

NOTICE OF MEETING

Meeting: CABINET

Date and Time: WEDNESDAY, 1 AUGUST 2018, AT 10.00 AM*

Place: COUNCIL CHAMBER, APPLETREE COURT,
LYNDHURST

Telephone enquiries to: Lyndhurst (023) 8028 5000
023 8028 5588 - ask for Jan Debnam
Email: jan.debnam@nfdc.gov.uk

PUBLIC PARTICIPATION:

*Members of the public may speak in accordance with the Council's public participation scheme:

- (a) immediately before the meeting starts, on items within the Cabinet's terms of reference which are not on the public agenda; and/or
 - (b) on individual items on the public agenda, when the Chairman calls that item.
- Speeches may not exceed three minutes. Anyone wishing to speak should contact the name and number shown above.

Bob Jackson
Chief Executive

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

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 4 July 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. PUBLIC PARTICIPATION

To note any issues raised during the public participation period.

4. FUNDING OF CENTRE FOR SOCIAL INNOVATION CIC BUSINESS CENTRE, EVERTON (Pages 1 - 4)

To consider whether to part fund, with Hampshire County Council, phase 2 of the development of this business centre.

5. MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS (Pages 5 - 12)

To consider the initial development of the Medium Term Financial Plan 2018 onwards and to consider the factors that will influence its delivery and that of the annual budget strategy 2019/20.

To:

Councillors

Mrs D E Andrews
J E Binns
Mrs J L Cleary
M R Harris

Councillors

E J Heron (Vice-Chairman)
J D Heron
Mrs A J Hoare
B Rickman (Chairman)

CABINET – 1 AUGUST 2018

PORTFOLIO: LOCAL ECONOMIC
DEVELOPMENT, PROPERTY AND
INNOVATION

FUNDING OF CENTRE FOR SOCIAL INNOVATION CIC BUSINESS CENTRE, EVERTON

1. INTRODUCTION

- 1.1 This report sets out the case for financially supporting the Centre for Social Innovation Community Interest Company (CIC) Business Centre located on the Otter Nurseries site at Everton.

2. BACKGROUND

- 2.1 The CIC occupies the South Efford House premises which have been vacant since the departure of the National Park Authority in 2011. In addition to bringing a vacant employment site back into economic use, the business centre seeks to provide a range of business facilities including flexible workspace, meeting and conference rooms and business set-up services. These facilities are designed to meet the needs of local, but particularly micro businesses that require short-term office space and/or those who are looking to expand their company from home working.
- 2.2 In its brief period of operation, the building has already attracted 10 micro businesses who are using the flexible office space within. Within the first 3 years of being established there are targets in place to deliver 100 new jobs, create 50 new apprenticeships, take 60 businesses through the innovation growth programme and create 30 new start-ups. The centre will also deliver a 50 seater conference room which is currently lacking in the New Forest. A 10 year lease has been taken on the premises.
- 2.3 Alongside the provision of physical business space, the centre will work to deliver a series of business and training support programmes. These will provide assistance across a variety of programmes including but not limited to:
- Business mentors to help improve the success and survival rate of local micro businesses
 - A Digital Innovation Academy focussing on the development of skills in emerging and disruptive technologies including cyber-security, gaming and App development
 - Development of a Skills and Talent Incubator in collaboration with the partners, including the colleges, to improve skills in key locally strategic sectors.
- 2.4 It is important to note that the Centre for Social Innovation is registered as a Community Interest Company (CIC) and as such is established as not for profit. Therefore any funds generated by the building or its associated activities will be reinvested into its primary objectives as set out in 2.3
- 2.5 In May 2018 Enterprise M3 Local Enterprise Partnership approved a £220,000 capital Growing Enterprise Fund loan (subject to due diligence) to undertake the initial refurbishment work at the South Efford House premises including fitting out the shared and co-working office and meeting conference facilities.

3. ISSUES FOR CONSIDERATION

3.1 New Forest District Council has received a request to joint seed fund with Hampshire County Council, the next phase of development for the project. The total revenue sum sought is £150,000 at £75,000 for each authority.

3.2 With the primary focus on growing local enterprise and skills, there are links with the District Council's own Vision and Corporate Priorities; specifically "Supporting local business to prosper for the benefit of the local community". Furthermore there is notable synergy with the District Council's Economic Development Strategy 2018-23 which highlights amongst its actions to "increase the uptake of apprenticeships within the district", "Continue and further develop a programme to facilitate growth of indigenous business" and "Increase the number of flexible/incubator business units".

3.3 If approved the seed fund will help to deliver:

- Skills and Talent Incubator – A partnership between New Forest District Council, Brockenhurst and Totton College which will seek to deliver sector specific skills and apprenticeships directly in line with the needs of local business. The promotion and development of apprenticeships is seen as an important issue for the New Forest economy. The number of apprentices in the district has notably dropped since 2010 but they are seen as an important route to providing qualifications and work opportunities whilst allowing business to fill vacancies. The New Forest Group Training Association (GTA) established by the CIC will work to overcome the perceived barrier of the levy and provide an 'earn while you learn' alternative to the traditional university route. There will be a direct link between the apprentice opportunities created and the growth of high economic value enterprise enabled through the centre.
- Resource and Facilities – Recruitment of a Director of Innovation to implement work on innovation, technology and research and development strategies. This strongly reflects the ambition for New Forest District Council to encourage business which delivers high economic growth with low environmental impact. Furthermore it will promote the New Forest as a location in which innovative, disruptive and pioneering technologies are being encouraged; this has the potential to attract additional, related businesses with the opportunity for clusters to be formed. The seed funding would also support the initial building costs as the centre establishes.
- Marketing – Implementing of brand development, new website, PR and digital campaigns to attract targeted businesses and sectors

3.4 Having worked closely alongside the District Council's Economic Development Manager in developing this project, it is believed that this project is capable of driving local economic growth, developing skills in high value added sectors and providing much needed flexible employment space.

3.5 It is proposed that a number of caveats are attached to the funding, if approved;

- New Forest District Council should only release its funds at such point which the Enterprise M3 due diligence has been completed
- The funding from New Forest District Council is co-dependent upon agreement from Hampshire County Council agreeing to support the project through their own mechanisms
- Payments will be staged with 50% of the funds issued 'up-front' with the remainder being payable upon completion of agreed milestones

- The centre should deliver its support in conjunction with identified business support networks including but not limited to the local Growth Hubs
- A clawback arrangement would be put in place to ensure that if for any reason the CIC ceased to operate within a short period of time, for example 3 years, each authority would seek to recover a proportion, if not all of the original seed funding
- Funding will only be awarded subject to confirmation either that Planning Permission (reference 11/97250) granted on 11th November 2011 has been implemented or there is regularisation through the grant of a new Planning Permission for the use.

4. CONCLUSIONS

- 4.1 The Centre for Social Innovation project delivers in a number of areas which directly align with the Council's Corporate and Economic Development objectives.
- 4.2 A seed fund award of £75,000 by the District Council would add further value to the £220,000 loan awarded by Enterprise M3 Local Enterprise Partnership and assist with the wider viability of the project.

5. FINANCIAL IMPLICATIONS

- 5.1 Subject to the caveats outlined in section 3.5, if approved there will be a financial commitment of £75,000 to support this project. In accordance with Financial Regulations, the Cabinet can agree to this as a supplementary estimate to the 2018/19 budget.
- 5.2 A clawback mechanism would be established to recover any or all of the seed funding in the scenario of the Centre for Social Innovation no longer operating

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

- 6.1 None

7. PORTFOLIO HOLDER COMMENTS

- 7.1 The seed funding of £75,000 from this Council will help to leverage a similar sum from Hampshire County Council, in addition to a £220,000 loan from the Enterprise M3 Local Enterprise Partnership. This is funding totalling £370,000. The Business Centre will provide a dynamic range of 21st Century business facilities and support for micro businesses throughout the New Forest.
- 7.2 Structured as a Community Interest Company this initiative will demonstrate that the New Forest business community matters. I am proud to support this innovative Business Centre which will help to support New Forest District Council's Local Economic Development Strategy and clearly demonstrate that the New Forest is open for business

8. RECOMMENDATIONS

- 8.1 That members of Cabinet approve the seed funding of £75,000 to support the Centre for Social Innovation Community Interest Company and its associated project subject to the caveats set out in 3.5

For further information contact:

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Economic Development Manager
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Background Papers:

New Forest District Council Economic
Development Strategy 2018-23

MEDIUM TERM FINANCIAL PLAN 2018 ONWARDS

1. Purpose of Report

- 1.1 To consider the initial development of the Medium Term Financial Plan 2018 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2019/20.

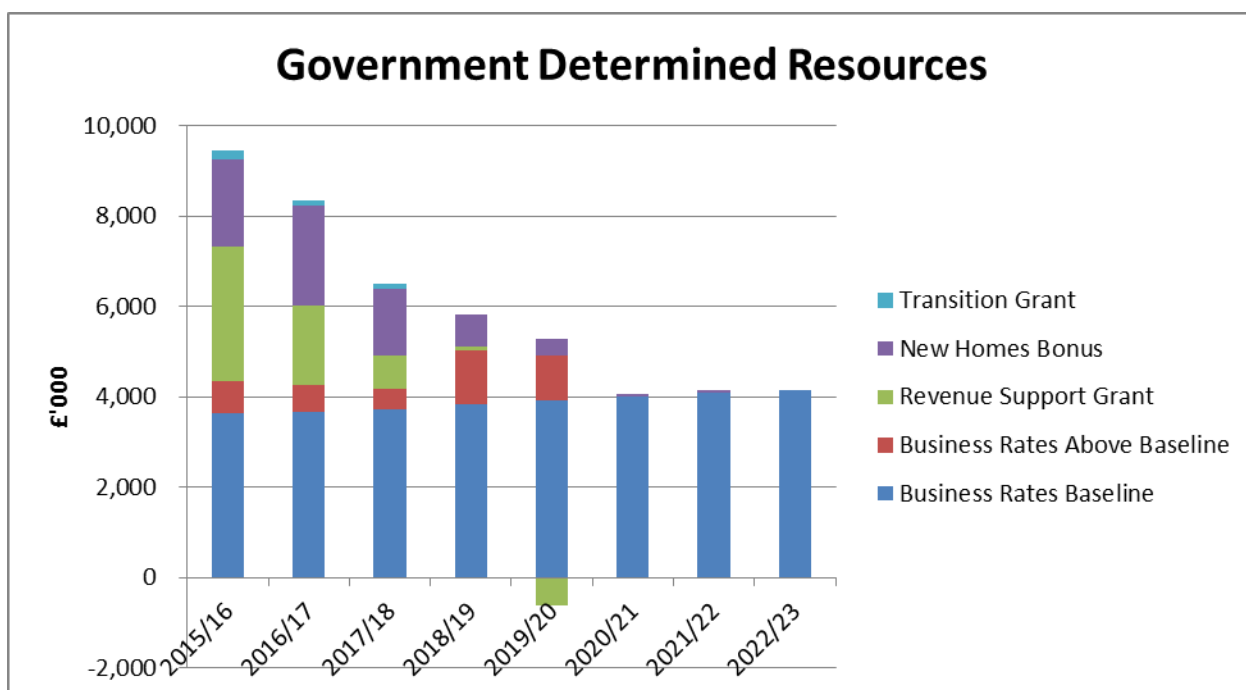
2. Background

- 2.1 Over the previous medium term the Council has seen a significant reduction in government determined resources (£9.444m in 2015/16, reduced by 38% to £5.812m in 2018/19) and is forecast to receive further decreased funding in 2019/20 (£4.660m), and going forward. Despite these funding reductions, the Council to date has been able to consistently produce a balanced budget protecting front line services.
- 2.2 The Council's financial strategy to date has been one of cost reduction and the crystallisation of efficiencies from all services, supported lately with targeting new and additional income generation. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services and ensure its financial sustainability.
- 2.3 Actions need to commence on the development of future years' budgets. To support this work it is necessary that an assessment is made of the likely financial scenario based upon latest available information. This future outlook is set out within this report and appendix 1, to help support the important work of Portfolio Holders and officers in developing future plans.
- 2.4 The overall Fair Funding Review is ongoing and the Business Rate Retention Scheme is currently under review, with the latest formulation being based on a 75% retention scheme (currently 50% scheme).
- 2.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2022/23. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme as outlined in 2.4, including the frequency of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, has the potential to significantly amend the funding figures currently forecast.

3. Funding Assumptions over the Medium Term

- 3.1 The performance of the Business Rates Collection Fund results in a positive effect on the retained Business Rates for 2019/20 (overall growth of £1m assumed beyond the baseline). Hampshire County Council and the Hampshire Districts are also in the early stages of developing a 100% business rate pilot bid for 2019/20 which would result in additional Business Rates being retained within Hampshire. More information will be presented to members on this proposal as the bid develops.

- 3.2 The assumptions on Business Rate funding will require updating as the ongoing work on the revisions to the Business Rate Retention Scheme continues. At present, it has been assumed that a baseline reset will take place in 2020/21. The Council may retain some of the above baseline growth when the reset occurs, but prudent financial planning suggests that at this time, all growth beyond annual inflationary increases ought to be removed from the assumptions. A standard 2% growth has been assumed from the reset baseline from 2021/22 onwards.
- 3.3 By 2019/20, Revenue Support Grant will cease (£92k in 2018/19). Local Authorities affected by 'negative RSG' in 2019/20 (includes this Council at £612k) are looking for the Fair Funding Review to address this and do away with the current situation which suggests we are due to pay the Government this sum in 2019/20.
- 3.4 It is highly likely that the New Homes Bonus scheme will cease to provide a reliable funding source going forward, and so it is being assumed that this will cease entirely by 2022/23 (£695k in 2018/19).
- 3.5 The following graph demonstrates the severity of the reductions since 2015/16, and confirms the current Government Determined Resource funding assumptions to 2022/23:



4. Spending Plans over the Medium Term

- 4.1 Increases in costs are expected to total c£3.2m over the next 4 year period, based on current activity and latest figures received. The assumptions include the following areas of pay and price increases;
- Annual Pay Award of 2% per annum
 - The impact of the national pay review to £9.00 minimum
 - Pension Increase Costs
 - Fuel and Energy Cost Increases

- All other increases to be absorbed within existing overall Portfolio budgets, except where they are agreed policy or strategy developments
- 4.2 In order to offset the funding reductions and pay and price increases, the plan includes savings / income adjustments totalling c£1.9m:
- Ongoing savings from 2017/18 outturn
 - Health & Leisure Centre Operational Review
 - Reduction in Asset Maintenance & Replacement programme resources
 - Income to be generated through Property
 - Other adjustments from decisions taken previously, such as business development projects and previous reviews
- 4.3 New Budget Requirements also exist over the period, including:
- Additional Planning & Open Space Resources
 - Electoral Review of the District

5. Forecast Budget Deficit and Actions Required

Forecast Budget Deficit

- 5.1 The budget deficit outstanding, after allowing for the items as included above, is £2.8m to 2023. This is made up of the annual budget deficits as represented by the following table:

	2019/20	2020/21	2021/22	2022/23	Total to 2023
Estimated Budget Deficit Before Council Tax Contribution (£'000)	577	1,014	584	615	2,790

- 5.2 The revised deficits, after allowing for maximum allowable Council tax increases over the period (equivalent to c£360k PA) are shown below:

	2019/20	2020/21	2021/22	2022/23	Total to 2023
Estimated Budget Deficit After Council Tax Contribution (£'000)	217	654	224	255	1,350

- 5.3 The deficits over the period to a cumulative £1.35m by 2023 represent a significant difficult financial challenge to the Council when considering the size of savings and efficiencies the Council has already had to identify the bridge the funding reductions over the previous medium term period, and considering the further reductions in spending already allowed for within the current plan period.

Actions Required and Underway

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

- 5.5 The reviews and strategies that are underway which are targeted with making a significant contribution to the forecast budget deficit include:
- Leisure Delivery Review – A task and finish group is currently considering alternative models of delivery for the Council’s Health & Leisure Centres. The financial outcome of this review combined with the operational review is targeted at reducing the annual spend on Health & Leisure by £1m.
 - Commercial / Residential Property – Officers are working on implementing the two approved strategies to invest in Commercial and Residential Property, with an outcome of both being the generation of new additional income, targeted at £1m by the end of year 4 of their inception.
- 5.6 The Homelessness Task and Finish Group is looking at ensuring the Council is utilising its resources in the most efficient way possible in order to achieve better outcomes for homeless people within the District.

6. Investing in the Future

- 6.1 The February 2018 Budget Setting Paper included two projects in the capital programme that are specifically designed to assist the Council in becoming an employer of choice utilising current technology and embracing modern ways of working, and also utilising our assets to their maximum potential.
- 6.2 As outlined in that February 2018 report, design and feasibility is underway, and supporting strategies have been approved that feed into achieving these combined objectives, namely: the Organisational Strategy, HR and ICT Strategies. The ICT strategy clearly highlights that investment is required on ICT if the Council is to fully embrace the capabilities of new modern ICT.
- 6.3 Outline Business Cases confirming the level of investment required are currently being produced and will be presented to Cabinet upon completion. These documents will give a clear indication on the levels of anticipated resultant annual savings that will then make a valuable contribution towards the remaining budget deficit.

7. Reporting Timeline

- 7.1 It is important that the Medium Term Financial Plan supports the ambition of the Council and remains driven by the objectives as set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Cabinet which supports the development of the MTFP, through to the final setting of the 2019/20 budget:

	Cabinet Meeting	Report
1.	November	Medium Term Financial Plan to 2023
2.	December	Setting the Council Tax Base
3.	January	Updated progress on MTFP
4.	February	MTFP to 2023 and setting of 2019/20 budget

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

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

9. Portfolio Holder Comments

9.1 With a reduction in government funding of just under six million pounds over the past four years and further reductions forecast, New Forest District Council continues to adapt its working practices and review its method of service delivery to ensure that it protects the front-line services that are so important to our residents. As consultants like to say, this is a journey and not a destination, which requires us to be both innovative and flexible two words that would not have been in a tradition Local Authorities vocabulary.

10. Recommended

Cabinet are asked to recommend to Council;

- a) That the revised MTFP, as outlined within the report and Appendix 1 be adopted;
- b) That the reporting timeline as set out in section 6 be agreed; and
- c) That the Actions Required as set out in the report, be progressed.

For Further Information Please Contact:

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MEDIUM TERM FINANCIAL PLAN 2018-2023

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000's	£'000's	£'000's	£'000's	£'000's
FUNDING					
Government Determined Resources	5,812	4,660	4,076	4,142	4,162
Council Tax (Including Property Baseline increase)	12,126	12,186	12,246	12,306	12,366
TOTAL FUNDING	17,938	16,846	16,322	16,448	16,528
Change in Funding from Previous Year		1,092	524	-126	-80
SPENDING PLANS					
Pay & Price Increases		930	830	710	710
Ongoing Savings Analysis					
Ongoing Savings from 2017/18 Outturn		-750			
Health & Leisure Centre Operational Review		-300	-300		
Asset / Equipment Resources		-300			
Property (Accommodation / Commercial)		-140			
Business Development / Previous Reviews		-55	-55		
		-1,545	-355	0	0
New Budget Requirements					
Planning & Open Space Resources		100			
Electoral Review of the District			15		-15
		100	15	0	-15
Change in Spending From Previous Year		-515	490	710	695
ANNUAL BUDGET DEFICIT		577	1,014	584	615
CUMULATIVE BUDGET DEFICIT		577	1,591	2,175	2,790
Cumulative Council Tax Increase - Based on £5		-360	-720	-1,080	-1,440
CUMULATIVE BUDGET DEFICIT AFTER COUNCIL TAX		217	871	1,095	1,350

Work In Progress

Leisure Delivery Review		-200	-200	
Commercial / Residential Property	-50	-250	-250	-250
	-50	-450	-450	-250
Cumulative WIP	-50	-500	-950	-1,200
Estimated Cumulative Surplus / Shortfall (-) After WIP	167	371	145	150

Reserves Supporting the MTFP

General Fund Balance	3,000	3,000	3,000	3,000
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