



New Forest
DISTRICT COUNCIL

Council Meeting Agenda

25 February 2019



SUMMONS

To All Members of the Council

You are hereby summoned to attend a meeting of the District Council to be held in the Council Chamber, Appletree Court, Lyndhurst on Monday, 25 February 2019, at 6.30 pm



Bob Jackson
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
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This Agenda is also available on audio tape, in Braille, large print and digital format

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AGENDA

Apologies

1. MINUTES (Pages 1 - 6)

To confirm the minutes of the meeting held on 10 December 2018 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. CHAIRMAN'S ANNOUNCEMENTS

4. LEADER'S ANNOUNCEMENTS

5. REPORT OF AUDIT COMMITTEE (Pages 7 - 32)

To consider the report of the Audit Committee dated 25 January 2019.

6. REPORT OF GENERAL PURPOSES AND LICENSING COMMITTEE

To consider the report of the General Purposes and Licensing Committee dated 25 February 2019 (to follow).

7. REPORT OF PLANNING COMMITTEE (Pages 33 - 34)

To consider the report of the Planning Committee dated 13 February 2019.

8. REPORTS OF THE CABINET (Pages 35 - 42)

To consider the reports of the Cabinet dated:

- 18 December 2018; and
- 6 February 2019

9. QUESTIONS UNDER STANDING ORDER 22

10. QUESTIONS TO PORTFOLIO HOLDERS UNDER STANDING ORDER 22A

To ask questions of Portfolio Holders. Questions received will be tabled at the meeting. (Members are reminded that questions must be submitted to the Chief Executive or to the Executive Head of Governance and Regulation by not later than noon on Friday, 22 February 2019.)

11. COUNCIL TAX 2019/20 (Pages 43 - 54)

To set the Council Tax for 2019/2020.

12. DELEGATION OF POWERS TO OFFICERS

The Council operates an extensive scheme of delegation of powers to officers in order ensure that the organisation can operate efficiently and effectively. It is necessary to update the current scheme of delegations to take account of the appointment of the new Chief Planning Officer.

RECOMMENDED:

That the Council's scheme of delegation of powers to officers, that are the responsibility of the Council, be amended to the effect that the Chief Planning Officer be delegated the same powers, throughout, as the Executive Heads.

13. MEMBERSHIP OF COMMITTEES AND PANELS

To consider any changes to the membership of Committees or Panels that might be proposed by the political groups.

14. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

Agenda Item 1

10 DECEMBER 2018

NEW FOREST DISTRICT COUNCIL

Minutes of a meeting of the New Forest District Council held in the Council Chamber, Appletree Court, Lyndhurst on Monday, 10 December 2018

* Cllr M J Kendal (Chairman)

* Cllr A T Glass (Vice-Chairman)

Councillors:

- * A R Alvey
- * Mrs D E Andrews
- * W G Andrews
- * P J Armstrong
- * G C Beck
- * Mrs S M Bennison
- * J E Binns
- * G R Blunden
- * D A Britton
- * Mrs D M Brooks
- * Mrs F Carpenter
- * Mrs L D Cerasoli
- * S J Clarke
- * Mrs J L Cleary
- * I C Coombes
- * Ms K V Crisell
- * S P Davies
- * A H G Davis
- * W H Dow
- Ms L C Ford
- * R L Frampton
- * A A Gossage
- * L E Harris
- * M R Harris
- * D Harrison
- * E J Heron
- * J D Heron
- * Mrs A J Hoare
- * Mrs M D Holding

Councillors:

- * Mrs C Hopkins
- * Mrs E L Lane
- M Langdale
- Mrs P J Lovelace
- * Mrs R Matcham
- * Mrs A E McEvoy
- * A D O'Sullivan
- J M Olliff-Cooper
- * N S Penman
- * A K Penson
- * D M S Poole
- * L R Puttock
- * B Rickman
- * W S Rippon-Swaine
- * Mrs A M Rostand
- * D J Russell
- * Miss A Sevier
- M A Steele
- M H Thierry
- * Mrs B J Thorne
- * D B Tipp
- * D N Tungate
- * A S Wade
- * Mrs C V Ward
- * J G Ward
- * M L White
- * C A Wise
- * Mrs P A Wyeth

*Present

Officers Attending:

R Jackson, Miss G O'Rourke, C Read, Mrs R Rutins, Mrs M Sandhu and Mrs K Wardle

Apologies

Cllr Ms Ford, Mrs Lovelace, Olliff-Cooper, Steele and Thierry.

44 MINUTES**RESOLVED:**

That the minutes of the meeting held on 15 October 2018 be signed by the Chairman as a correct record.

45 DECLARATIONS OF INTEREST

Cllrs Mrs Carpenter, Harrison, E J Heron, Kendal, Mrs McEvoy, Penman and White in Minute No 48 item 1 of the Report of the Cabinet dated 7 November 2018.

46 CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced with great regret the death on 23 November of Tina Harwood, a former employee of the Council, who was known to many Councillors. Tina had been employed by the Council for 29 years. Her most recent position had been Electoral Services Officer. Tina had retired on ill-health grounds earlier in the year. Her funeral was to be held on 11 December at Test Valley Crematorium.

The Chairman extended the Council's sympathies to her partner, Roger and to her family.

The Council stood as a mark of respect to Tina Harwood.

The Chairman reported that he had been busy with a number of engagements including:

- National Coastwatch Calshot Station, attended by HRH Princess Anne;
- Annual public meeting of the New Forest Disability Information Service at New Milton Community Association;
- Annual General Meeting of New Forest Mencap and Community First New Forest;
- Armistice Commemoration for Councillors and Officers at Appletree Court, attended by Veterans of the Armed Forces alongside serving soldiers from 17 Port and Maritime Regiment RLC and Lyndhurst British Legion;
- Attended the Leader of Hampshire County Council's concert to mark the centenary of the end of World War 1, held in Romsey;
- "Pack up your troubles" concert at New Milton Memorial Centre;
- Veterans' Christmas party held at the 17 Port and Maritime RLC Officers' Mess in Marchwood. The Chairman thanked all those who had been involved in organising the event;
- Starting the Santa Dash event in Lymington, attended by over 1,400 people dressed in Santa costumes, to raise funds for Oakhaven Hospice;

- Chairman's charity dinner at Beaulieu Palace. £1,400 had been raised for the Chairman's charity, Oakhaven in Totton. The Chairman thanked those who had attended and been involved in selling raffle tickets; and
- Beaulieu Estates Dinner hosted by Lord Montagu.

The Chairman also thanked Totton Town Council for raising funds for the Chairman's charity. Derek Biggs, the Town Clerk, had taken part in a sponsored one mile run and one mile swim. This had raised £384 for Oakhaven in Totton. This had been an amazing achievement.

47 LEADER'S ANNOUNCEMENTS

The Leader announced the following:

- Annual Brilliance in Business Awards 2018/19 held at Careys Manor Hotel in Brockenhurst. The awards showed the quality and diverse nature of businesses in the New Forest. Forest Foot and Health Clinic had been presented with two awards, one for "Outstanding Customer Care" and the other "Business of the Year";
- "49" had recently opened in Lymington. "49" offered space for small businesses as well as mentoring and support with the aim of helping New Forest businesses to start and to grow. The project had received a grant of £75,000 from Hampshire County Council and from the Local Enterprise Partnership;
- The Leader would show his support for Post Offices in the New Forest over the Christmas period by visiting Lymington Post Office on Thursday morning. He invited other members to join him;
- The replacement beach huts in Milford had won a further global award. This was in the Landscape Architecture category of The Architecture MasterPrize;
- The Council's Smarter Working project was progressing well. The renovation of the ground floor of the south wing at Appletree Court had been completed. The Revenue and Benefits team had moved from Lymington to Appletree Court; and
- The first Safer New Forest Conference had taken place on 7 November 2018, attended by over 200 partners. The event had been a great success.

48 REPORTS OF CABINET

Cllrs Mrs Carpenter, Harrison, E J Heron, Kendal, Mrs McEvoy, Penman and White disclosed non pecuniary interests in item 1 (Civil on street parking enforcement and transportation – agency agreements) of the report of the Cabinet dated 7 November 2018 as members of Hampshire County Council. It was noted that they had been granted dispensations which allowed them to speak and to vote on the matter. There were no recommendations on this item.

The Leader of the Council, as Chairman of the Cabinet, presented the reports of the meetings held on 7 November and 5 December 2018.

Item 2 (5 December 2018) - Homelessness Task and Finish Group – Report of the Task and Finish Group

Cllr Harrison raised the issue of the consultation Hampshire County Council had carried out which proposed a reduction in the level of support available to the homeless. This matter had been considered by the Task and Finish Group. He expressed concern regarding the proposed budget reduction and the implications for vulnerable homeless people. He sought assurance that New Forest District Council would increase the budget, with funding received from Government, in this area to make up the expected shortfall.

Item 5 (5 December 2018) New Forest District Council Property Holding Company Business Plan

Cllr Harrison expressed concern regarding the risk to the Council of setting up a Property Holding Company to purchase residential and commercial properties. Hampshire County Council and Eastleigh Borough Council had both borrowed significant sums of money for commercial investments with high risks.

Cllr M Harris, the Portfolio Holder for Finance, Local Economic Development, Property & Innovation, acknowledged that discussions had taken place regarding the borrowing of funds for commercial investment. Eastleigh Borough Council had borrowed £60 million for assets situated around the country. The proposal in relation to New Forest District, however, proposed investment only within the District area, where there was a clear economic benefit. All risks would be carefully evaluated. Cllr Harris reminded the meeting that the Property Task and Finish Group had proposed a strong set recommendations. No extreme risks would be taken and it was anticipated that a return would be made on any investments.

Item 7 (5 December 2018) – Health and Leisure Review

Cllr Tipp sought confirmation that the proposals relating to the health and leisure service did not include privatising or selling the centres. He also asked for assurances that the Council would engage with stakeholders throughout the project.

The Portfolio Holder for Leisure and Wellbeing, Cllr Binns, confirmed that following the review, a partnership arrangement was proposed rather than privatising the health and leisure services. Should a preferred partner for the operation of the centres not be found, it was likely that an arms-length company would be established. The proposals were aimed at offering the best possible services at the centres and that the service would be fit for the future. The Council would maintain the integrity of the buildings and any partner would manage staff, programming and marketing, as well as investing in the services. A Board of Directors would be responsible for monitoring the contract.

Engagement with staff representatives and customers through forums had taken place in each of the leisure centres.

Cllr Harrison expressed the view that more public consultation should have been carried out before the decisions had been taken. He considered that the proposals were a form of privatisation and that the Council would lose democratic accountability.

Cllr Clarke, Chair of the Health and Leisure Task and Finish Group, reported that the group had worked very hard at assessing the options in order to put forward a set of recommendations. After thorough examination, a partnership arrangement was considered the best option.

On the motion that the reports be received and the recommendations adopted, it was:

RESOLVED:

That the reports be received and the recommendations be adopted.

49 QUESTIONS UNDER STANDING ORDER 22

There were none.

50 QUESTIONS TO PORTFOLIO HOLDERS UNDER STANDING ORDER 22A

Question 1

From Cllr Maureen Holding to Cllr Jill Cleary, Portfolio Holder for Housing Services:

"Can the Portfolio Holder confirm that those within our community who perform an essential public service for the New Forest community, for example our wonderful fire fighters, will still be eligible for Council housing under the council's proposed new Allocation Policy?"

Answer

The Portfolio Holder reported that the draft new Allocation Policy specifically dealt with key workers, which included fire fighters. The policy gave appropriate priority to such groups when allocating Council housing. No change had been made to the Allocation Policy in relation to key worker housing.

Question 2

From Cllr David Harrison to Cllr Edward Heron, Portfolio Holder for Planning and Infrastructure:

"Where do things now stand with regard to Traffic Management arrangements in the New Forest District?"

Answer

The Portfolio Holder reported that details had been set out in the report to the Cabinet dated 7 November 2018, which had agreed to reject the proposed terms for the agency agreements for on-street parking enforcement and traffic management.

Cllr Harrison asked a supplementary question regarding the safety concerns which would arise if no agreement was reached between the District Council and Hampshire County Council. The Portfolio Holder felt that there would not be any safety implications as Hampshire County Council would resume responsibility for traffic management.

51 MEMBERSHIP OF COMMITTEES AND PANELS

There were no changes.

CHAIRMAN

REPORT OF AUDIT COMMITTEE

(Meeting held on 25 January 2019)

1. TREASURY MANAGEMENT STRATEGY 2019/20 (Minute No 37)

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. The report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

The Committee has considered the Council's Treasury Management Strategy Statement 2019/20 to 2021/22, including the Annual Treasury Management Investment Strategy for 2015/20-2021/22 (and the remainder for 2018/19) and Treasury Indicators for the same period.

Following detailed consideration by the Committee, the policies and approvals sought are:

Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three year period from 2019/20 to 2021/22. The day to day treasury management function and the limitations on activity through treasury indicators are also set out in the statement.

The report had been prepared prior to the finalisation of the Capital Programme for 2019/20 and subsequent years. Therefore the target indicators may be subject to minor variation. These indicators are targets only and minor adjustments will not be reported.

Any adjustments to the treasury management limits will be reported.

Treasury Management Investment Strategy

Treasury risk management at the Council is conducted within the framework of the CIPFA Treasury Management in Public Services: Code of Practice 2017 Edition (the CIPFA Code). This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Treasury Management investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

This strategy is shown in Annex A in Section 5.

The above policies and parameters provide an approved framework within which officers undertake the day to day treasury activities.

This strategy aims to strike a balance between allowing for current investment levels to continue, whilst also considering the Council's intention to directly invest in both commercial and residential property.

RECOMMENDED:

- (a) ***That the Treasury Management Strategy 2019/20 to 2021/22, including the Annual Treasury Management Investment Strategy for 2019/20 (and the remainder for 2018/19) and the Treasury Indicators contained within Annex A be approved;***
- (b) ***That authority be delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Resources, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield investment portfolio) and borrowing according Treasury Management Strategy Statement as appropriate.***

2. INVESTMENT STRATEGY 2019/20 (Minute No 38)

The Committee also considered an overall Investment Strategy for 2019/20, which the Council must produce to comply with statutory guidance.

The Investment Strategy incorporates all of the Council's investment activities, which consist of:

- **Treasury Management Investments** (see Item 1 above)
- **Commercial Investments**

The Treasury Management investments are explained in 1 above.

The Commercial Investments section of the Strategy brings together the accumulation of property investment strategies that have been adopted by this Council.

The Strategy considers the contribution made by these investments, the security, the risk assessment process and liquidity.

The Strategy also sets out various performance indicators, designed to assist the reader to understand the implications of the Council's investing activities on the General Fund, and the forecast yields expected from the differing investment categories.

RECOMMENDED:

That the Investment Strategy 2019/20 as set out in Annex B be approved with effect from 1 April 2019;

**CLLR A O'SULLIVAN
CHAIRMAN**

Attachments: Annex A
Annex B

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TREASURY MANAGEMENT STRATEGY 2019/20 – 2021/22

1. INTRODUCTION

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

2. EXTERNAL CONTEXT

- 2.1. The following paragraphs explain the economic and financial background against which the TMSS is being set.

2.2. Economic background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's TMSS for 2019/20.

UK Consumer Price Inflation for October was up 2.4% year-on-year, slightly below the consensus forecast and broadly in line with the Bank of England's (BoE) November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, means real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Quarter 3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Quarter 1. At 1.5%, annual Gross Domestic Product growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the

forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the BoE's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee (MPC) continues to reiterate that any further increases will be at a gradual pace and limited in extent.

2.3. Credit outlook

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

2.4. Interest rate forecast

Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The BoE's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the

possibility of a “no deal” Brexit still hangs over economic activity (at the time of writing this commentary in mid-December). As such, the risks to the interest rate forecast are considered firmly to the downside.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

3. BALANCE SHEET SUMMARY AND FORECAST

- 3.1. On 31 December 2018, the Council held £139.7m of borrowing and £88.2m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Balance Sheet Summary and Forecast	31/03/18 Actual £m	31/03/19 Estimate £m	31/03/20 Forecast £m	31/03/21 Forecast £m	31/03/22 Forecast £m
General Fund CFR	5.4	5.3	14.8	25.3	33.6
Housing Revenue Account CFR	138.6	134.5	130.4	126.3	122.2
HRA Settlement	1.9	1.9	1.9	1.9	1.9
Total CFR	145.9	141.7	147.1	153.5	157.7
Less: External borrowing *	(139.8)	(135.5)	(131.2)	(126.9)	(122.6)
Internal (over) borrowing	6.1	6.2	15.9	26.6	35.1
Less: GF Usable reserves	(24.6)	(28.9)	(24.9)	(19.1)	(16.9)
Less: HRA Usable reserves	(29.0)	(23.1)	(15.9)	(10.1)	(2.9)
Less: Working capital	(15.7)	(15.7)	(15.7)	(15.7)	(15.7)
Resources for investments	(69.3)	(67.7)	(56.5)	(44.9)	(35.5)
New borrowing (or investments)	(63.2)	(61.5)	(40.6)	(18.3)	(0.4)

* shows only loans to which the Council is committed and excludes optional refinancing

- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.1. The CFR is showing an increase over the period as the Council looks to roll out its commercial and residential investment strategies. At the appropriate time, the Council will consult with its treasury advisors on how best to service any borrowing requirements, including the possibility of renewing maturing loans on the HRA. The level of

usable HRA reserves is set to decrease over the period as the Council works towards achieving its latest acquisition and development strategy, as well as continuing with principal repayments on the settlement loan.

- 3.2. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2019/10.

4. BORROWING STRATEGY

- 4.1. The Council currently holds £139.7m of loans, a decrease of £4.3m on the previous year, as a result of the HRA refinancing in 2012. The balance sheet forecast in Table 1 shows that the Council does not expect to need to borrow in 2019/20. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £201.6 million.

4.2. Objectives

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.3. Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, if the Council does not need to borrow, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By internally borrowing, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

4.4. Sources of borrowing

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Hampshire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.5. Other sources of debt finance

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.6. Short-term and variable rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises, which is monitored through the indicator on interest rate exposure in the treasury management indicators below.

4.7. Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. TREASURY MANAGEMENT INVESTMENT STRATEGY

5.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £60.8m and £100.6m.

5.2. Objectives

Both the CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3. Negative interest rates

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4. Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for the estimated £40m that is available for longer-term investment. Approximately 59% of the Council's surplus cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, pooled property, equity and multi-asset funds, registered providers, corporate bonds and secured bank bonds. Whilst the remaining cash is subject to bail-in risk, 59% of this balance is held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in, 33% is held in certificates of deposit which can be sold on the secondary market, and 8% is held in overnight call accounts with banks to allow for liquidity. This diversification will represent a continuation of the new strategy adopted in 2015/16.

The Council has invested in further high yield investments by increasing its investments in pooled property and pooled equity funds, and by investing in pooled multi-asset funds.

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

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

Table 2: High yield investments capital value	Principal invested £m	Market value 30/11/2018 £m	Capital yield (per annum) %
Pooled Property Funds	7.6	7.7	0.61
Pooled Equity Funds	3.0	3.1	(0.30)
Pooled Multi Asset Funds	2.0	1.9	(2.48)
Total	12.6	12.7	(0.10)

As shown in Appendix B, without this allocation the weighted average return of the Council's cash investments would have been 0.92%; the allocation to high yielding investments has added 0.53% (£0.5m based on the cash balance at 31 December 2018) to the average interest rate earned by the remainder of the portfolio.

5.5. Investment limits

The maximum that will be lent/invested to/with any one organisation (other than the UK Government) will be £12 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, and investments in pooled funds, as they would not count against a limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment limits	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£12m per manager
Registered providers and registered social landlords	£10m in total
Money Market Funds	£50% in total
Real estate investment trusts	£12m in total

5.6. Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved investment counterparties and limits						
Credit rating	Banks		Government	Corporates	Registered Providers	
	Unsecured	Secured			Unsecured	Secured
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£12m 50 years	£6m 20 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years	£6m 10 years
AA-	£6m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years	£6m 10 years
A+	£6m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years	£6m 5 years
None	£1m 6 months	n/a	£12m 25 years	n/a	£6m 5 years	£6m 25 years
Pooled funds and real estate investment trusts	£12m per fund					

This table must be read in conjunction with the notes below

5.7. Credit rating

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.8. Banks unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral

development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.9. Banks secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.10. Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

5.11. Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

5.12. Registered providers

Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.13. Pooled funds

Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose

value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.14. Real estate investment trusts (REITs)

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.15. Risk assessment and credit ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.16. Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the

Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.17. Liquidity management

The Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Council's medium term financial position (summarised in Table 1) and forecast short-term balances.

6. TREASURY MANAGEMENT INDICATORS

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

6.2. Interest rate exposures

The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates.

Table 5: Interest rate risk indicator	31 December 2018	Impact of +/-1% interest rate change
Sums subject to variable interest rates		
Investment	£69.2m	+/-£0.7m
Borrowing	(£0.0m)	+/-£0.0m

6.3. Maturity structure of borrowing

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

Table 6: Refinancing rate risk indicator	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.4. Principal sums invested for periods longer than a year

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

Table 7: Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond a year	£40m	£40m	£40m

7. RELATED MATTERS

7.1. The CIPFA Code requires the Council to include the following in its TMSS.

7.2. Financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will

not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.3. Housing Revenue Account

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the average % Local Authority 7 day rate.

7.4. Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the s151 Officer believes this is the most appropriate status.

Appendix A – Arlingclose Economic & Interest Rate Forecast October 2018

Underlying assumptions:

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- Our projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise and cuts are required.
- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case is for Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.65
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.68
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.69
5-yr gilt yield														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.55
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment & Debt Portfolio Position

Investment Position (Treasury Investments)

Investments	30/09/2018 Balance £m	Movement £m	31/12/2018 Balance £m	31/12/2018 Rate %	31/12/2018 WAM* years
Short term Investments					
Banks and Building Societies:					
- Unsecured	13.9	1.1	15.0	0.84	0.15
- Secured	5.5	2.7	8.2	1.11	0.23
Money Market Funds	6.3	13.2	19.5	0.73	0.01
Cash Plus Funds	2.0	0.0	2.0	0.53	n/a
Local Authorities	13.0	-2.5	10.5	0.83	0.46
Corporate Bonds	7.1	-7.1	0.0	0	0
Registered Providers	4.0	0.0	4.0	1.25	0.1
	51.8	7.4	59.2	0.86	0.17
Long term investments					
Banks and Building Societies:					
- Secured	8.0	2.0	10.0	1.09	2.12
Local Authorities	6.0	0.0	6.0	1.25	1.92
	14.0	2.0	16.0	1.15	2.05
High yield investments					
Pooled Property Funds**	6.6	1.1	7.6	4.19	n/a
Pooled Equity Funds**	3.0	0.0	3.0	5.36	n/a
Pooled Multi-Asset Funds**	2.0	0.3	2.3	4.68	n/a
	11.6	1.4	12.9	4.55	n/a
TOTAL INVESTMENTS	77.4	10.8	88.2	1.45	0.56

* Weighted average maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 31 December 2018.

Treasury Management Position

	31/12/2018 Balance £m	31/12/2018 Rate %
External Borrowing		
PWLB	(139.7)	(3.17)
Investments		
Total Investments	88.2	1.45
Net Debt	(51.5)	

Investment Strategy 2019/20

1.0 Introduction

The Authority invests its money for two broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and predominately focuses on the second of these categories.

2.0 Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments fluctuate and in the past 12 months, the Council's investment balance has ranged between £60.8m and £100.6m.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document; the Treasury Management Strategy.

3.0 Commercial Investments: Property

Contribution: The Council invests in commercial and residential property with the intention of making a profit that will be spent on local public services. The Council has established a £30m fund for the purposes of investment in commercial property, and a £10m fund exists for investment in residential property. Both funds have been established with the primary intention of generating a profit.

The Council can own commercial property directly, and is establishing a wholly owned group of companies for the purposes of investment in residential property. The Council intends to make equity investments into the group of companies and issue loans, on which the Council will receive interest payments. Both strategies also have socio-economic benefits, such as

stimulation of local economies through investment in commercial premises and growth in the supply of housing throughout the District.

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. Three out of the four investment properties owned by this Council as at 31/03/18 have been in the Council's ownership for well over a decade. The latest acquisition was completed in December 2017 and the first annual valuation of this asset will be undertaken and included in the 2018/19 annual financial report.

The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans in £millions

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0.000	0.000	0.000	10.000
TOTAL	0.000	0.000	0.000	10.000

Table 2: Shares in £millions

Category of company	31.3.2018 actual			2019/20
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	0	0	0	4.000
TOTAL	0	0	0	4.000

The figures as included in tables 1 and 2 above are in relation to the wholly owned group of housing companies. The total initial investment, made up of debt and equity is to total £10m. The mix of debt and equity will be fluid, and so for the purposes of setting individual limits, the potential maximum in each instance has been shown, hence equating to more than £10m.

Table 3: Property held for investment purposes in £millions

Property	31.3.17	31.3.2018 actual	
	Value in Accounts	Gains or (losses)	Value in accounts
Hardley Industrial Site	2.250	0.043	2.293
Saxon Inn Calmore	0.183	-	0.183
Meeting House Lane	0.100	0.019	0.119
New Milton Health Centre	n/a	n/a	2.100
TOTAL	2.533	0.062	4.695

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments. Market research is undertaken regularly, and potential opportunities objectively evaluated by the in-house estates team, utilising external expertise as and when necessary.

The Authority assesses the risk of loss before entering into and whilst holding loans through regular communication via the board of directors and the Council. The board has the freedom to engage with specialist consultants as and when required. Purchases of properties and development opportunities are only completed once a full business case has been prepared and signed off by the board, or by the Council if above delegated financial parameters.

Liquidity: Compared with other investment types, property can be relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The Council will ensure to keep suitable minimum cash balances available, for example to repay capital borrowed.

4.0 Proportionality

The Council is expecting profit generating investment activity to assist in achieving a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council will continually review and evaluate its services, and their delivery models, ensuring the most efficient service is provided to the residents of the New Forest. Prudent use of reserves can also be considered as a suitable contingency plan for continuing to provide these services in the short term.

Table 4: Proportionality of non-treasury Investments

	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gross service expenditure	39,535	40,953	41,230	41,230	41,230
Investment income	177	216	356	506	756
Proportion	0.4%	0.5%	0.9%	1.2%	1.8%

5.0 Capacity, Skills and Culture

Elected members and statutory officers:

Commercial Property investments are made pursuant to the Asset Investment Strategy approved by the Council in 2017. An experienced team formed from the Council's finance, estates and valuation and legal departments prepare initial assessments and recommendations concerning suitable properties. Prior to entry into a bidding process, approval must be secured from the Portfolio Holder: Finance, the Executive Director Governance and Regulation and the s151 Officer. Prior to entry into binding legal agreements, final approval must be secured from the Chief Executive, the Executive Director Governance and Regulation and the s151 Officer in consultation with the Portfolio Holder: Finance and the Chairman of the Corporate Overview and Scrutiny Panel for transactions up to £5M, and the approval of Cabinet for transactions above £5M. This detailed process of scrutiny and decision making by key senior officers and members ensures the strategic objectives, risk profiles and overall risk exposure for the Council are considered and fully understood.

Commercial deals:

The Cabinet report dated 20th February 2017 is clear (at para 3.8) the Council will take a prudent approach to the management of financial risk and the assessment of possible investments. The criteria for selecting investment assets set out in the Asset Investment Strategy and the steps for selecting assets set out above accord with prudent investment principles and the key decision makers, including the S151 Officer, are involved in the process to ensure compliance.

Corporate governance:

The Asset Investment Strategy makes express reference (at para 2.1) to the Council's Corporate Plan 2016 – 2020 and was prepared in the context of seeking to deliver on those priorities. The process for selecting assets is set out above to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.

6.0 Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	11.0	13.5	13.5
Service investments: Loans	0.0	0.0	1.6
Service investments: Shares	0.0	0.0	0.4
Commercial investments: Property	4.7	4.7	14.7
TOTAL INVESTMENTS	15.7	18.2	30.2
Commitments to lend	-	-	-
Guarantees issued on loans	-	-	-
TOTAL EXPOSURE	15.7	18.2	30.2

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments can be described as being funded by (internal) borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Property investments: Loans	0.0	0.0	1.6
Commercial investments: Property	1.7	1.7	9.7
TOTAL FUNDED BY BORROWING	1.7	1.7	11.3

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	1.37%	1.50%	1.75%
Property investments: Loans	0.00%	0.00%	5.25%
Property investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property	6.99%	4.60%	6.18%

REPORT OF PLANNING COMMITTEE

(Meeting held on 13 February 2019)

1. **AUTHORITY TO PROCEED WITH AND INDEMNIFY IN RELATION TO A LEGAL ACTION (MINUTE NO 38)**

The Planning Committee considered a confidential report which set out the options available to safeguard the Council's position following the issue, in error, of a planning permission, under delegated powers, when the Council's scheme dictated that the application should have been referred to the Planning Committee for determination.

The Committee was advised that the applicant and owner of the site had declined to enter into a Unilateral Undertaking to the effect that the permission issued in error would not be implemented. The only other course of action open to the Council was to institute a judicial review, the effect of which would be to quash the permission.

RECOMMENDED:

- (a) *That a claim for judicial review be brought, with Councillor W G Andrews as Claimant, effectively on the Council's behalf; and*
- (b) *That Councillor W G Andrews be indemnified in respect of any costs order that might be made against him.*

**COUNCILLOR P J ARMSTRONG
VICE-CHAIRMAN**

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REPORT OF CABINET

(Meeting held on 18 December 2018)

1. NEW FOREST DISTRICT COUNCIL FINAL AIR QUALITY PLAN (MINUTE NO 65)

The Cabinet has approved the Air Quality Final Plan for New Forest District Council (December 2018), as attached as Annex A to Report Item 4 to the Cabinet, and its supporting appendices, for submission to the Secretary of State.

The Portfolio Holder commended the Final Air Quality Plan to the Cabinet for approval. The Plan is the result of extensive research and work by the officers, in collaboration with Southampton City Council and the Joint Air Quality Unit. In response to the Ministerial Direction to address air quality along the A35 leading to the boundary with Southampton, this Council had submitted the draft Business Case to Government by the deadline in April and has prepared the Final Plan under budget and to time.

An extensive amount of work has been carried out locally allowing local air quality modelling to be carried out using local data and conditions, including information from real-time air quality monitors at key locations. A combination of factors including traffic movements being fewer than assumed in the national modelling exercise; traffic being more free flowing along the A35 than predicted; and improvements in emission performance of both HGVs and cars/vans mean that the target area in this District will meet the required EU Air Quality Directive by 2019. As no additional measures have been identified that could bring compliance forward, no further action is therefore required. The National Joint Air Quality Unit has therefore indicated that a “business as usual” approach locally is acceptable.

Members welcomed the proposal that, although the required standards would be met without further action, air quality should remain a high priority and a further programme of work carried out for the future. This will include:

- Monitoring of nitrogen dioxide levels on the roadside of the A35 in the New Forest using real-time monitors to ensure that standards are met and that forthcoming development does not cause exceedances of prescribed levels.
- Continued partnership working with:
 - Southampton City Council (producing their Final Plan in January 2019)
 - Hampshire County Council (transport and public health)
 - Local businesses / residents
 - Regional groups
- Research into any funding streams available to this Council
- The production of an Air Quality Strategy for the New Forest as part of the overarching Environmental Strategy.

The Council is taking a proactive approach to the issue, looking at the emission performance of its own fleet of vehicles, and also investigating the installation of additional electric vehicle charging points in Council car parks. Homeworking and encouraging the use of cycling by staff will also contribute.

Members thanked the officers for their hard work to progress this issue.

**COUNCILLOR B RICKMAN
CHAIRMAN**

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REPORT OF CABINET
(Meeting held on 6 February 2019)

1. REVIEW OF SERVICE CHARGES (MINUTE NO 70)

The Cabinet is recommending changes to the service charges for tenants of extra-care, hostel and age restricted accommodation. This follows a fundamental review of the charges which had last been subject to a proper review in 2004, with increases to cover inflation having been made since that time. The charges are for both general services (utilities for the building, internal and external cleaning and grounds maintenance etc.) and domestic services (heating, lighting and water to individual dwellings, but not separately metered). The service charges apply to some 640 tenanted properties.

The remodelling of former social housing schemes has removed communal and shared facilities and it is no longer appropriate to levy service charges for these services. It is proposed that while the extra-care schemes and hostels will have standardised general service charges for that type of accommodation, elsewhere the charges will be calculated on a site-by-site bases. Charges will also be introduced for the former wardens' accommodation at decommissioned sheltered schemes.

The proposed charges for 2019/20 are attached as Appendix 1 to the report. In summary, for the extra-care and age restricted accommodation 65% of households will see a reduction in charge; 1% subject to charge for the first time; 15% an increase of less than £2 per week; and 19% an increase of more than £2 per week. Where the increase is more than £2 per week, the increase will be phased in over a period of up to 3 years, increasing at £2 per week each year. For the licensed hostels and general needs accommodation 45% of households will see no change or a decrease in charge; 44% an increase of less than £2 per week and 11% an increase of more than £2 per week, with the same phasing arrangements as for sheltered accommodation.

The Housing Tenant's Involvement Group had been consulted, starting in the summer of 2017. Their final response is that the review has been carried out thoroughly and they support the changes being made, which will make the charges fairer.

RECOMMENDED:

That the service charges set out in Appendix 1 to Report Item 4 to the Cabinet be introduced in accordance with the timescales set out in Section 3 of Report item 4 to the Cabinet.

2. MEMBERS' ALLOWANCES - SCHEME TO APPLY FROM 1 APRIL 2019 (MINUTE NO 71)

The Cabinet is recommending that the scheme of members' allowances to apply from 1 April 2019 should remain unchanged.

RECOMMENDED:

That the current scheme of members' allowances be made as the scheme to apply from 1 April 2019.

3. COMMUNITY GRANTS (MINUTE NO 72)

The Cabinet is recommending approval of various grants, following their consideration of the recommendations of the Community and Leisure Overview and Scrutiny Panel in respect of the applications that were received for grant aid in 2019/20. All applications for community grants were considered by the Community Grants Task and Finish Group, while the Citizens Advice Bureau (CANF) had held separate discussions with the CANF Task and Finish Group.

With respect to CANF it is proposed to enter into a 3 year rolling funding arrangement starting on 1 April 2019. Although the funding available is being reduced, to reflect the financial constraints that apply to this Council, CANF will in future benefit from much greater financial certainty, allowing them to plan on a sounder basis. The proposed 3 year schedule of payments is set out in paragraph 3.3 of the Report item 6 to the Cabinet.

For the first time a budget has been set for the payment of grants at £100,000 for capital grants and £350,000 for revenue grants. In recognition of the difficulties that 2 of the applicants would face following the expiration of Service Level Agreements with this Council, some additional funding has however been made available to allow a transitional period for the Hampshire and Isle of Wight Wildlife Trust and the New Forest Centre. The recommended payments are set out in paragraph 4.1 of Report Item 6 to the Cabinet, with further information, including the reasons for each recommendation, set out in Appendix 1.

The Cabinet welcomed the careful consideration that had been given to each application and the greater transparency that the newly introduced processes provide. Members also thanked the Task and Finish Group for their hard work to develop these recommendations that allow support to continue to be given to various organisations that contribute so significantly to the quality of life of local residents.

RECOMMENDED:

- (a) That the community grant awards as set out in paragraph 4.1 to Report Item 6 to the Cabinet, and in more detail in Appendix 1 to that report, be approved for inclusion in the Medium Term Financial Plan;***
- (b) That Citizens' Advice New Forest (CANF) be awarded a revenue grant of £229,500 in 2019/20; and***
- (c) That, in future, grant awardees be invited to a second interview with the Community Grants Task and Finish Group in July to update the Council on progress with their projects and also to be advised of alternative sources of funding should they be considering further grant applications to the Council.***

4. **RELOCATION OF CCTV CONTROL ROOM (MINUTE NO 73)**

The Cabinet has approved additional funding of £90,000 to meet the cost of relocating the CCTV Control Room. The 2018/19 budget includes £121,000 for the relocation of the CCTV control room but the use of the identified space has now been maximised to also include the customer services centre, with the design including a flexible space that will be used as an incident management room to support a civil contingencies or business continuity emergency. This space is self-contained with appropriate welfare facilities and external access to support out of hours working and incident co-ordination without affecting the rest of the building.

The expansion of the use of the space has increased the cost of the design by approximately £90,000. These costs will be incurred in 2018/19, but will be met through the opportunities the relocation creates for more efficient ways of working (estimated at £45,000 per annum from 2019/20). It also supports the smarter working initiative by freeing up space for a work café on the first floor where the customer services team is currently located.

5. **CAPITAL STRATEGY 2019/20 (MINUTE NO 74)**

The Cabinet is recommending approval of the Capital Strategy for 2019/20. This sets out how capital expenditure, capital financing and treasury management come together, with an overview of current activities and the implications for future financial sustainability. The proposed Strategy is attached as an Appendix to Report Item 8 to the Cabinet.

In addition, the Council is required to approve a Minimum Revenue Position Statement in advance of each financial year. The proposed statement is:

“For capital expenditure that has been incurred, and which has given rise to a Capital Financing Requirement, the Minimum Revenue Position policy for expenditure other than that incurred on investment property, shall be to charge revenue an amount equal to the depreciation of any asset financed by loan. The Minimum Revenue Position policy specific to investment properties financed by loan, shall be to charge revenue an amount equivalent to the sum of borrowing utilised, over a repayment period of 50 years.”

RECOMMENDED:

That the Capital Strategy 2019/20, with effect from 1/4/19, as set out in the Appendix to Report Item 8 to the Cabinet, be approved including the adoption of the Minimum Revenue Position Statement, as set out above.

6. **HOUSING REVENUE ACCOUNT BUDGET AND HOUSING PUBLIC SECTOR CAPITAL EXPENDITURE PROGRAMME 2019/20 (MINUTE NO 75)**

The Cabinet is recommending that the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, and a proposed Housing Public Sector Capital Programme for 2019/20 – 2021/22 are approved. Members recalled that a review of service charges to be applied had been considered separately under Report Item 4 on the agenda.

This is the final year of the required reduction of 1% in housing rents and it is anticipated that, in the following 5 year period, increases of CPI + 1% will be allowed. The average weekly rent for 2019/20 will be £97.93.

It is proposed that garage rents will be increased by 40 pence per week (4%), plus VAT where applicable. Rents had remained unchanged since April 2014.

The estimated income within the Housing Revenue Account is set out in Section 3 of the report, with the proposed expenditure set out in Section 4. This includes details of any changes within the funding and expenditure streams. The proposals represent a balanced budget with no change to the reserve balance, which will be retained at £1 million, as set out in Section 5 of the report. The HRA Account budget is set out in Appendix 1 to Report Item 9 to the Cabinet.

The proposed maintenance programme for 2019/20, amounting to £8.095 million, together with indicative proposals for the following 4 years, is set out in Appendix 2 to Report Item 9 to the Cabinet.

The proposed Capital Programme is set out in Section 6 and Appendix 3 to Report Item 9 to the Cabinet. The capital expenditure programme totals £19.415 million and will be met from revenue, capital receipts, the acquisitions and development reserve and government grant. The Council's new Housing Strategy seeks to provide 600 new affordable homes during the period 2018-2026 and the Council is in a sound financial position to deliver this objective.

The Tenants' Involvement Group has recognised that this represents a well-managed budget with a focus on making improvements for all tenants.

The Cabinet has approved the proposed planned maintenance and improvement works programme for 2019/20 – 2023/24, as set out in Appendix 2 to Report Item 9 to the Cabinet.

RECOMMENDED:

- (a) That the HRA budget, as set out in Appendix 1 to Report item 9 to the Cabinet, be agreed;**
- (b) That with effect from 01 April 2019, a reduction in rents of 1% from the 2018/19 weekly rent level, in accordance with Government requirements, be agreed;**
- (c) That with effect from 01 April 2019, an increase of 40 pence per week (plus VAT where applicable) in garage rents be agreed; and**
- (d) That a Housing Capital Programme to 2021/22, as set out in Appendix 3 to Report Item 9 to the Cabinet, be agreed.**

7. MEDIUM TERM FINANCIAL PLAN AND ANNUAL BUDGET 2019/20 (MINUTE NO 76)

The Council's budget has been developed in accordance with the financial strategy for 2019/20, as set out in paragraphs 3.1 and 3.2 of Report Item 10 to the Cabinet and is recommended to the Council for approval.

The Medium Term Financial Plan has been updated in the light of confirmation of the provisional financial settlement from government and updated business rates retention forecasts, together with other factors, as set out in paragraphs 4.2 and 4.3 of the report, with the updated resources summary and budget requirements set out in Appendices 1 and 2 to the report. The provisional financial settlement has now been confirmed, unchanged. Overall the changes are of benefit to this Council. Together with the effect of existing prudent financial planning, this will allow the Council to finance the ICT strategy directly from the General Fund in 2019/20 and still make a contribution to the budget equalisation reserve. In turn, this strong financial position in 2019/20 will enable a balanced budget over the entire medium term covered by the report, as set out in more detail in Appendix 3 to the report.

The planned use of and contributions to reserves are set out paragraph 4.8 of the report. The General Fund net budget requirement for 2019/20 is £17.493 million, as set out in Appendices 5 (a) and 5 (b) to the report, which is an increase of £250,000 against the 2018/19 budget requirement. Savings and improved income generation of £2.28 million have been used to absorb pay and price increases across the portfolios totalling £1.009 million and also to contribute towards meeting the cost of new requirements of £1.359 million.

It is proposed that the Band D Council Tax for 2019/20 will be £173.36, an increase of £5 (2.97%) from 2018/19, with the cost to be met by council taxpayers being £12,321,458.

There is still uncertainty about the Council's financial position, over the medium term, as a result of the potential effects of the Fair Funding Review and the final design of the 75% business rate retention scheme. The Council will continue to plan its budgets on a prudent basis using the latest known information. This proactive approach has allowed a balanced budget to be developed for each year to 2022/23 and will support financial stability in the longer term.

A number of pay reviews will be undertaken during 2019/20 to seek to address current problems with recruitment and retention, caused in part by pay restraints between 2010 and 2018. As a result of the potential effect of these reviews an additional sum of £100,000 has been included in the 2019/20 budget, in addition to the allowance for the agreed 2% pay increase, to meet the cost.

The proposed General Fund Capital Programme for 2019/20 totals £8.504 million, with details set out in Appendix 6 to the report. This includes funding for the further introduction of "Smarter Working" and also the potential development of a new Council depot on council-owned land at Hardley Industrial Estate.

It is proposed to increase the fees and charges in respect of the Stillwater Park by 3.3% in line with the September RPI inflation rate.

The comments of committees and the overview and scrutiny panels are set out in Section 8 of the report, together with the Portfolio Holder's comments in paragraph 12.1. The proposed response to the Budget Task and Finish Group's recommendations is set out in paragraph 12.2 of the report, and has been welcomed by the Chairman of the Task and Finish Group, who considers that they address all the questions raised.

The Cabinet has approved the release of a second £500,000 from the Smarter Working budget to enable further transformation of accommodation conducive to the Smarter Working standard.

RECOMMENDED:

- (a) That there is a General Fund Net Budget Requirement in 2019/20 of £17,492,790 as set out in Appendix 5 to Report Item 10 to the Cabinet, including the transfers to and from reserves, as outlined in Appendix 5 (d) of the Report;***
- (b) That the Band D Council Tax for 2019/20 shall be £173.36; and***
- (c) That the General Fund Capital Programme for 2019/20 of £8.504 million, as set out in Appendix 6 to Report Item 10 to the Cabinet, be approved.***
- (d) That the site licence fees and service charges at Stillwater Park be increased by 3.3% in line with RPI inflation;***

**COUNCILLOR B RICKMAN
CHAIRMAN**

COUNCIL – 25 FEBRUARY 2019

COUNCIL TAX 2019/20

1. INTRODUCTION

- 1.1 Members are required to calculate and set the Council Tax for 2019/20.
- 1.2 The level of tax is determined by the spending needs of this Council, Hampshire County Council, the Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and the Town and Parish Councils. Although the District Council has no control over the expenditure of the other organisations, it has to ensure that the Council Tax is set at the right level to meet the combined budgets.
- 1.3 Members will have considered earlier in this agenda the recommended General Fund revenue budget for 2019/20, which is outlined in Section 3 below. Any changes made at that stage could change the Council Tax figures shown in this report.
- 1.4 The recommended Council Tax for every District Council area is shown in paragraph 10.5 of this report.
- 1.5 Appendix 1 attached to this report supplements the prescribed layout of the recommendations by showing how the figures used in paragraph 10.3 have been arrived at.

2. THE 2019/20 COUNCIL TAX BILL

- 2.1 This report recommends a Council Tax level of £1,765.32 for 2019/20. This is an average figure based on a band 'D' property and is an increase of £71.54 (4.22%) over the equivalent figure for 2018/19.
- 2.2 Each dwelling falls into one of eight valuation bands (A to H) for tax purposes. More details are given in Appendix 2.
- 2.3 The tax level is based upon the 2019/20 budgets of all precepting authorities in this area. The District, County Council, Police and Crime Commissioner and Fire and Rescue Authority elements of the total tax bill are the same throughout the area but the Town/Parish Councils each determine their own tax levels. There are 8 bands of Council Tax for each of the 37 Town/Parish areas, giving 296 separate tax figures.

- 2.4 If the recommendations in this report are accepted there will be a range of Band D Council Tax levies from £1,679.40 to £1,808.23. The average figures are as follows :-

	2018/19	2019/20	INCREASE	
	AVERAGE £	AVERAGE £	£	%
New Forest District Council	168.36	173.36	5.00	2.97
Hampshire County Council	1,200.96	1,236.87	35.91	2.99
Police and Crime Commissioner for Hampshire	177.46	201.46	24.00	13.52
Hampshire Fire and Rescue Authority	65.74	67.71	1.97	3.00
	1,612.52	1,679.40	66.88	4.15
Parish/Town Councils	81.26	85.92	4.66	5.73
	1,693.78	1,765.32	71.54	4.22

- 2.5 The proposed 2019/20 Council Tax for all areas is shown in paragraph 10.5 of this report.
- 2.6 There is a discount of 25% where only one adult lives in a dwelling, reductions for disabled persons whose homes have certain facilities, and a Council Tax Reduction scheme for persons with low incomes.
- 2.7 Council Tax bills can be payable by instalments from 1 April. The date of the first instalment only may have to be delayed slightly to ensure that there is a statutory period of 14 days between the date the bills are issued and the date the first payment becomes due.
- 2.8 The council tax leaflet will be provided in electronic form this year but a paper version of the leaflet will be provided on request.

3. NEW FOREST DISTRICT COUNCIL

- 3.1 The proposed 2019/20 General Fund budget requirement, elsewhere on this agenda, totals £17,492,790. After deducting retained Business Rates, Government support and collection fund adjustments of £5,171,330, the District Council needs to raise £12,321,460 through Council Tax. This would require a District Council Tax of £173.36 for a Band D property, which means there is an increase of £5.00 (2.97%) over the equivalent figure for 2018/19.

4. HAMPSHIRE COUNTY COUNCIL

- 4.1 Hampshire County Council met on the 14 February 2019 and set its precept upon this Council at £87,909,793. This results in a Band D Council Tax of £1,236.87, which represents an increase of £35.91 (2.99%) over the equivalent 2018/19 figure.

5. POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AUTHORITY

- 5.1 The Police and Crime Commissioner for Hampshire set a precept of £14,318,648 upon this Council. This results in a Band D Council Tax of £201.46, which represents an increase of £24.00 (13.52%) over the equivalent 2018/19 figure.

6. HAMPSHIRE FIRE AND RESCUE AUTHORITY

- 6.1 Hampshire Fire and Rescue Authority met on the 20 February 2019 and set its precept upon this Council at £4,812,448. This results in a Band D Council Tax of £67.71, which represents an increase of £1.97 (3.00%) over the equivalent 2018/19 figure.

7. TOWN AND PARISH COUNCILS

- 7.1 The Town and Parish Council precepts (Council Tax Requirements) for 2019/20 are detailed in Appendix 3 and total £6,106,454. This is an increase of £368,004 from 2018/19 and results in an average Band D Council Tax for 2019/20 of £85.92, an increase of £4.66 (5.73%) from 2018/19.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 There are no crime and disorder implications arising directly from this report.

9. ENVIRONMENTAL IMPLICATIONS

- 9.1 There are no environmental implications arising directly from this report.

10. RECOMMENDATIONS

The Council is recommended to resolve:

- 10.1 That it be noted that on 10 December 2018 the Council calculated the Council Tax Base for the year 2019/20:

- (a) for the whole Council area as 71,074.40 [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended (the "Act")]; and
 - (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix 3.
- 10.2 To calculate that the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish Precepts) is £12,321,460.
- 10.3 That the following amounts be calculated for the year 2019/20 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 as amended by the Localism Act 2011: -
- (a) £140,057,764 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £121,629,850 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £18,427,914 being the amount by which the aggregate at 10.3(a) above exceeds the aggregate at 10.3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act).
 - (d) £259.28 being the amount at 10.3(c) above (Item R), all divided by the Council Tax Base, Item T (10.1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
 - (e) £6,106,454 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix 4).
 - (f) £173.36 being the amount at 10.3(d) above less the result given by dividing the amount at 10.3(e) above by Item T (10.1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year specifically for the District Council. There are no non-parished areas.

(g)

LOCAL COUNCIL AREA	£
ASHURST & COLBURY	212.75
BEAULIEU	188.88
BOLDRE	199.33
BRAMSHAW	194.51
BRANSGORE	231.18
BREAMORE	201.09
BROCKENHURST	215.85
BURLEY	190.36
COPYTHORNE	190.59
DAMERHAM	211.30
DENNY LODGE	209.14
EAST BOLDRE	213.05
ELLINGHAM HARBRIDGE & IBSLEY	204.76
EXBURY & LEPE	173.36
FAWLEY	294.49
FORDINGBRIDGE	274.57
GODSHILL	219.57
HALE	219.84
HORDLE	218.77
HYDE	192.71
HYTHE & DIBDEN	274.89
LYMINGTON & PENNINGTON	278.84
LYNDHURST	235.02
MARCHWOOD	290.08
MARTIN	210.31
MILFORD-ON-SEA	211.85
MINSTEAD	201.37
NETLEY MARSH	195.53
NEW MILTON	268.20
RINGWOOD	267.50
ROCKBOURNE	248.84
SANDLEHEATH	201.81
SOPLEY	235.33
SWAY	212.21
TOTTON & ELING	302.19
WHITSBURY	191.01
WOODGREEN	204.74

being the amounts given by adding to the amount at 10.3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 10.1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) These are the District plus Town/Parish Council elements only.
See below and page 8 for the full amounts of Council Tax.

LOCAL COUNCIL AREA	A £	B £	C £	D £	E £	F £	G £	H £
ASHURST & COLBURY	141.83	165.48	189.10	212.75	260.02	307.31	354.58	425.50
BEAULIEU	125.92	146.91	167.89	188.88	230.85	272.83	314.80	377.76
BOLDRE	132.88	155.04	177.17	199.33	243.62	287.92	332.21	398.66
BRAMSHAW	129.67	151.29	172.89	194.51	237.73	280.96	324.18	389.02
BRANSGORE	154.12	179.81	205.49	231.18	282.55	333.93	385.30	462.36
BREAMORE	134.06	156.41	178.74	201.09	245.77	290.46	335.15	402.18
BROCKENHURST	143.90	167.89	191.86	215.85	263.81	311.78	359.75	431.70
BURLEY	126.90	148.06	169.20	190.36	232.66	274.97	317.26	380.72
COPYTHORNE	127.06	148.24	169.41	190.59	232.94	275.30	317.65	381.18
DAMERHAM	140.86	164.35	187.81	211.30	258.25	305.21	352.16	422.60
DENNY LODGE	139.42	162.67	185.89	209.14	255.61	302.09	348.56	418.28
EAST BOLDRE	142.03	165.71	189.37	213.05	260.39	307.74	355.08	426.10
ELLINGHAM HARBRIDGE & IBSLEY	136.50	159.26	182.00	204.76	250.26	295.77	341.26	409.52
EXBURY & LEPE	115.57	134.84	154.09	173.36	211.88	250.41	288.93	346.72
FAWLEY	196.32	229.05	261.76	294.49	359.93	425.38	490.81	588.98
FORDINGBRIDGE	183.04	213.56	244.05	274.57	335.58	396.60	457.61	549.14
GODSHILL	146.38	170.78	195.17	219.57	268.36	317.16	365.95	439.14
HALE	146.56	170.99	195.41	219.84	268.69	317.55	366.40	439.68
HORDLE	145.84	170.16	194.45	218.77	267.38	316.00	364.61	437.54
HYDE	128.47	149.89	171.29	192.71	235.53	278.36	321.18	385.42
HYPHE & DIBDEN	183.26	213.81	244.34	274.89	335.97	397.06	458.15	549.78
LYMINGTON & PENNINGTON	185.89	216.88	247.85	278.84	340.80	402.77	464.73	557.68
LYNDHURST	156.68	182.80	208.90	235.02	287.24	339.47	391.70	470.04
MARCHWOOD	193.38	225.62	257.84	290.08	354.54	419.01	483.46	580.16
MARTIN	140.20	163.58	186.93	210.31	257.04	303.78	350.51	420.62
MILFORD-ON-SEA	141.23	164.78	188.30	211.85	258.92	306.01	353.08	423.70
MINSTEAD	134.24	156.63	178.99	201.37	246.11	290.87	335.61	402.74
NETLEY MARSH	130.35	152.08	173.80	195.53	238.98	282.43	325.88	391.06
NEW MILTON	178.80	208.60	238.39	268.20	327.80	387.40	447.00	536.40
RINGWOOD	178.33	208.06	237.77	267.50	326.94	386.39	445.83	535.00
ROCKBOURNE	165.89	193.55	221.18	248.84	304.13	359.44	414.73	497.68
SANDLEHEATH	134.54	156.97	179.38	201.81	246.65	291.50	336.35	403.62
SOPLEY	156.88	183.04	209.17	235.33	287.62	339.92	392.21	470.66
SWAY	141.47	165.06	188.62	212.21	259.36	306.53	353.68	424.42
TOTTON & ELING	201.46	235.04	268.61	302.19	369.34	436.50	503.65	604.38
WHITSBURY	127.34	148.57	169.78	191.01	233.45	275.90	318.35	382.02
WOODGREEN	136.49	159.25	181.98	204.74	250.23	295.74	341.23	409.48

being the amounts given by multiplying the amounts at 10.3(g) above by the number which, in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the

number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 10.4 That it be noted that Hampshire County Council, the Police and Crime Commissioner for Hampshire and the Hampshire Fire and Rescue Authority have issued precepts for 2019/20 to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated below:

PRECEPTING AUTHORITY

PRECEPTING AUTHORITY	A £	B £	C £	D £	E £	F £	G £	H £
HAMPSHIRE COUNTY COUNCIL	824.58	962.01	1,099.44	1,236.87	1,511.73	1,786.59	2,061.45	2,473.74
POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AUTHORITY	134.31	156.69	179.08	201.46	246.23	291.00	335.77	402.92
HAMPSHIRE FIRE AND RESCUE AUTHORITY	45.14	52.66	60.19	67.71	82.76	97.80	112.85	135.42
	1,004.03	1,171.36	1,338.71	1,506.04	1,840.72	2,175.39	2,510.07	3,012.08

That the Section 151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precept.

- 10.5 That, having calculated the aggregate in each case of the amounts at 10.3(h) and 10.4 above, the Council, in accordance with Section 30 of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each part of its area and for each of the categories of dwellings shown on the next page:-

LOCAL COUNCIL AREA	A £	B £	C £	D £	E £	F £	G £	H £
ASHURST & COLBURY	1,145.86	1,336.84	1,527.81	1,718.79	2,100.74	2,482.70	2,864.65	3,437.58
BEAULIEU	1,129.95	1,318.27	1,506.60	1,694.92	2,071.57	2,448.22	2,824.87	3,389.84
BOLDRE	1,136.91	1,326.40	1,515.88	1,705.37	2,084.34	2,463.31	2,842.28	3,410.74
BRAMSHAW	1,133.70	1,322.65	1,511.60	1,700.55	2,078.45	2,456.35	2,834.25	3,401.10
BRANSGORE	1,158.15	1,351.17	1,544.20	1,737.22	2,123.27	2,509.32	2,895.37	3,474.44
BREAMORE	1,138.09	1,327.77	1,517.45	1,707.13	2,086.49	2,465.85	2,845.22	3,414.26
BROCKENHURST	1,147.93	1,339.25	1,530.57	1,721.89	2,104.53	2,487.17	2,869.82	3,443.78
BURLEY	1,130.93	1,319.42	1,507.91	1,696.40	2,073.38	2,450.36	2,827.33	3,392.80
COPYTHORNE	1,131.09	1,319.60	1,508.12	1,696.63	2,073.66	2,450.69	2,827.72	3,393.26
DAMERHAM	1,144.89	1,335.71	1,526.52	1,717.34	2,098.97	2,480.60	2,862.23	3,434.68
DENNY LODGE	1,143.45	1,334.03	1,524.60	1,715.18	2,096.33	2,477.48	2,858.63	3,430.36
EAST BOLDRE	1,146.06	1,337.07	1,528.08	1,719.09	2,101.11	2,483.13	2,865.15	3,438.18
ELLINGHAM HARBRIDGE & IBSLEY	1,140.53	1,330.62	1,520.71	1,710.80	2,090.98	2,471.16	2,851.33	3,421.60
EXBURY & LEPE	1,119.60	1,306.20	1,492.80	1,679.40	2,052.60	2,425.80	2,799.00	3,358.80
FAWLEY	1,200.35	1,400.41	1,600.47	1,800.53	2,200.65	2,600.77	3,000.88	3,601.06
FORDINGBRIDGE	1,187.07	1,384.92	1,582.76	1,780.61	2,176.30	2,571.99	2,967.68	3,561.22
GODSHILL	1,150.41	1,342.14	1,533.88	1,725.61	2,109.08	2,492.55	2,876.02	3,451.22
HALE	1,150.59	1,342.35	1,534.12	1,725.88	2,109.41	2,492.94	2,876.47	3,451.76
HORDLE	1,149.87	1,341.52	1,533.16	1,724.81	2,108.10	2,491.39	2,874.68	3,449.62
HYDE	1,132.50	1,321.25	1,510.00	1,698.75	2,076.25	2,453.75	2,831.25	3,397.50
HYTHE & DIBDEN	1,187.29	1,385.17	1,583.05	1,780.93	2,176.69	2,572.45	2,968.22	3,561.86
LYMINGTON & PENNINGTON	1,189.92	1,388.24	1,586.56	1,784.88	2,181.52	2,578.16	2,974.80	3,569.76
LYNDHURST	1,160.71	1,354.16	1,547.61	1,741.06	2,127.96	2,514.86	2,901.77	3,482.12
MARCHWOOD	1,197.41	1,396.98	1,596.55	1,796.12	2,195.26	2,594.40	2,993.53	3,592.24
MARTIN	1,144.23	1,334.94	1,525.64	1,716.35	2,097.76	2,479.17	2,860.58	3,432.70
MILFORD-ON-SEA	1,145.26	1,336.14	1,527.01	1,717.89	2,099.64	2,481.40	2,863.15	3,435.78
MINSTEAD	1,138.27	1,327.99	1,517.70	1,707.41	2,086.83	2,466.26	2,845.68	3,414.82
NETLEY MARSH	1,134.38	1,323.44	1,512.51	1,701.57	2,079.70	2,457.82	2,835.95	3,403.14
NEW MILTON	1,182.83	1,379.96	1,577.10	1,774.24	2,168.52	2,562.79	2,957.07	3,548.48
RINGWOOD	1,182.36	1,379.42	1,576.48	1,773.54	2,167.66	2,561.78	2,955.90	3,547.08
ROCKBOURNE	1,169.92	1,364.91	1,559.89	1,754.88	2,144.85	2,534.83	2,924.80	3,509.76
SANDLEHEATH	1,138.57	1,328.33	1,518.09	1,707.85	2,087.37	2,466.89	2,846.42	3,415.70
SOPLEY	1,160.91	1,354.40	1,547.88	1,741.37	2,128.34	2,515.31	2,902.28	3,482.74
SWAY	1,145.50	1,336.42	1,527.33	1,718.25	2,100.08	2,481.92	2,863.75	3,436.50
TOTTON & ELING	1,205.49	1,406.40	1,607.32	1,808.23	2,210.06	2,611.89	3,013.72	3,616.46
WHITSBURY	1,131.37	1,319.93	1,508.49	1,697.05	2,074.17	2,451.29	2,828.42	3,394.10
WOODGREEN	1,140.52	1,330.61	1,520.69	1,710.78	2,090.95	2,471.13	2,851.30	3,421.56

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Background Papers

Published Documents

APPENDIX 1

SOURCE OF FIGURES SHOWN IN PARAGRAPH 10.3 OF THE REPORT

(a) (b) (c)

For the purposes of the recommendation, the estimated total net revenue expenditure of the Council for 2019/20 has to be shown i.e. including General Fund and Housing Revenue Account (HRA) budgets and Town/Parish Council precepts: -

	Expenditure	Income	Council Tax Requirement
	£	£	£
General Fund	106,075,260	93,753,800	12,321,460
HRA	27,876,050	27,876,050	0
Town/Parish Precept	6,106,454	0	6,106,454
	<u>140,057,764</u>	<u>121,629,850</u>	<u>18,427,914</u>
	(a)	(b)	(c)

(d) This is the combined District Council and Town/Parish Council Tax at Band D: -

	£
District	173.36
Average Town/Parish	85.92
	<u>259.28</u>

(e) £6,106,454 is the total of the Town/Parish Council precepts as shown in Appendix 3.

(f) £173.36 is the District Council Tax at Band D. The sequence of figures in 10.3 (a) to (f) is intended to start from estimated total net 2019/20 expenditure, deduct grants and precepts and arrive at the net District Council Tax figure.

(g) This shows the Combined District and Town/Parish Council Tax for each area at Band D.

(h) Shows the figures in (g) for each valuation band.

APPENDIX 2

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	Values not exceeding £40,000	£1.00
B	Values exceeding £40,000 but not exceeding £52,000	£1.17
C	Values exceeding £52,000 but not exceeding £68,000	£1.33
D	Values exceeding £68,000 but not exceeding £88,000	£1.50
E	Values exceeding £88,000 but not exceeding £120,000	£1.83
F	Values exceeding £120,000 but not exceeding £160,000	£2.17
G	Values exceeding £160,000 but not exceeding £320,000	£2.50
H	Values exceeding £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.

Taxpayers in band 'A' who fulfil the criteria for a reduction under the Disability Reduction Regulations will receive a reduction on their bill equivalent to the difference between the band 'A' and band 'B' charge.

SUMMARY OF LOCAL COUNCIL REQUIREMENTS

LOCAL COUNCIL	2019/20			
	COUNCIL TAX REQUIREMENT	TAX BASE PROPERTIES	COUNCIL TAX PER BAND D	COUNCIL TAX INC. / (-) DEC. FROM 2018/19
	£		£	£
ASHURST AND COLBURY	36,736	932.60	39.39	5.38
BEAULIEU	8,000	515.50	15.52	-0.11
BOLDRE	27,637	1,064.10	25.97	0.80
BRAMSHAW	7,250	342.80	21.15	0.95
BRANSGORE	104,808	1,812.60	57.82	2.98
BREAMORE	5,060	182.50	27.73	3.18
BROCKENHURST	79,140	1,862.40	42.49	0.00
BURLEY	13,467	792.10	17.00	-0.02
COPYTHORNE	20,924	1,214.20	17.23	1.79
DAMERHAM	9,188	242.20	37.94	0.69
DENNY LODGE	5,660	158.20	35.78	0.79
EAST BOLDRE	15,000	377.90	39.69	0.33
ELLINGHAM HARBRIDGE AND IBSLEY	19,175	610.70	31.40	-0.21
EXBURY AND LEPE	0	116.80	0.00	0.00
FAWLEY	553,713	4,571.10	121.13	3.70
FORDINGBRIDGE	230,922	2,281.60	101.21	14.09
GODSHILL	10,499	227.20	46.21	0.05
HALE	12,178	262.00	46.48	1.35
HORDLE	109,704	2,416.10	45.41	0.01
HYDE	9,950	514.20	19.35	0.14
HYTHE AND DIBDEN	751,805	7,404.50	101.53	5.64
LYMINGTON AND PENNINGTON	775,857	7,355.50	105.48	2.05
LYNDHURST	90,000	1,459.60	61.66	6.20
MARCHWOOD	241,525	2,069.20	116.72	1.64
MARTIN	7,331	198.40	36.95	1.24
MILFORD-ON-SEA	108,570	2,820.40	38.49	1.86
MINSTEAD	10,500	374.80	28.01	1.00
NETLEY MARSH	18,170	819.50	22.17	0.95
NEW MILTON	994,529	10,486.40	94.84	15.93
RINGWOOD	497,549	5,285.20	94.14	1.85
ROCKBOURNE	12,333	163.40	75.48	0.46
SANDLEHEATH	7,954	279.60	28.45	1.29
SOPLEY	25,000	403.40	61.97	5.29
SWAY	66,399	1,709.30	38.85	2.55
TOTTON AND ELING	1,210,200	9,394.00	128.83	0.69
WHITSBURY	1,800	102.00	17.65	0.28
WOODGREEN	7,921	252.40	31.38	1.05
	6,106,454	71,074.40	85.92	

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