CABINET – 6 DECEMBER 2017

PORTFOLIO: FINANCE CORPORATE SERVICES AND IMPROVEMENT

COUNCIL TAX SUPPORT SCHEME PROSECUTIONS AND PENALTIES POLICY

1. INTRODUCTION

1.1 Members will recall that local authorities are responsible for administering their own local Council Tax Reduction Scheme for those on low income to assist with paying their council tax bill.

2. BACKGROUND

2.1 There are approximately 8,800 claimants receiving Council Tax Reduction and the scheme costs approximately £8.2 million.

2.2 The council has a duty to prevent and detect fraudulent claims as part of its commitment to protecting public funds.

2.3 Each year a Task and Finish Group meet to consider the Council Tax Support scheme and make recommendations. As part of these discussions the Task and Finish Group discussed the attached policy and recommend it is adopted.

2.4 The Council has recently agreed to work in partnership with the Department for Work and Pensions to detect fraud, including Council Tax Support.

3. DELEGATIONS

3.1 It is proposed that the Council's Prosecution and Penalties Policy is administered by the Benefits Manager, in conjunction with the Corporate Fraud and Compliance Officer.

4. FINANCIAL IMPLICATIONS

4.1 The number of Administrative Penalties is expected to be small, therefore so will any income. Detecting fraud and ensuring the correct amount of Council Tax Support is awarded will affect the tax base and reduce the cost of the scheme.

5. PORTFOLIO HOLDER COMMENTS

5.1 I fully support the recommendation to ensure we only award a Council Tax Reduction to those who are entitled to it and that we protect the public purse.

6. RECOMMENDED

6.1 That the Cabinet approve the attached policy.

6.2 That the Benefits Manager and Corporate Fraud and Compliance Officer are given delegated authority to make decisions on the above policy.

For further information contact:

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Background Papers:

Council Tax Support Scheme Prosecutions and Penalties Policy - Attached

New Forest District Council

Council Tax Support Scheme Prosecutions and Penalties Policy

1. Introduction

New Forest District Council ("The Council") is responsible for the Council Tax Support Scheme and therefore, has a duty to prevent and detect fraudulent claims as part of its commitment to protecting public funds.

This document has regard to the following legislation:

- The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

There are two main offences under this legislation:

- False representation and
- Failure to notify a change of circumstances

<u>False Representation</u>

Regulation 7 creates an offence where a person makes a statement or representation which he or she knows to be false for the purpose of obtaining a reduction under a Council Tax Reduction Scheme.

It is also an offence for a person to provide or knowingly cause or allow to be provided a document or information which that person knows to be false in a material particular.

<u>Failure to notify a change in circumstances</u>

Regulation 8 creates an offence where there has been a change of circumstances which a person knows affects their entitlement to a reduction, and the person fails to give notice of the change as required by the authority's scheme.

Regulation 11 of the Council Tax Reduction schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, enables an authority to invite a person to agree to pay a penalty as an alternative to prosecution for an offence relating to the award of a reduction under a Council Tax Reduction Scheme which a person was not entitled to, or an offence relating to an act or omission which could have resulted in such an award.

Regulations 12 and 13 of the Council Tax Reduction schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, enable a billing authority to impose a penalty of £70 on a person in circumstances such as where a person negligently:

- Makes an incorrect statement in connection with an application for a reduction under a council tax reduction scheme or
- Where a person fails to notify a change of circumstances when required to do so under a scheme.

Investigation for suspected fraud

If the council suspects a person of giving them wrong or misleading information, they may be investigated to establish if any fraud offences have occurred. The council could ask them to attend an interview known as an Interview under caution if we suspect an offence may have occurred. The council will give at least 5 days' notice for the interview and the person affected may bring someone to accompany them which could include a legal representative. The Council will decide who can attend the interview.

Following the Interview under caution a decision will be made as to the next steps these could include prosecution, an Administration Penalty or a £70 penalty as detailed below. Each case will be looked at on an individual basis.

Legal proceedings can start at any time within the period of twelve months from the commission of the offence.

2. Council Tax Reduction (CTR) – Penalties and Prosecution

All sanction decisions will be consistent, balanced and fair and relate to the degree and nature of the offence. The Council will decide the degree or type of sanction to be used in each individual case. In coming to any decision many factors will be taken into account including the seriousness of the offence, the value of the overpayment, the length of the fraud, the vulnerability of the claimant, and the health and age of the claimant.

2a. Prosecution

Prosecution is the ultimate sanction available to the Council and will be considered. The matter will be referred to Legal Services to consider whether prosecution is in the public interest, whether the claimant is fit to be prosecuted and whether the evidence has passed the evidential sufficiency test i.e. the Council must be satisfied that there is sufficient evidence to provide a 'realistic prospect of conviction' against every defendant on every charge and has been obtained in an appropriate manner.

2b. Administrative Penalties

If Legal Services are satisfied that an offence has occurred we may ask the person to pay a penalty instead of prosecuting them. If the penalty is paid, they will not be prosecuted for that offence. Any penalty paid will be in addition to repaying any Council Tax Reduction they were not entitled to.

The penalty will be 50% of the Council Tax Reduction awarded which the claimant was not entitled to, with a minimum payment of £100 and a maximum payment of £1,000. If a person did not actually get any Council Tax Reduction, for example the person made a false claim, the penalty will be £100.

An Administrative Penalty is appropriate when:

- The Department for Work and Pensions have administered an Administrative Penalty for Housing Benefit which the claimant has accepted.
- The case is suitable for prosecution and satisfies the council's prosecution procedures:
- The case is not so serious that the first option should be prosecution;
- The excess payment of Council Tax Reduction that the person was not entitled to is less than £3,000.00
- The customer has not received a sanction for a Council Tax reduction offence in previous 5 years (the scheme started in April 2013)

There is no requirement for the person to admit the offence before an Administrative Penalty can be offered.

An Administrative Penalty is not appropriate when:

- The person has been convicted of Council Tax Reduction fraud in past 5 years (the scheme started in April 13)
- The person has accepted an Administrative Penalty in the previous 5 years
- the fraud continued over a long period;
- the fraud was calculated and deliberate, for example the person planned it from the outset by making a false statement on a new or repeat claim form. In these cases, the full circumstances of the case will be considered to enable a balanced judgement to be made to decide whether an Administrative Penalty or prosecution of the person is appropriate.

A person will be requested to attend an interview (except where the council may decide against this where the claimant has accepted an Administrative Penalty for Housing Benefit) if the Council believe an offence may have occurred. The interview will be conducted by an authorised officer from the council.

If a person declines to accept the Administrative Penalty, the case will be submitted for prosecution. The court will be informed that the person refused to accept an Administrative Penalty.

If the person accepts an Administrative Penalty the council will notify the person in writing. The person has 14 days, known as the *cooling off period,* to decline the Administrative Penalty. Where a person withdraws their agreement, which must be received in writing, the case will be submitted for prosecution. If after 14 days, the person has made no contact with the council, the Administrative Penalty will be deemed as accepted.

2c. Paying the Administrative Penalty

An invoice will be issued for the recovery of the Administrative Penalty and a payment plan can be arranged for the payment of the invoice. When agreeing the payment plan the council will consider affordability. Where the penalty is not paid, the Income Recovery Team will recover the debt by any means available to them.

If, after imposing an Administrative Penalty, the council revises the amount of Council Tax Reduction that the person is not entitled to, the council will revise the Administrative Penalty. Where the amount is lower, the person will be repaid any excess sums paid. Where the Administrative Penalty is to be paid in instalments, this should ensure that full payment is to be paid no later than one month before the end of the period to issue a prosecution, so that consideration should be given to whether a prosecution should be issued if the payments are not made.

3. Giving false information to get Council Tax Reduction

The council may prosecute a person if they give wrong information when they apply for Council Tax Reduction.

The council may prosecute if the person claiming deliberately gave wrong information when they applied for Council Tax Reduction. The council might also prosecute a person if they encouraged a claimant to give wrong information on their behalf. For example, a partner, member of the household or someone who assisted in completing a document might be prosecuted if they told the council that they were not working or had no savings when they knew this to be false.

4. Failure to notify a change in your circumstances

If someone is already getting Council Tax Reduction, they might be prosecuted if they do not notify the council about any change in their circumstances which they know affects their entitlement to Council Tax Reduction or the amount they receive. For example, the person should notify the council if they start a job or if a partner comes to live with them. They need to do this promptly. This means notifying the council within 21 days of the date of change, or as soon as possible if unable to notify within 21 days.

A person can also be prosecuted if they deliberately encourage or allow someone else not to notify changes affecting their Council Tax Reduction entitlement.

5. Paying a penalty for giving wrong information or for not notifying the council about a change in circumstances

The council will not always prosecute when a person gives wrong information or fails to notify a change in circumstances. Instead, they may ask the customer to pay a £70.00 penalty. The council may ask a person to do this if they negligently make an incorrect statement in connection with an application or because a person did not notify the Council about a change in their circumstances which they should have known would affect their Council Tax Reduction award.

The council will not ask for the £70.00 penalty to be paid if a person is being prosecuted or if they are being asked to pay an Administrative Penalty as an alternative to being prosecuted.

A person may not have to pay a penalty if they have taken reasonable steps to correct their mistake. Taking reasonable steps might include contacting the council as soon as they realise they had made a mistake.

The £70.00 penalty is in addition to repaying any Council Tax Reduction the customer should not have received.

There is no appeal right of appeal against the penalty. However, if a person successfully appeals a decision about their Council Tax Reduction, which reduces the overpayment to zero, the council may withdraw the penalty.

An invoice will be issued for the recovery of the Penalty and a payment plan can be arranged for the payment of the invoice. Where the penalty is not paid, the Income Recovery Team will recover the debt by any means available to them.

6. Communicating the policy

The council will publish this policy on the website and refer to it on decision notices to all recipients of a Council Tax Reduction and on application forms.

7. Performance Monitoring

The council will monitor:

- the number and type of penalty
- the number of appeals and the outcome

The council will use this information to review procedures and policy where appropriate.

8. Policy Review

The council will review this policy every three years or earlier if there is new legislation.

CABINET – 6 December 2017
COUNCIL – 11 December 2017

THE COUNCIL TAX 2018/19
SETTING THE TAX BASE

1. INTRODUCTION AND BACKGROUND

1.1 The purpose of this report is to enable Members to approve the tax base for 2018/19.

1.2 This tax base is an important step towards setting the basic amount of Council Tax. The other key steps are determining the surplus/deficit on the Collection Fund for the previous year and setting the actual budget requirements.

1.3 Members may recall that each dwelling falls into one of eight valuation bands (A to H) for tax purposes. Different proportions of tax are payable by each band.

1.4 The tax base is, in essence, the estimated number of dwellings in the District, modified to take account of the different proportions payable, discounts and other reductions.

1.5 The calculation of the tax base for tax setting also includes an allowance for non-collection.

1.6 Separate tax bases have to be made for each Parish.

1.7 The taxbase 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. THE CALCULATION PROCESS

2.1 Detailed calculations are required to set the tax base for tax setting purposes.

2.2 Firstly, if appropriate, it is necessary to adjust the number of dwellings in each valuation band to cater for:

2.2.1 The number of properties estimated as active exempt

2.2.2 The number of demolished dwellings due to be removed

2.2.3 The reduction and addition to the number of dwellings in the band due to disabled relief. From 1 April 2000 the Government extended disabled relief to dwellings in Band A. Such dwellings (shown as Disabled A) pay 5/9th of the Band D charge instead of 6/9$^{th)}$.

2.3 The above process produces the number of chargeable dwellings. Further adjustments then have to be made to cater for:

2.3.1 The estimated number of dwellings where a 25% discount will apply (i.e. due to single person discount and a discount disregard).

2.3.2 The estimated number of dwellings where a 30% discount will apply to holiday chalets where occupation is restricted by a planning condition.

2.3.3 The estimated number of dwellings where a 50% discount will apply due to structural repairs work being undertaken for first 12 months, or two adults disregarded e.g. living away to receive or provide care etc.

2.3.4 The estimated number of dwellings where a 100% discretionary discount will apply for one month only, due to unoccupied and unfurnished ('void') properties.

2.3.5 The estimated number of dwellings where 100% discretionary discount will apply for one month only to unoccupied and substantially unfurnished dwellings.

2.4 The number of total discounts is multiplied by an appropriate percentage to arrive at the discount deduction. The resultant net number of dwellings is multiplied by the relevant proportions to band D. The relevant proportions are shown in Appendix 1. This process produces the number of band D equivalents.

2.5 The value of council tax reductions (CTR) awarded to pensioners and those of working age are aggregated to arrive at the total council tax reduction. These values are converted into the taxbase and band D equivalents. The value of the reductions awarded takes account of the Council's localised Council Tax Reduction Scheme. Although some minor changes may be made to the Local Scheme for 2018/19, these are not material for the tax base.

2.6 The next step of the calculation is to assess the likely collection rate and thereby make an appropriate allowance for non-collection. Contributions in lieu for Ministry of Defence dwellings are then added. The whole calculation process is shown in Appendix 2.

2.7 The figures used in the calculation process are predominantly based on latest actuals. Appendix 3 shows 2018/19 tax bases compared to 2017/18.

2.8 Although there may be some growth in the tax base in the forthcoming year, it is advisable to take a prudent approach for a number of reasons. For example, if dwellings are improved and extended, bandings only normally change after a subsequent sale or the granting of a lease of 7 years or more.

3. ENVIRONMENTAL AND CRIME AND DISORDER IMPLICATIONS

3.1 None arising directly from this report.

4. CONCLUSION

4.1 The Council in December 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.

4.2 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.

4.3 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.

4.4 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.

5. RECOMMENDED

That it be a recommendation to the Council that:

5.1 The calculation of the Council's tax base for the year 2018/19 be approved.

5.2 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 2018/19 be as follows and as detailed in Appendix 1.

PARISH/TOWN	TAX BASE 18/19
Ashurst & Colbury	926.8
Beaulieu	511.8
Boldre	1066.1
Bramshaw	346.5
Bransgore	1814.5
Breamore	179.2
Brockenhurst	1861
Burley	791.3
Copythorne	1209.3
Damerham	234.9
Denny Lodge	154.8
East Boldre	381.1
Elingham, Harbridge & Ibsley	606.7
Exbury & Lepe	116.1
Fawley	4548.9
Fordingbridge	2279
Godshill	224.7
Hale	261.4
Hordle	2393.6
Hyde	518
Hythe & Dibden	7390

Lymington & Pennington	7177.4
Lyndhurst	1442.5
Marchwood	2061.2
Martin	197.4
Milford on Sea	2783.3
Minstead	370.3
Netley Marsh	815.6
New Milton	10457.9
Ringwood	5257.3
Rockbourne	164.4
Sandleheath	278.9
Sopley	370.5
Sway	1700.8
Totton & Eling	9373.4
Whitsbury	103.6
Woodgreen	250.8
Whole District	**70621.0**

Further Information:

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Background papers:

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

Appendix 1

VALUATION BANDS

All dwellings have been valued by the Inland Revenue for the purpose of Council Tax. Valuations are 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 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.

Appendix 2

COUNCIL TAXBASE 2018/19

	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	6975	11975	17868	19258	13381	6886	4509	594	81446
ACTIVE EXEMPTIONS	0	310	203	225	278	168	73	35	7	1299
DEMOLISHED DWELLINGS BAND TO BE REMOVED	0	3	1	2	0	2	1	0	0	9
CHARGEABLE DWELLINGS	**0**	**6662**	**11771**	**17641**	**18980**	**13211**	**6812**	**4474**	**587**	**80138**
NUMBER OF CHARGEABLE DWELLINGS SUBJECT TO DISABLED REDUCTION	0	24	67	127	179	149	75	61	22	704
NUMBER OF DWELLINGS EFFECTIVELY SUBJECT TO CTAX FOR THIS BAND BY VIRTUE OF DISABLED BAND	24	67	127	179	149	75	61	22	0	704
NUMBER OF CHARGEABLE DWELLINGS ADJUSTED FOR DISABLED RELIEF	**24**	**6705**	**11831**	**17693**	**18950**	**13137**	**6798**	**4435**	**565**	**80138**
NUMBER OF DWELLINGS ENTITLED TO 25% DISCOUNT	7	3789	5075	5646	5435	2861	1298	670	73	24854
NUMBER OF DWELLINGS ENTITLED TO 30% DISCOUNT	0	96	0	0	0	0	0	0	0	96
NUMBER OF DWELLINGS ENTITLED TO 50% DISCOUNT	0	111	31	45	62	59	52	56	8	424
NUMBER OF DWELLINGS ENTITLED TO 100% DISCOUNT FOR ONE MONTH	0	83	39	44	26	20	9	6	1	228
TOTAL DISCOUNTS	7	4154.42	5150.26	5750.96	5567.84	2985.8	1405.06	784.04	89.34	25894.72
DISCOUNT DEDUCTION	1.75	1038.605	1287.565	1437.74	1391.96	746.45	351.265	196.01	22.335	6473.68
NET DWELLINGS	**22.25**	**5666.395**	**10543.435**	**16255.26**	**17558.04**	**12390.55**	**6446.735**	**4238.99**	**542.665**	**73664.32**
BAND D EQUIVALENTS	**12.4**	3777.5	8200.6	14449.2	17558.7	15144.1	9312	7065.1	1085.3	76605
CTR PENSIONERS	4305.36	757549.3	1172460.69	1206728.78	890672.66	370572.71	135821.64	21480.58	0	4559591.72
CTR WORKING AGE	5062.36	757239.34	1296434.92	1194004.06	320097.85	104547.34	25328.84	10415.37	3399.74	3716529.82
TOTAL CTR	**9367.72**	**1514788.64**	**2468895.61**	**2400732.84**	**1210770.51**	**475120.05**	**161150.48**	**31895.95**	**3399.74**	**8276121.54**
2017 CHARGE										
REDUCTION IN COUNCIL TAX BASE DUE TO PENSIONERS CTR	4.75211	704.088298	930.55119	842.606334	555.816176	190.67302	59.482553	8.255163	0	3296.22485
REDUCTION IN COUNCIL TAX BASE DUE TO WORKING AGE CTR	5.61002	701.464084	1026.15042	830.754412	200.117281	53.561053	10.924311	3.944505	1.0875	2833.61359
TOTAL REDUCTION IN TAX BASE DUE TO CTR BAND D EQUIVALENTS	**5.75556**	**937.033333**	**1521.89333**	**1487.44**	**755.9**	**298.52778**	**101.73222**	**20.33333**	**2.18**	**5130.77889**
ADJUSTED BAND D EQUIVALENTS	**6.6**	**2840.5**	**6678.7**	**12961.8**	**16802.8**	**14845.6**	**9210.3**	**7044.8**	**1083.1**	**71474.2**
							COLLECTION RATE			**98.50%**
							SUB-TOTAL			**70402.1**
							CONTRIBUTIONS IN LIEU			**218.9**
							TAX BASE			**70621**

Appendix 3

TAX BASES FOR 2018/19 COMPARED TO PREVIOUS YEAR 2017/18

PARISH/TOWN	**TAX BASE 17/18**	**TAX BASE 18/19**
Ashurst & Colbury	922.7	926.8
Beaulieu	511.2	511.8
Boldre	1062.4	1066.1
Bramshaw	344.8	346.5
Bransgore	1816.9	1814.5
Breamore	181.2	179.2
Brockenhurst	1865.8	1861
Burley	780.4	791.3
Copythorne	1211.5	1209.3
Damerham	231.7	234.9
Denny Lodge	152.1	154.8
East Boldre	382.3	381.1
Elingham, Harbridge & Ibsley	605.7	606.7
Exbury & Lepe	112.9	116.1
Fawley	4534.6	4548.9
Fordingbridge	2251.5	2279
Godshill	224.7	224.7
Hale	260.6	261.4
Hordle	2395	2393.6
Hyde	522.8	518
Hythe & Dibden	7360.1	7390
Lymington & Pennington	7045.5	7177.4
Lyndhurst	1444.4	1442.5
Marchwood	2056	2061.2
Martin	197.6	197.4
Milford on Sea	2787.8	2783.3
Minstead	366.6	370.3
Netley Marsh	814.9	815.6
New Milton	10388.1	10457.9
Ringwood	5225.7	5257.3
Rockbourne	163.1	164.4
Sandleheath	282.6	278.9
Sopley	293.1	370.5
Sway	1688.9	1700.8
Totton & Eling	9316.4	9373.4
Whitsbury	101.5	103.6
Woodgreen	252.1	250.8
Whole District	**70155.2**	**70621.0**

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CABINET – 6 DECEMBER 2017 **PORTFOLIO: FINANCE & EFFICIENCY/ALL**

MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS

1. Purpose of Report

1.1 To consider the development of the Medium Term Financial Plan for 2018 onwards and to consider the factors that will influence its delivery and that of the annual budget strategy to 2022.

2. Background

2.1 The MTFP update brought to October Cabinet provided a forecast on the financial position of the Council to the year 2021/22. This updated paper now provides a more up-to-date view on that forecast.

2.2 The challenge for the Council's Medium Term Financial Plan is to deliver an appropriate balance of service and budget which is sustainable in the medium term.

3. Autumn Statement / Local Government Finance Settlement

3.1 On 22 November, the Chancellor of the Exchequer presented his autumn statement.

3.2 The Office for Budget Responsibility (OBR) has revised down the forecasts for productivity and GDP growth. The reduction in GDP growth has a knock on for both projected debt levels, and for public sector expenditure. The previously forecast £10bn surplus by 2019/20 (Autumn 2016) has now been replaced with a forecast deficit at over £30bn. Other than the NHS therefore, no Departmental Expenditure Limits have been increased in this budget.

3.3 Some fundamental changes to the operation of the business rates system were announced by the Chancellor. The switch from RPI to CPI to uprate the multiplier will have direct financial consequences as this will reduce the anticipated annual increases in business rates income. The introduction of 3-yearly revaluation (after next revaluation in 2022/23) will also cause more regular upheaval.

3.4 Housing was a major theme in this budget. There is likely to be a competitive bidding process for the various housing funds announced. The Council's Housing Development Officer will be looking into the possibility of any of this funding supporting the New Forest's housing needs.

3.5 The Local Government Finance Settlement for 2018/19 will be announced towards the middle of December. The settlement will be year 2 of the 4 year guarantee in terms of formula funding. As a result of the changes announced within the 2017/18 settlement, the current financial assumptions around New Homes Bonus allow for minimal new funding going forward. The business rate baseline figures within the settlement will need to be updated to CPI, rather than RPI, but any new adjustments made to the 2018/19 settlement should have a minimal impact to the current financial assumptions.

4. Funding Assumptions over the Medium Term

4.1 The October Cabinet report outlined a deficit position of £441,000 for 2018/19, as a result of the following summarised changes in comparison to 2017/18;

	£
Funding Reduction	703,000
Pay and Price Increases	921,000
Savings/Income	-1,005,000
New Requirements / Income Reductions	175,000
Council Tax Yield (£5)	-353,000
OCTOBER DEFICIT POSITION	**441,000**

4.2 The following budget updates have been identified since October, which result in a balanced budget position for 2018/19;

	£ **Requirements**	£ **Income/Savings**	£ **TOTAL**
OCTOBER DEFICIT POSITION			**441,000**
Car Parks Fees and Charges		-480,000	-480,000
Car Parks Maintenance	93,000		93,000
Health & Leisure Fees & Charges		-50,000	-50,000
Pre-app Fees and Charges		-25,000	-25,000
Licencing Fees		-16,000	-16,000
AMR Programme		-13,000	-13,000
Reduction in Delivery Plan Saving	50,000		50,000
	143,000	**-584,000**	**-441,000**
LATEST POSITION 2018/19			**0**

4.3 In delivering a balanced budget for 2018/19, the Council has taken actions since October to plan for additional income of £584k and allow for new budget requirements of £143k. In total, in developing the 2018/19 budget, overall net savings of £368k and increased net income of £903k have been identified.

4.4 As shown in more detail within appendix 1, the position to 2022, taking into account all latest funding and budget assumptions as highlighted in this report, demonstrates a balanced budget for 2018/19, a deficit for 2019/20 of £682k, increasing by £458k to a cumulative £1.140m deficit to 2021/22.

5. Emerging Challenges to be faced by NFDC

5.1 In addition to the £1.140m gap identified, there are also a couple of specific challenges that the Council will face over the medium term;

- Homelessness reduction act – c£60k of new burdens grant will be received over each of the next 3 years. This grant will be used to help support an increase in resources to meet the new statutory duties.
- Universal Credit – as the roll out progresses, the main challenges include assisting those making their claim and working with council tenants to ensure rent is paid on time, all the while managing the existing workload with reduced funding. There could also be wider implications to rent arrears, council tax collection and potential homelessness.

5.2 In order to address the significant financial challenge, the Council needs to continue to develop the required actions as laid out in the October Medium Term Financial Plan, including;

- the continuation of the roll-out of pre-approved strategies to improve income and reduce costs
- the design and implementation of new strategies to improve income and reduce costs
- transformation of service delivery
- the alignment the Council's budget and spending to the Corporate plan
- the development a Capital programme that aids the delivery of the Council's corporate objectives and future direction of travel

6. Asset Maintenance and Replacement

6.1 Asset Maintenance and Replacement

6.1.1 The Corporate Overview and Scrutiny Panel were presented with a report on 16 November 2017, confirming the proposed Asset Maintenance & Replacement (AMR) programme for 2018/19. The summary programme, agreed by the panel at its meeting is shown below;

	18/19 **£**
Offices Depots and Outlying Buildings (inc. Public Toilets)	540,000
Health & Leisure	570,000
Health & Leisure Income Generation	-30,000
ICT	250,000
Vehicles & Plant (revenue cost)	1,156,000
Non-Core project fund	201,000
Proportion to HRA	-200,000
Rephasing from 2017/18	-200,000
	2,287,000

6.1.2 The 2018/19 AMR programme totals £2.287m, being funded within the General Fund revenue budget, in line with the £2.300m resources identified. The 2018/19 budget also includes year 2 of the 3 year 'Protect & Maintain Frontline Services' ICT fund, established as part of the 2017/18 budget setting. The £1.5m three year budget includes an initial estimate of £750k in 2018/19.

6.1.3 The panel supported the proposed AMR programme, and were also supportive of the recommendation to allow approval of the programme budget at the level as dictated above, rather than at scheme level, to enable suitable flexibility to deal with amendments to the programme as the delivery of individual projects progresses.

6.2 In order to meet the fiscal deadlines imposed on these projects, Cabinet are recommended to give their support to the programme now, so that officers can commence the up-front work involved in writing up the detailed specifications and preparing tender documents, where applicable, ahead of 1 April 2018.

7. General Fund Reserves

7.1 The table below summarises the General Fund reserves, available to support the Council's revenue and capital budgets over the medium term period as at 31/03/2017 and shows the planned use in 2017/18;

	Balances 31/03/2017	**Planned Use of Reserves 2017/18**
	£'000's	£'000's
General Fund Reserve	3,000	
Capital Programme Reserve	12,076	
Capital Receipts Reserve	755	
Earmarked Reserves	3,381	
	19,212	**-880**

7.2 The use of reserves includes the support of the Capital and Asset Maintenance and Replacement programmes, and includes the variations reported throughout the year via financial monitoring.

8. Fees and Charges

8.1 On 9 November 2017, the Environment Overview and Scrutiny Panel were presented with a Fees and Charges report, advising of the findings of the Task and Finish Group, established to review the charges levied by the Council with regard to planning pre application enquiries.

8.2 Members of the task and finish group and the overview panel were supportive of the proposed new fees, as set out in appendix 2. These fees now require formal approval from Council, before being implemented from 1 January 2018.

9. Housing Revenue Account

9.1 The annual review of the Housing Revenue Account business plan will be considered by Cabinet in February, following consultation with tenants.

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

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

11. Portfolio Holder Comments

11.1 I am pleased to see that we are on target to produce a balanced budget for 2018/19. We continue to look ahead to 2019/20 and beyond and this continues to provide the Council with significant challenges.

12. Recommended

12.1 That the Cabinet approve the emerging draft Medium Term Financial Plan 2018-2022 as set out within this report and that this forms the basis of the Council's 2018/19 General fund Budget that will be reported in February 2018.

12.2 That the Cabinet give their approval for initial preparatory works to commence with regards to the 2018/19 Asset Maintenance and Replacement programme, including approval of the programme budget at high level.

12.3 That the Cabinet recommend Council approve the schedule of fees and charges as set out in appendix 2.

For Further Information Please Contact:

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Background Papers:

MTFP – October 2017
ENV Panel – November 2017

APPENDIX 1

MEDIUM TERM FINANCIAL PLAN 2017-2022

	2017/18 £'000's	2018/19 £'000's	2019/20 £'000's	2020/21 £'000's	2021/22 £'000's
FUNDING					
Business Rates Baseline	3,733	3,853	4,378	4,466	4,555
Business Rates Above Baseline	456	1,175	0	0	0
Revenue Support Grant	723	92			
New Homes Bonus	1,490	633	288	14	
Transition Grant	111				
Total Government Determined Resources	6,513	5,753	4,666	4,480	4,555
Council Tax					
Base from Previous Year		11,675	11,732	11,790	11,848
Base Line Adjustment		57	58	58	58
Total Council Tax	11,675	11,732	11,790	11,848	11,906
TOTAL FUNDING	**18,188**	**17,485**	**16,456**	**16,328**	**16,461**
Cumulative Reduction		703	1,732	1,860	1,024
%age reduction		4%	10%	10%	6%
Pay & Price Increases					
Pay & Price Increases - October		921	744	698	542
Ongoing Savings Analysis					
Ongoing Savings - October Report		-1,005	-735	-55	0
Car Parks Fees and Charges		-480			
HLC Fees & Charges		-50			
Pre-app Fees and Charges		-25			
Licencing Fees		-16			
AMR Programme		-13			
Reduction in Delivery Plan review Savings		50			
		-1,539	-735	-55	0
New Budget Requirements					
New Requirements - October Report		175	0	0	0
Car Parks Maintenance		93			
		268	0	0	0
TOTAL BUDGET REQUIREMENT		17,838	17,847	18,490	19,032
Total Funding Available (as above)		17,485	16,456	16,328	16,461
Estimated Cumulative Surplus / Shortfall (-)		**-353**	**-1,391**	**-2,162**	**-2,571**
£5 PA Council Increase		**353**	**709**	**1,068**	**1,431**
Estimated Cumulative Surplus / Shortfall (-)		**0**	**-682**	**-1,094**	**-1,140**
Reserves Supporting the MTFP					
General Fund Balance		3,000	3,000	3,000	3,000

APPENDIX 2

Current and Proposed Charges and Officer Hourly rates

Enquiry Type	**Charges including VAT**		
	Current	**Proposed**	**Inc**
Planning Application Checking	£30.00	£42.00	40%
Householder Is development acceptable enquiry	£90.00	£130.00	44%
Householder Is permission required and acceptable enquiry	£180.00	£211.00	17%
Householder post decision clarification	£52.00	£86.00	66%
Non Householder post decision clarification	£212.00	£264.00	25%
Shop fronts, telecommunications and changes of use enquiry	£90.00	£130.00	44%
Small scale development pre application enquiry	£277.00	£396.00	43%
Minor development pre application enquiry	£555.00	£726.00	31%
Major development enquiry	£832.00	£1188.00	43%
Principles of development enquiry	£2120.00	£2862.00	35%
Larger schemes enquiry	Hourly rate	Hourly rate	N/A
Trees enquiries	No charge	No charge	N/A
Straightforward Heritage Advice enquiry	£27.00	£66.00	144%
Complicated Heritage Advice Enquiry	N/A	£198.00	N/A
Advertisement Enquiry	N/A	£86.00	N/A
High Hedge Enquiry	N/A	£173.00	N/A
Conditions Pre App Householder	N/A	£86.00	N/A
Conditions Pre App Non Householder	N/A	£132.00	N/A
Catch All Enquiry not covered above	Hourly Rate	Hourly Rate	N/A

Officer Scale	**2017/18 Charge per hour (inc. on costs; to be recalculated on 1/4/18)**
Executive Head	£83.00
Service Manager	£82.00
Team Leader	£76.00
Senior Planner	£55.00
Technical Officer	£36.00
Administrative Support	£35.00

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CABINET 6 DECEMBER 2017
COUNCIL 11 DECEMBER 2017

CHANGES TO THE 2017/18 TREASURY MANAGEMENT STRATEGY

1. PURPOSE

1.1. New Forest District Council approve the amendments to the 2017/18 Treasury Management Strategy Statement (TMSS) as detailed in section 3 of this report.

2. SUMMARY

2.1. Hampshire County Council has managed the Council's Treasury Management function since March 2014, and within this time the Council's investment balances have risen significantly to £96m at its highest point this financial year. Investment balances have increased during 2017/18 due to a number of reasons, the main ones being the additional funds collected each month in both Council Tax and NNDR as a result of bill increases in these areas, and increased reserve balances as a result of the 2016/17 outturn position.

2.2. Investment balances are higher than predicted than when the 2017/18 TMSS was approved, which has effectively resulted in a passive breach of the upper limit on variable interest rate investment exposure. In order to alleviate the upper limit on variable interest rate investment exposure, and reduce the risk of the Council experiencing the negative effect of higher inflation versus short-term deposit interest rates, it would be helpful to make some changes to the 2017/18 TMSS.

3. CHANGES TO THE 2017/18 TREASURY MANAGEMENT STRATEGY

3.1. For 2017/18 the Council restricted variable interest rate investments, which is considered to be all short-term investments, and long-term variable rate investments, to £90m. This limit is always set at the forecast highest level of cash balances, to allow all investments to be held at variable rate, therefore if the Council experienced a negative economic environment this would allow all cash balances to be invested with the Government's Debt Management Office, as this is the most secure option for Council funds.

3.2. Within this current low interest rate economic environment, the Council has chosen to invest in long-term variable rate investments, such as pooled funds and floating rate notes. The Council invests in pooled funds to diversify its investments, gaining exposure to high yielding investments, and invests in floating rate notes to take advantage of an asset class where interest rates increase in line with LIBOR. Therefore the upper limit on variable interest rate investment exposure is measuring both short and long term investments.

3.3. On 16 November 2017 the Council breached the £90m upper limit on variable interest investment exposure by £2.635m due to greater than expected total cash balances. The Council can alleviate this limit by increasing it to allow for revised forecast highest cash balances. It is recommended that for 2017/18 to 2019/20, the upper limit on variable interest rate investment exposure is increased from £90m to £100m, as shown in Table 1.

3.4. For 2017/18 the Council restricted the upper limit on fixed interest rate investment exposure to £25.0m. At 16 November 2017 the Council is close to the limit for 2017/18 as there are £24.05m of investments and a further £0.5m committed which have over 364 days to their maturity.

3.5. To continue with the overall approach for placing investments allowing for the greater than expected cash balances, it would be prudent to increase the upper limit on fixed interest rate investment exposure for 2017/18 to 2019/20 from £25m to £30m, as shown in Table 1. This would further alleviate the upper limit on variable interest rate investment exposure by allowing for further excess funds to be invested over a longer period at a fixed rate, and to also take advantage of greater interest rates than those that are available in the over-night cash options.

Table 1: Interest Rate Investment Exposures			
	2017/18	2018/19	2019/20
Upper limit on variable interest rate investment exposure	£100m	£100m	£100m
Upper limit on fixed interest rate investment exposure	£30m	£30m	£30m

3.6. Increasing the upper limit on fixed rate investment exposure requires other limits to also be increased so as to comply with the new limits; the limit on principal invested beyond 364 days, and the non-specified investment limits. These new limits are shown in Tables 2 and 3 below.

Table 2 – Limit on principal invested beyond 364 days			
	2017/18	2018/19	2019/20
Limit on principal invested beyond 364 days	£30m	£30m	£30m

Table 3 - Non-Specified Investment Limits	**Cash limit**
Total long-term investments	£30m
Total investments without credit ratings or rated below A- (excluding investments with other local authorities)	£20m
Total non-Sterling investments	£0m
Total investments in foreign countries rated below AA+	£0m
Total non-specified investments	£35m*

* Total non-specified investments is a limit in its own right, and is not meant to equal the aggregate of the limits for total long-term investments, and total investments without credit ratings or rates below A-.

4. **RECOMMENDATION**

Members are recommended to:

4.1. approve the changes to the 2017/18 Treasury Management Strategy Statement as detailed in section 3 of the report.

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Background Papers:

Published documents

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CABINET – 6 DECEMBER 2017

PORTFOLIO: LOCAL ECONOMIC DEVELOPMENT, PROPERTY AND INNOVATION

RESIDENTIAL PROPERTY INVESTMENT STRATEGY

1. INTRODUCTION

1.1. This report seeks approval to implement a new strategy to invest in residential property, in particular to purchase privately owned residential properties either as existing private sector rental producing units or with vacant possession for letting to private sector tenants, and to develop sites that the Council owns or acquires to build dwellings to deliver a range of housing and tenures including private rental, sales and affordable housing offered under a range of different tenures.

1.2. The proposed Residential Property Asset Investment Strategy is attached to this report.

2. BACKGROUND

2.1. The Council's Corporate Plan 2016 – 2020 states that the Council continually reviews activities and services to identify opportunities for savings and opportunities to generate income to address significant reductions in government funding, whilst at the same time maintaining services that are important to our customers. The availability of suitable and more diverse housing is important to the viability of the local economy in the district. "More homes for local people" is one of the Council's key priorities as set out in its Corporate Plan.

2.2. The purpose of the Residential Property Asset Investment Strategy is to invest in residential property, in particular to purchase privately owned residential properties either as existing private sector rental producing units or with vacant possession for letting to private sector tenants, and to develop sites that the Council owns or acquires to build dwellings to deliver a range of housing and tenures including private rental, sales and affordable housing offered under a range of different tenures.

2.3. The October Medium Term Financial report covering the period to 2021/22 shows that, over that period, the Council has a projected cumulative budget shortfall of £1.399m (based, amongst other things, on a 1% pay award). It is considered that a meaningful contribution towards ensuring continued delivery of the Council's key services can be achieved through investment in good quality income producing residential property. The strategy is supplemental to other strategies being adopted by the Council that also aim to help close the Council's funding gap.

2.4. The Residential Property Asset Investment Strategy has a number of aims, including to introduce new income streams to the General Fund, to deliver a more diverse range of housing and tenures including market rented properties and sales, directly building, leasing or purchasing new residential property, to provide private sector rented properties as a reputable landlord with a proven track record in the provision and management of rented residential property in the district, to accelerate housing delivery and to act as an additional provider of affordable housing offered under a range of different tenures. The Council would retain the discretion to invest in residential property outside the district.

2.5. In order to fulfill the aims of the strategy, the Council will establish a Wholly Owned Company limited by shares to acquire, build, hold and manage the properties through a number of subsidiary companies (for the purpose of this report, such a company or group of companies will be referred to as the "WOC").

2.6. The WOC will operate through a Board of Directors. Members of the Council will be able to hold the WOC, through the Board of Directors, to account and also set operational parameters for the WOC, for example through a memorandum of understanding setting out a decision making protocol. Members, through the Corporate Overview and Scrutiny Panel and full Council, would oversee the business plan(s), checking on performance and deliverables via reports of the Board in accordance with agreed reporting deadlines.

2.7. The formation and membership of the WOC's board will need to be established. It is proposed initially to consist of 4 Directors, comprising 2 designated members of Cabinet and 2 senior officers. The WOC's Memorandum and Articles of Association, business plan and other legal documentation will set out the relationship between the Council and the WOC and determine the operational framework for the board to follow when running the WOC's affairs.
.

2.8. The Council has the capacity to invest approximately £10M in a residential property investment strategy utilising current reserve balances, although the Council will need to be mindful that this may have a bearing on the size and scope of the future capital programme before borrowing may be required, and may result in the need to utilize monies currently invested in higher yielding funds. This strategy should also be flexible enough to enable further investment, utilizing external borrowing if necessary, should the opportunity for larger developments arise.

2.9. As noted in the strategy, more than one third of local authorities indicated that they had or intended to establish a housing company to provide housing. Investments could be funded either from the Council's own resources or by taking advantage of its ability to borrow at relatively low rates of interest from the Public Works Loan Board (PWLB) compared to the return on property assets.

2.10. The Council is already the biggest provider of housing within the district, managing its own stock of approximately 5,000 properties in the social rented sector. The Council has implemented a housing strategy to acquire additional housing for social rent through the buyback of former council houses, the purchase of new affordable homes from developers and the development of its own land to build new homes for social rent. The Council has experience and skills in the acquisition, delivery and management of housing, which can be applied to the wider residential sector.

2.11. The Property Investment Task and Finish Group has reviewed the proposed Strategy and approved it.

3. FINANCIAL IMPLICATIONS

3.1. Full details of the financial implications are set out in the strategy.

3.2. The management of the Council's cash is dictated within the Council's Treasury Management Strategy and is held within a variety of investment types. The average yield achieved as at July 2017 from these investments was 0.99%. The investment portfolio at that date includes £8M in pooled property and equity funds which are higher earning (5.27% achieved), with the majority of other funds being held with less than 1 year to maturity.

3.3. Local authorities are seeking to become more self-sufficient and not reliant on grant funding. An important issue when implementing the Residential Property Asset Investment Strategy is the value of the property portfolio and the expected target net yield. It is recommended that a target for investment return aims to make a significant contribution towards the current forecast budget deficit mentioned in 2.3.

3.4. An initial capitalization of the WOC in the order of £10m would be funded up to 33% as equity from usable General Fund reserves, with the remaining WOC finance being debt issued by the Council to the WOC, repayable on commercial terms, provided by the Council through internal borrowing or external loan lent onto the WOC. The actual amount of General Fund reserves used will depend on the overall balance available and the debt interest charges will be designed to strike an appropriate balance between keeping the WOC solvent, and maximizing the return to the Council. The decision as to whether the Council will borrow externally and at what point in time is a treasury management decision and not directly linked to the purchase of the asset or this strategy.

3.5. The financial return to the Council comes via the interest charges levied on the debt finance issued to the WOC, plus dividend payments, when the availability of funds allow. The rate of interest charge levied will be set on commercial terms. The Council will also charge a management fee per property to the WOC and will levy commercial charges to the WOC for legal and professional services. Interest rates and charges should not be excessive however as this may affect the potential solvency of the WOC.

3.6. The summary financial information provided in the strategy provides reasonable assurance that investment in Residential Property is worthwhile, and that development opportunities should be of particular interest, due to the higher returns, and the use of land value to act as equity for the WOC, rather than cash.

3.7. Although the Council's cash balances averaged at £74.7m in the 12 months to July 2017, they are forecast to decrease over the next few years. The level of usable General Fund reserves is currently around £19m. It is envisaged that an internal borrowing arrangement would take place to finance the debt element of the initial £10m investment, although the Council's Responsible Financial Officer will ensure the most efficient use of internal funds in relation to current and forecast external borrowing rates to ensure the strategy is financially sound over the long term

3.8. Officers believe that the Council could currently potentially borrow funds with the Public Works Loan Board (PWLB) at a rate of around 2.5% - 3.00%. The PWLB fixed interest rates are based on gilt yields and are published twice a day. The PWLB needs to be satisfied the Council is acting lawfully when borrowing funds.

3.9. This Council already has substantial loans of c£144M following the Housing Revenue Account resettlement. The Council's prudential indicators, which are agreed as part of the Treasury Management Strategy and Annual Budget 2017/18, include for example, a limit on external debt. The agreed size, funding mix and anticipated timing of the acquisitions of the property portfolio would need to be taken into account in the prudential indicators, to include an increase in the overall external debt limit.

3.10. It is necessary for the Council to take a prudent approach to the management of its financial affairs. When assessing investments taking a prudent approach, the Council will need to consider such factors as the security against loss, the liquidity of the investment, the yield, affordability of the loan repayments, change in interest rates and property values.

3.11. An initial investment portfolio totaling £10m is deemed as reasonable in the balance of risk versus reward, and is sought as a supplementary estimate to the Council's budget. The indicative eventual level of revenue to be generated is estimated in excess of £350k PA. Expenditure and income budgets will be added to the budget at the appropriate time, when properties are identified and purchased and developments undertaken.

3.12. There are a number of risks the Council should consider, all of which could have an impact on the net return to the Council as set out in section 4 of the strategy.

3.13. The internal reserves that will be available to invest in the WOC's equity should total no more than 33% of any prospective purchase / overall cost of development. Any expansion of the portfolio beyond the point whereby internal reserves can no longer be utilized will require on-lent prudential borrowing. The cost of any borrowing will form an integral part of the financial evaluation of any purchase / development, and will only proceed if the level of financial return over the long term is appropriate.

4. ONGOING PERFORMANCE REVIEW

4.1. The WOC will be responsible for providing regular reports on management issues and the performance of the WOC to the Council.

4.2. It is proposed that six monthly reports are to be provided to the Corporate Overview and Scrutiny Panel and annual reports provided to full Council in respect of progress against the Strategy.

5. HUMAN RESOURCE IMPLICATIONS

5.1. Acquiring, managing and developing the Council's residential property investment portfolio will have an impact on Council workloads, including within the Estates and Valuation and Housing Strategy and Development teams. There may be additional staffing requirements required to fulfill the Strategy. Such additions will form part of the additional expenditure budgets referred to in paragraph 3.11 when properties are identified and purchased and developments undertaken.

6. PORTFOLIO HOLDERS COMMENTS

6.1. I am pleased to see the Council has developed a residential property asset investment strategy. By a carefully considered investment in residential property the Council will be able to generate income to support the delivery of services as well as deliver much needed greater diversity in housing

7. CORPORATE OVERVIEW AND SCRUTINY PANEL

7.1 The draft Residential Property Investment Strategy was discussed by the Property Investment Task & Finish Group and the Corporate Overview and Scrutiny Panel recommended to the Cabinet that the Residential Property Investment Strategy be approved.

8. ENVIRONMENTAL, EQUALITY AND DIVERSITY AND CRIME AND DISORDER IMPLICATIONS

8.1. There are none.

9. RECOMMENDATION

9.1. That the Council:

9.1.1. Approves the Residential Property Asset Investment Strategy attached to this report.

9.1.2. Approves the proposed level of initial investment as set out in this report.

9.1.3. Authorises the Chief Executive, the Executive Head Governance & Regulation, and the S151 Officer, in consultation with 2 Portfolio Holders determined by the Leader of the Council, to take all decisions, including entering into all necessary contracts and agreements, including the setting up of the WOC (and subsidiaries) and related costs, to implement the Residential Property Asset Investment Strategy as set out in this report;

9.1.4. Approves the appointment of 2 Cabinet Members and 2 senior officers to the board of directors of the WOC following its incorporation, such individuals to be agreed by the Chief Executive in consultation with the Leader of the Council.

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Background Papers:

Asset Investment Strategy

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Residential Property Asset Investment Strategy

1. INTRODUCTION

1.1. The Council introduced a new strategy to invest in commercial property at the beginning of 2017 in support of its stated priorities as a means of income generation, for economic redevelopment and regeneration or a mixture of both.

1.2. In the report to the Cabinet in January 2017 on the strategy proposal for investing in commercial property, reference was made to a separate strategy to be prepared at a later date on potential residential property investments. This strategy is for the Council to invest in residential property, in particular:

1.2.1. to purchase privately owned residential properties, either as existing private sector rental income producing units or with vacant possession for letting to private sector tenants.

1.2.2. to develop sites that the Council owns or has acquired to build dwellings to deliver a more diverse range of housing and tenures to include open market rental properties, sales and affordable housing offered under a range of different tenures.

2. BACKGROUND

2.1. The Council's Corporate Plan 2016-2020 states that the Council continually reviews activities and services to identify opportunities for savings and opportunities to generate income to address significant reductions in government funding, whilst at the same time maintaining services that are important to our customers. The viability of the local economy depends in some areas of the District on the availability of suitable and affordable housing. "More homes for local people" is one of the Council's key priorities as set out in its Corporate Plan.

2.2. This strategy to invest in residential property has a number of aims:

2.2.1. Introducing additional income streams to the Council's General Fund
2.2.2. Enabling greater flexibility to deliver a more diverse range of housing and tenures, to include market rented properties and sales.
2.2.3. Directly building, leasing or purchasing new residential property
2.2.4. Providing private sector rented properties from a reputable Landlord that has a proven track record in the provision of and management of rented residential property in the locality
2.2.5. Accelerating housing delivery
2.2.6. To act as an additional provider of affordable housing offered under a range of different tenures.
2.2.7. To retain the discretion to invest in residential property outside the District.

2.3. The October Medium Term Financial report covering the period to 2021/22 shows that, over that period, the Council has a projected cumulative budget shortfall of £1.399m (based, amongst other things, on a 1% pay award). It is considered that a meaningful contribution towards ensuring continued delivery of the Council's key services can be achieved through investment in good quality income producing residential property. The strategy is supplemental to other strategies being adopted by the Council that also aim to help close the Council's funding gap.

2.4. In order to fulfill the aims of the strategy, the Council will establish a Wholly Owned Company limited by shares to acquire, build, hold and manage the properties through a number of subsidiary companies (for the purpose of this strategy, such a company or group of companies will be referred to as the "WOC"). In a survey reported in Inside Housing in 2016, more than one third of local authorities indicated that they had or intended to establish a housing company to provide housing.

2.5. The Council has the capacity to invest approximately £10M in a residential property investment strategy utilising current reserve balances, although the Council will need to be mindful that this may have a bearing on the size and scope of the future capital programme before borrowing may be required, and may result in the need to utilize monies currently invested in higher yielding funds. This strategy should also be flexible enough to enable further investment, utilizing external borrowing if necessary, should the opportunity for larger developments arise.

2.6. The Council will need to determine the most efficient weighting on equity vs debt finance to the WOC as well as the interest rate applicable to debt finance and whether the loans should be made on a fixed or variable rate basis. The mix of equity and debt funding should reflect a prudent commercial approach. The business plan for the WOC should make it clear how the debt and equity will be repaid to the Council over the course of each business plan.

2.7. The management of the Council's cash is dictated within the Council's Treasury Management Strategy and is held within a variety of investment types. The average yield achieved as at July 2017 from these investments was 0.99%. The investment portfolio at this date included £8M in pooled property and equity funds which are higher earning (5.27% achieved), with the majority of other funds being held with less than 1 year to maturity.

2.8 The Council is already the biggest provider of housing within the District, managing its own stock of approximately 5,000 properties in the social rented sector. The Council has implemented a housing strategy to acquire additional housing for social rent through the buyback of former council houses, the purchase of new affordable homes from developers and the development of its own land to build new homes for social rent, for example at North Milton and Compton Sarum. The Council has experience and skills in the acquisition, delivery and management of housing, which can be applied to the wider residential sector.

3. THE FINANCIAL STRATEGY AND BUSINESS CASE

3.1. The Council's adopted corporate plan covering 2016-20 includes several key priorities that can be related back to this strategy. The priorities identified include:

3.1.1. Living within our means
3.1.2. More homes for local people
3.1.3. Protecting the local character of the place

These are underpinned by important Council's values:

3.1.4. To be ambitious in our desire to work for and with our local communities
3.1.5. To be financially responsible for public funds
3.1.6. To be innovative and open in our approach

3.2. Local authorities are seeking to become more self-sufficient and not reliant on grant funding. An important issue when implementing the Residential Property Asset Investment Strategy is the value of the property portfolio and the expected target net yield. It is recommended that a target for investment return aims to make a significant contribution towards the current forecast budget deficit mentioned in 2.3.

3.3. Although the Council's cash balances averaged at £74.7m in the 12 months to July 2017, they are forecast to decrease over the next few years. The level of usable General Fund reserves is currently around £19m. It is envisaged that an internal borrowing arrangement would take place to finance the debt element of the initial £10m investment, although the Council's Responsible Financial Officer will ensure the most efficient use of internal funds in relation to current and forecast external borrowing rates to ensure the strategy is financially sound over the long term.

3.4. Officers believe that the Council could currently potentially borrow funds with the Public Works Loan Board ("PWLB") at a rate of around 2.5% - 3.00%. The PWLB fixed interest rates are based on gilt yields and are published twice a day. The PWLB needs to be satisfied the Council is acting lawfully when borrowing funds.

3.5. NFDC already has substantial loans of c£144M following the Housing Revenue Account resettlement. The Council's prudential indicators, which are agreed as part of the Treasury Management Strategy and Annual Budget 2017/18, include for example, a limit on external debt. The agreed size, funding mix and anticipated timing of the acquisitions of the property portfolio would need to be taken into account in the prudential indicators, to include an increase in the overall external debt limit.

3.6. It is necessary for the Council to take a prudent approach to the management of its financial affairs. When assessing investments taking a prudent approach, the Council will need to consider such factors as the security against loss, the liquidity of the investment, the yield, affordability of the loan repayments, change in interest rates and property values.

3.7. In short the Council must get the right balance between risk and reward in a prudent manner to ensure the cost of funding the Residential Property Asset Investment Strategy does not fall on the tax payer.

The Residential Property Market

3.8. The New Forest District is positioned at a mid-point between the South East and South West regions of England. The major conurbations of Southampton and Bournemouth are beyond the District's boundaries to either side and linked by the M27/A31 south coast corridor. The District consists of small towns and villages. The region is a relatively prosperous part of the UK and is considered to have a good degree of economic resilience. According to the 2011 Census, the population of the New Forest was approximately 176,500. Between 2001 and 2011, the population increased by about 7,100. Current forecasting undertaken by Hampshire County Council suggests that the population will increase to about 179,500 by 2023. According to the same 2011 Census data, there were about 9,290 privately rented properties in the New Forest District Council area. The percentage of households in private rented accommodation in the District increased from 7% in 2001 to 12% in 2011.

3.9. Nationally, nearly one in four households will be living in the private rented sector by 2021 according to a Knight Frank Research Paper published in 2017. Knight Frank has estimated that by 2021, there will be 14.3 million owner occupier households, 5.8 million private renters and 4.3 million social renters. In the private rented sector, their survey suggests that currently 34% of renters are couples without dependent children and 25% are single person households without dependent children. Their survey also suggests that young professionals – aged 25 to 34 make up the largest proportion living in the private rented sector and this is expected to remain the same in 2021. Although 30% of renters state that their main reason for renting is because they are saving for a deposit to buy a property, it is likely that this group will, by necessity have to stay longer in the rented sector because of affordability and deposit saving issues. According to the survey some 68% of renters still expect to be living in the rental sector in three years' time.

3.10. The Knight Frank Research paper states that "the private rented sector as a whole is changing." In their opinion, one significant change is "the continuing growth of large-scale investment in Build-to-Rent or Multihousing – professionally managed rental accommodation, usually at scale, in purpose-built blocks. This market, which has only emerged in force in the UK in recent years, is now worth an estimated £25 billion. Knight Frank estimate that sector could be worth £70 billion by 2022. The Council's strategy to potentially develop out its own and other sites for rent could be categorised as build to rent, which would be in line with the Government's policy to increase this sector. In a joint venture with Hermes, Countrywide Group have recently completed a build to rent scheme of 324 units. 60% of the units were let or reserved within the first seven weeks: "Unlike a buy-to-let scheme, where the investor has minimal control, we manage the whole site and can realise all the advantages which that brings. We anticipate that this will lead to strong rental premiums, longer leases and better rental returns, all driven by more content customers – a positive outcome for both the investor and the residents." This could be applicable to any build to rent scheme that the Council might undertake through its residential WOC.

3.11. A recent report from Savills (Q4 2016 residential market) stated that in their opinion "the outlook for rents is stronger and more stable than for house prices over the next five years." However they did consider that rental growth will slow next year because of the tightening affordability, greater economic uncertainty related to Brexit, higher inflation and a weak pound. The report concludes by stating amongst other things that the barriers to home ownership remain high. Renting will remain the tenure of choice for younger households.

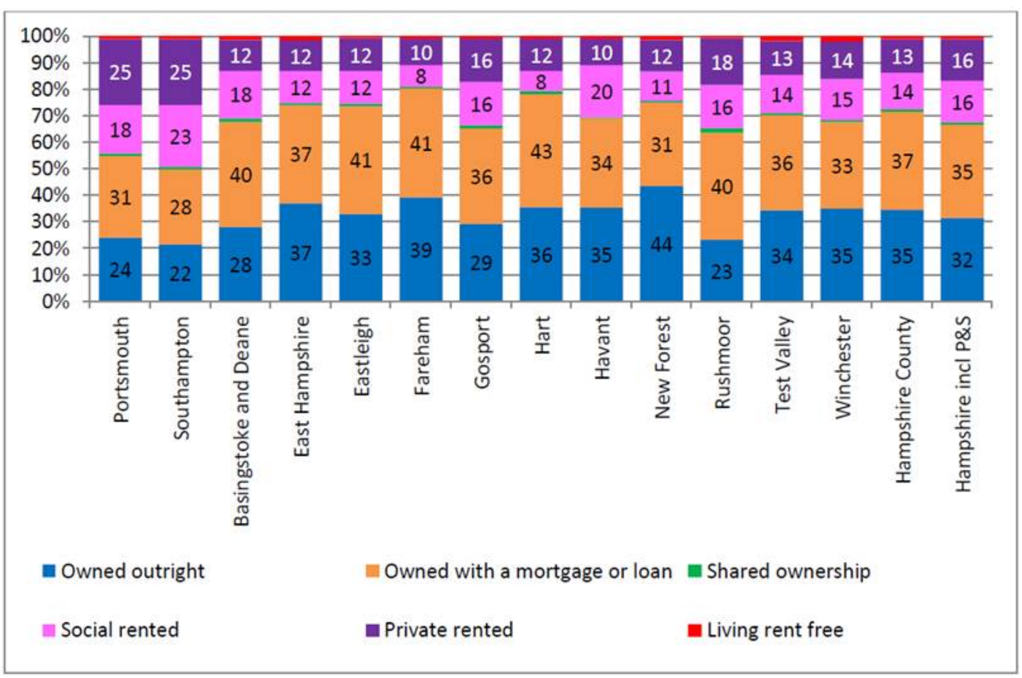
3.12. There appears to be movement by some private landlords of residential rental property to exit the market due to taxation changes which affect individual private landlords. “Landlords really are stuck between a rock and a hard place. All the tax increases they’ve incurred over the last 18 months have meant they either need to sell their properties and exit the market, or increase rent payments to plug the deficit. Neither of these outcomes benefit tenants; if they exit the market, supply is even more strained and matched with growing demand, rent prices will increase anyway.” (Association of Residential Letting Agents). This may mean opportunities arise to acquire residential property for let if private landlords exit the market and also offers the WOC the opportunity to be an attractive landlord for tenants to deal with.

3.13. In the District, the mix of housing occupancy types is as follows:

Ownership/occupancy	**%**
Owned outright	44.0
Owned with a mortgage	31.0
Shared ownership	0.6
Social rented	11.0
Private rented	12.1
Other to include living rent free	1.3
Total	100
Source: 2011 Census and Hampshire County Council’s Private Rented Sector Tenure Profile 2014	

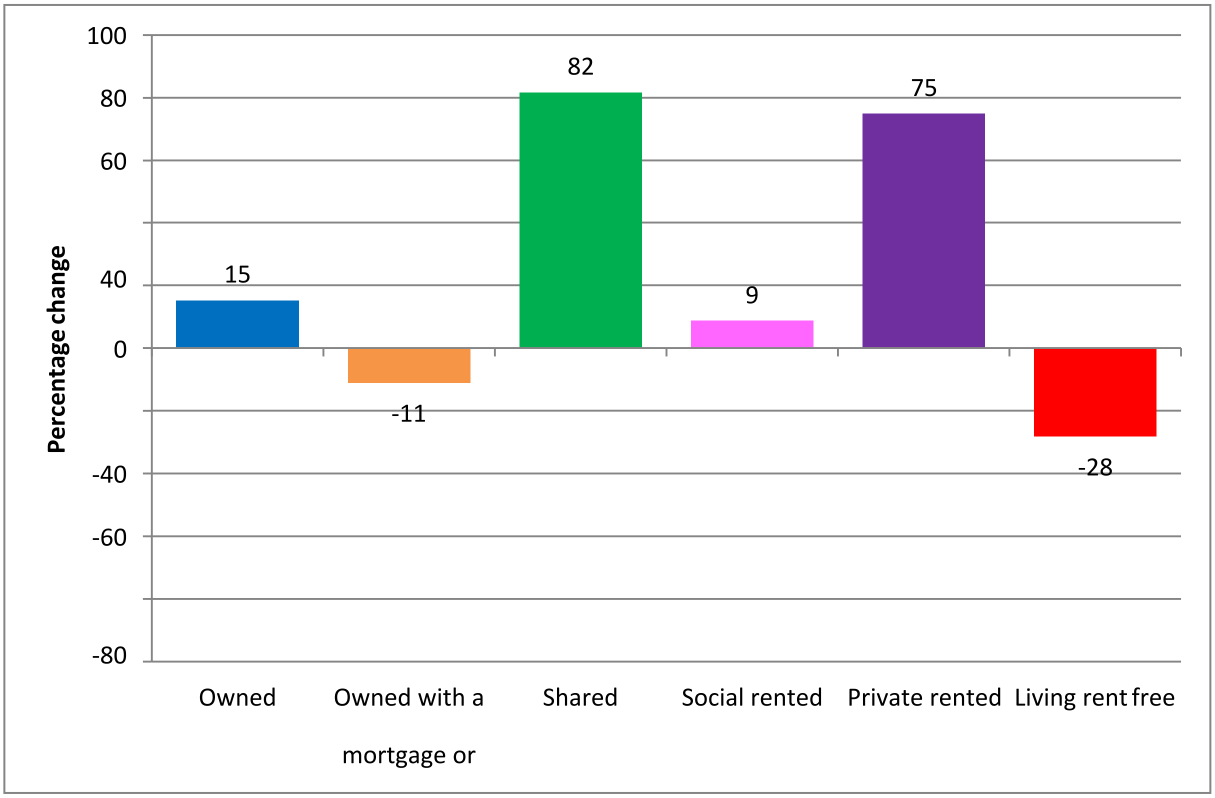
The owner occupied percentage of 76% is higher than in other districts in Hampshire as shown in the table below:

Households by tenure, Hampshire, 2011



Hampshire County Council’s Private Rented Sector Tenure Profile 2014

3.14. The table below shows the change in the number of households by tenure in Hampshire 2001 - 2011 which again indicates the trend towards private rented and shared equity occupation in particular.



Hampshire County Council's Private Rented Sector Tenure Profile 2014

3.15. 2011 housing stock by size and occupancy type:

Housing size	**Market**	**Affordable**	**Total**	**% of total**
1 bedroom	4,185	2,528	6,713	8.8
2 bedrooms	17,583	3,051	20,634	26.8
3 bedrooms	29,239	3,029	32,268	41.9
4+ bedrooms	17,021	316	17,337	22.5
Total	**68,028**	**8,924**	**76,952**	**100**
Source: 2011 Census and Hampshire County Council's Private Rented Sector Tenure Profile 2014				

3.16. There remains strong demand for residential properties to rent in the District, more especially for 2 or 3 bedroomed properties in areas such as West Totton, Calmore and Ashurst. The local agents are also reporting that the voids between lettings is no more than 1 to 2 weeks and that after some initial uncertainty over rental levels/affordability earlier in the year, rental levels are holding up. Average local lease terms are in the region of 18 months.

3.17. House prices in the UK have consistently increased over the long term. The average price has risen by 273% since 1959 in real terms (i.e. after allowing for retail price inflation), at an average annual rate of 2.7%. House prices have risen at a faster pace than average earnings since 1959. National average earnings have increased at an average real rate of 2.0% a year. House prices recorded their biggest increase in the latest decade with a real rise of 62% during the 2000s; marginally ahead of the 61% increase in the 1980s. The worst decade for house prices was the 1990s when prices fell by 22%.

3.18. While the level of historic house price increases cannot be guaranteed to continue, the statistics above are consistent with the assumptions that have been used in the financial modelling report prepared for the Council by Grant Thornton and referred to later in this paper. Although the British economy faces a considerable period of uncertainty until the outcome and impact of the Brexit negotiations are known, there is likely to be a considerable under supply of housing in the short to medium term even if inward migration is reduced and population increases reduce due to many years of significant undersupply/new building. Estimates put the need for additional housing in England at between 232,000 to 300,000 new units per year, a level not reached since the late 1970s.

3.19. Affordability is a significant challenge within the New Forest District and a study was commissioned by the Council to consider affordability of housing within the District. Many households are unable to exercise a reasonable degree of choice to meet their housing needs. Households who would not traditionally have sought affordable housing are increasingly unable to access market housing, impacting on individuals, the economy and the environment.

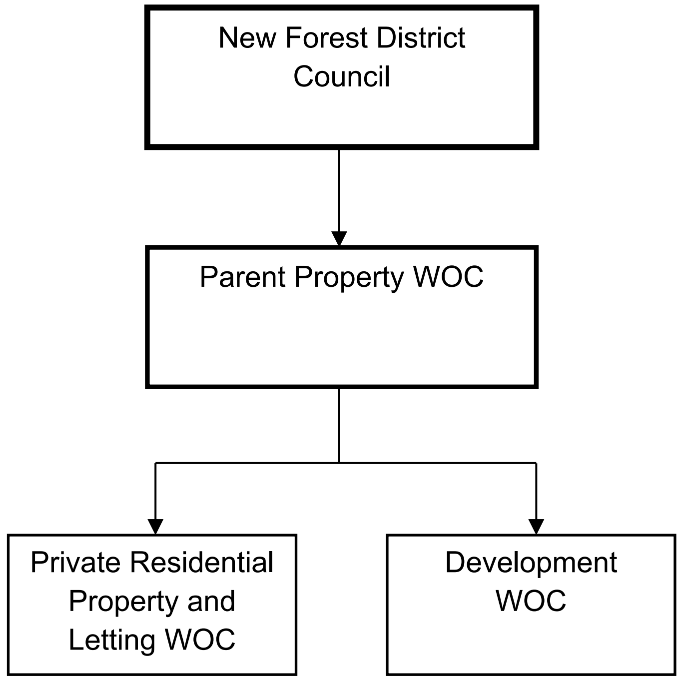
3.20. The study showed average District property prices are presently around £370,000. With an entry level property around £225,000, an annual income requirement would be around £42,000 to purchase a home and around £27,000 to rent in the private sector, with rents ranging from £640 per month for a 1 bed and up to £1,450 for a 3 bed property in the lower quartile rental price range. Based on 2016 data the average income of the resident population is around £29,000 per annum and workplace (employees) income is around £27,000 per annum.

3.21. The study highlighted that social and affordable rental products remain the most needed for those accessing affordable housing and who cannot afford to access the private sector. Shared ownership and shared equity can encourage home ownership. An income of around £27,000 per annum is required to access the private rental market.

3.22. Affordability can be particularly challenging for rural residents often committing higher proportions of their income to housing costs. This can impact on the sustainability of rural communities which can become less diverse.

Holding residential property investments

3.23. The Council will need to hold residential property assets indirectly through a WOC. A group structure would allow for greater flexibility and separate governance arrangements can be implemented given the different expertise that may be required to be made available by the Council to the WOC. The WOC will be a legal entity with a separate identity from the Council and implies a profit-making entity with dividends payable to the Council as the only shareholder. A possible group structure is shown below.



3.24. The WOC will operate through a Board of Directors. Members of the Council will be able to hold the WOC, through the Board of Directors, to account and also set operational parameters for the WOC, for example through a memorandum of understanding setting out a decision making protocol. Members would oversee the business plan(s), checking on performance and deliverables via reports of the Board either in accordance with agreed reporting deadlines or upon request.

3.25. The formation and membership of the WOC's Board will need to be established. It is proposed to consist of 4 Directors, comprising 2 designated members of Cabinet and 2 senior officers. The WOC's Memorandum and Articles of Association, business plan and other related documentation will set out the relationship between the Council and the WOC and determine the operational framework for the WOC / Board to follow when running the Company's affairs.

3.26. Before commencing trade, the WOC must prepare an approved business plan which will be written in line with the direction of travel provided by this Strategy and provide the operational plan for the proper implementation of the Strategy, being a comprehensive statement of:

3.26.1. The aims and objectives of the business, which should be in line with the aims set out in paragraph 2.2 above as appropriate.
3.26.2. the investment and other resources required to achieve those objectives.
3.26.3. any risks the business might face, how significant those risks are and appropriate mitigation strategies.
3.26.4. the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.

Summary of the operational arrangements

3.27. In respect of the development aims, the Council can sell land at market value (determined by an independent valuer) to the WOC and advance to it financing in the form of equity and loans. The WOC may also acquire/assemble land for development. The Council can borrow from the Public Works Loans Board (PWLB) to provide financing on-lent to the WOC at a commercial rate, once internal borrowing has been exhausted.

3.28. The WOC will require funds to develop homes on the transferred or acquired land, and to make acquisitions of existing homes for rent and market sale. The exact mix of rental and sale will be considered on a site by site basis. The cash inflows of the WOC will therefore comprise rents and the proceeds of property sales. These cash flows will be used to service the financing provided by the Council.

3.29. The properties can be designed and developed by external service providers or through internal resources if sufficient capacity is available, which can be procured by the WOC. In developing and maintaining these homes, the WOC will seek to provide opportunities for local suppliers and contractors wherever possible.

3.30. It is most likely that, especially at first, maintenance and management as well as professional services (e.g. legal and finance) will be provided by the Council. Where the Council delivers services for the WOC, these will be charged at market rates in line with a Service Level Agreement (SLA). The loans from the Council to the WOC will be on commercial terms, therefore addressing State Aid concerns.

3.31. Since the Council can source finance from the PWLB below commercial rates, the Council is likely to make a ‘spread’ on the interest payments received from the WOC and those it makes itself to PWLB. The nature of the loan arrangements and categorisation of debt repayments from the WOC as capital receipts in the Council’s finances means Minimum Revenue Provision requirements in relation to the PWLB loans can be met.

3.32. In addition, the Council will benefit from dividend payments from the WOC when the availability of funds allows. The WOC can procure housing management and maintenance services from the Council.

Financing

3.33. An initial capitalization of the WOC in the order of £10m would be funded up to 33% as equity from usable General Fund reserves, with the remaining WOC finance being debt issued by the Council to the WOC, repayable on commercial terms, provided by the Council through internal borrowing or external loan lent onto the WOC. The actual amount of General Fund reserves used will depend on the overall balance available and will be designed to strike an appropriate balance between keeping the WOC solvent, and maximizing the return to the Council. The decision as to whether the Council will borrow externally and at what point in time is a treasury management decision and not directly linked to the purchase of the asset or this strategy.

3.34. The Council may secure its lending to the WOC with legal charges over the property assets of the WOC and/or a debenture over the whole undertaking of the WOC. The business plan for the WOC should make it clear how the debt and equity will be repaid to the Council over the course of the business plan and what assumptions are being made in the business plan.

3.35. The financial return to the Council comes via the interest charges levied on the debt finance issued to the WOC, plus dividend payments, when the availability of funds allow. The rate of interest charge levied will be set on commercial terms. The Council will also charge a management fee per property to the WOC and will levy commercial charges to the WOC for legal and professional services. Interest rates and charges should not be excessive however as this may affect the potential solvency of the WOC.

<u>Timescales</u>

3.36. In view of the property market in the District, the development opportunities and property selection criteria, it is envisaged that implementation of the Residential Property Asset Investment Strategy will commence once the company is established, and ongoing and which is expected during the 2018/19 financial year.

3.37. The Council and officers should take a long term view with the intention of applying the Residential Property Asset Investment Strategy over a period of at least 25-50 years.

4. RISK MANAGEMENT

4.1. The Council will need to consider the potential risks associated with setting up a WOC and identify ways to mitigate these risks, which span across both the development and operating phases, as well as other non-phase related risks such as financial and legislative risk.

4.2. There are a number of risks the Council should consider, all of which could have an impact on the net return to the Council. These include:

- 4.2.1. Development risk including a failure to secure planning permission for schemes, developing inappropriate dwellings, unforeseen costs such as ground conditions, construction cost overrun, defective design or construction, contractor insolvency etc.
- 4.2.2. Capital values and rental values can fall as well as rise.
- 4.2.3. Borrowing costs could increase.
- 4.2.4. Inability to find tenants and/or sell properties, leading to loss of income and delay in WOC repaying debt, and in turn delays in the Council repaying debt.
- 4.2.5. Disputes with tenants and tenant default.
- 4.2.6. Financial risks including that financing costs could rise.
- 4.2.7. External factors. Property investment, whether direct or through pooled funds, is subject to factors the Council cannot control, e.g. failure of tenants, changes in perception of what is a good location, economic downturn etc.
- 4.2.8. Changes in government policies which inhibit the delivery of the strategy.

4.3. The WOC, with the support of the Council, will need to put in place appropriate risk mitigation measures as part of its agreements with the Council and the business plan.

4.4. The overall investment value and range of properties being acquired needs to represent a good mix and spread of risk across differing property types, tenures and suitable locations. If the size of the investment is too small, then an adequate mix cannot be established.

4.5. It is important that the Council maintains an adequate level of reserves and balances to ensure it can manage any down turn in the property market and limit the impact it will have on revenue income. There is a risk that substantial expansion of the asset portfolio may result in a lower credit rating.

4.6. All forms of investment carry an element of risk and the acceptance of a risk factor is rewarded by the potential for financial return. The Council will be investing from the public purse and will therefore be seeking investments at the more secure end of the risk spectrum.

4.7. Once finance costs start to rise, the ability of the WOC to meet interest cover may become problematic and there is a risk that the Council will be required to further underpin the financial performance of the WOC via working capital loans. There will also be refinancing costs associated with external borrowing. Officers will prepare a detailed cash flow model for each prospective development project in order to appraise the cash flow risk and the internal rate of return of the investment.

5. ONGOING PERFORMANCE REVIEW

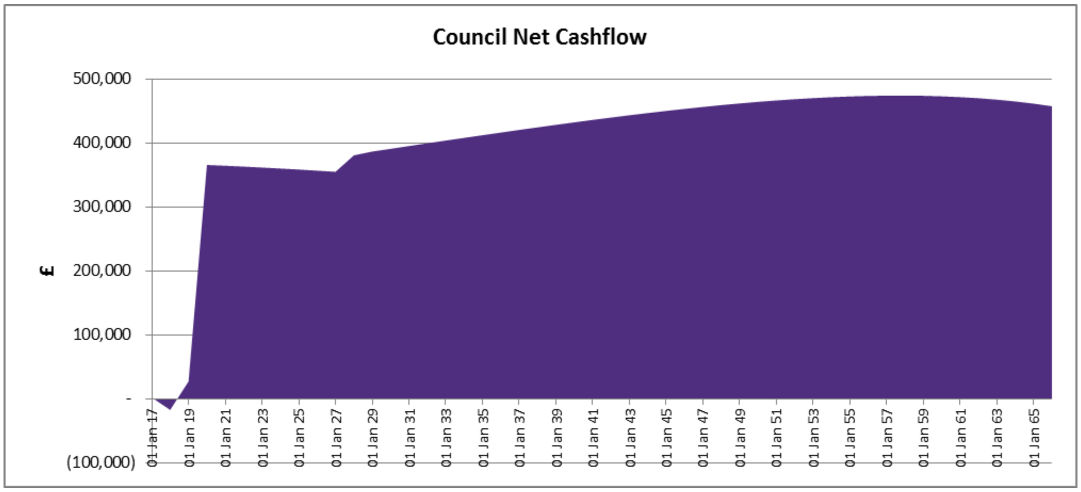
5.1. The WOC will be responsible for providing regular reports on management issues and the performance of the WOC to the Council.

5.2. It is proposed that six monthly reports are to be provided to the Corporate Overview and Scrutiny Panel and annual reports provided to full Council in respect of progress against the Strategy.

6. FINANCIAL IMPLICATIONS

6.1. There will be upfront costs incurred in setting up the WOC. These costs will be kept to a minimum.

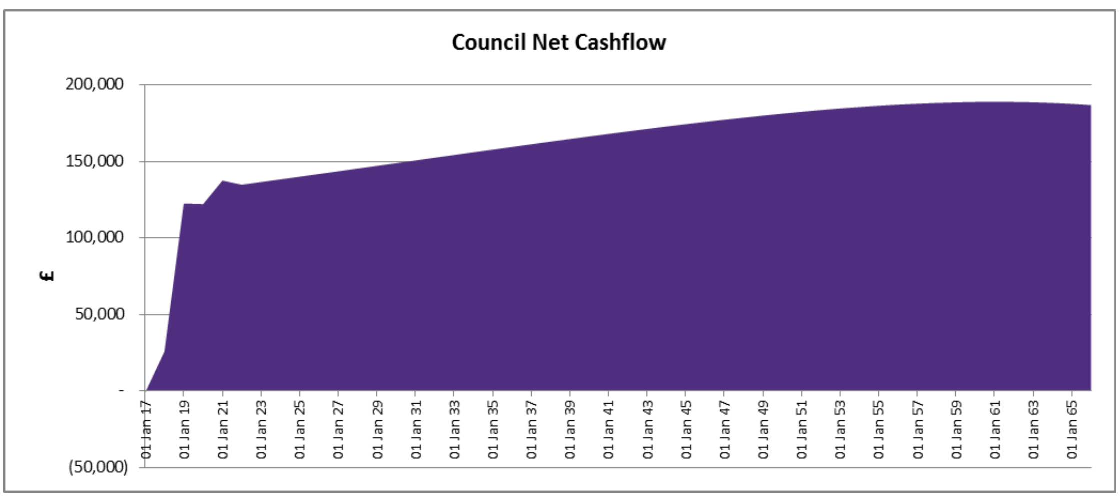
6.2. The following information illustrates the summary financial modelling that would be applicable to a new investment portfolio, based on acquisitions totaling c£10m, taking into account the outline financing and purchase costs as included in previous sections:



High Level Summary:

Dividends	3,470,756	Council Return; Annual Indicative	
Net Cash Surplus	13,398,736	Yr 4	366,224
Sub-Total	**16,869,492**		3.84%
Exit Proceeds	25,075,278	Yr 10	357,302
Total	**41,944,770**		3.74%
		Yr 25	436,695
Council Impact - IRR	5.43%		4.58%
Peak WOC Deficit	54,771		
Year	7		

6.3. The following information illustrates the summary financial modelling that would be applicable to a specific one-off development of NFDC land, whereby the land value (assumed £750k) forms the basis of the equity into the WOC, with the Council providing debt finance for development costs of £2.6m:



High Level Summary:

Dividends	2,309,641	Council Return; Annual Indicative	
Net Cash Surplus	4,529,075	Yr 4	122,088
Sub-Total	**6,838,716**		3.62%
Exit Proceeds	9,578,317	Yr 10	141,766
Total	**16,417,032**		4.20%
		Yr 25	167,981
Council Impact - IRR	5.93%		4.98%
Peak WOC Deficit	19,989		
Year	1		

6.4. The summary financial information provides reasonable assurance that investment in Residential Property is worthwhile, and that development opportunities should be of particular interest, due to the higher returns, and the use of land value to act as equity for the WOC, rather than cash.

6.5. The internal reserves that will be available to invest in the WOC's equity should total no more than 33% of any prospective purchase / overall cost of development. Any expansion of the portfolio beyond the point whereby internal reserves can no longer be utilized will require on-lent prudential borrowing. The cost of any borrowing will form an integral part of the financial evaluation of any purchase / development, and will only proceed if the level of financial return over the long term is appropriate.

6.6. An initial investment portfolio totaling £10m is deemed as reasonable in the balance of risk versus reward, and is sought as a supplementary estimate to the Council's budget. The indicative eventual level of revenue to be generated is estimated in excess of £350k PA. Expenditure and income budgets will be added to the budget at the appropriate time, when properties are identified and purchased.

7. CONCLUSION

7.1. This paper has sought to outline the opportunities and risks of establishing the WOC and to demonstrate that the benefits outweigh the risks over time.

7.2. The WOC can start in a relatively modest fashion, for example by developing some Council owned sites and purchasing a number of investment properties for private market lettings. The WOC can then grow at a pace that the Council is comfortable with and as market conditions and opportunities arise. Ideally a light touch governance arrangement will allow the Company to deliver effectively in the operating commercial environment.

7.3. The rationale for setting up a WOC is clearly defined and agreed. The rationale identified includes the following:

7.3.1. To create a revenue stream which will supplement the General Fund;
7.3.2. To introduce an element of 'commercialism' to service delivery;
7.3.3. To access usable reserves for internal borrowing';
7.3.4. To complement development of new affordable housing within the HRA which will continue regardless;
7.3.5. To assist in meeting the housing need in the District by offering a different housing product to that offered by the Council traditionally;
7.3.6. To establish a commercial model which may be able to be used for other service provision going into the future.

7.4. A blended ownership model commencing with relatively small scale development on NFDC owned land, supported by open market acquisitions, would provide a stable annual income source to the Council. Capital growth cannot be estimated with any certainty, but records indicate that although fluctuations happen regularly, the overall trend is one based on underlying capital appreciation over time.

7.5. The Housing Revenue Account and the Housing Revenue Account Business Plan will continue to operate alongside the WOC to deliver investment into new and existing social housing in the district. The WOC may also however be invited to deliver affordable housing in the future.

7.6. The structure and makeup of the Board is at the discretion of the Council, as the sole shareholder. It is however important that the Board members hold the necessary skills and expertise to discharge their responsibilities and run the WOC.

7.7. The Strategy details the financial and business case to support the Residential Property Asset Investment Strategy and sets out the criteria required for selecting investment properties, and an assessment of the risks.

7.8. The Strategy also provides discretion for the WOC to invest in residential property outside the District.

7.9. Accepting the outline principle and purpose of a WOC, the next steps will be to confirm the group structure, to register the WOC, prepare the business plan and documentation, and identify the first projects.