

NOTICE OF MEETING

Meeting: CABINET

Date and Time: WEDNESDAY, 7 DECEMBER 2022, AT 10.00 AM*

Place: COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA

Enquiries to: democratic@nfdc.gov.uk
Tel: 023 8028 5982 - Joe Tyler

PUBLIC PARTICIPATION:

Members of the public may watch this meeting live on the [Council's website](#).

*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 no later than 12.00 noon on Friday, 2 December 2022.

Kate Ryan
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
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This agenda can be viewed online (<https://democracy.newforest.gov.uk>).

It can also be made available on audio tape, in Braille and large print.

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 2 November 2022 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. COUNCIL TAX 2023/24 SETTING THE COUNCIL TAX BASE (Pages 3 - 10)

5. ASSET INVESTMENT STRATEGY (Pages 11 - 24)

6. MEDIUM TERM FINANCIAL PLAN 2022 ONWARDS (Pages 25 - 38)

7. COUNCIL TAX REDUCTION SCHEME 2023/24 (Pages 39 - 44)

8. COUNCIL TAX EMPTY HOMES PREMIUM, SECOND HOMES PREMIUM, DISCOUNTS AND POLICIES (Pages 45 - 78)

9. SOLENT FREEPORT - HM GOVERNMENT MEMORANDUM OF UNDERSTANDING (Pages 79 - 118)

**10. OUTSIDE BODIES
RECOMMENDED:**

1. To note that the appointments Outside Bodies in respect of the Leader and Deputy Leader of the Council will be fulfilled by Cllrs Cleary and Andrews respectively, for the remainder of the four year period ending May 2023; and
2. To agree the following specific appointments to the Hampshire and Isle of Wight Local Government Association, for the remainder of the four year period ending May 2023:-
 - Leader of the Council (Cllr Cleary)
 - Cllr E Heron

To:	Councillors	Councillors
	Jill Cleary (Chairman)	Michael Harris
	Diane Andrews (Vice-Chairman)	Edward Heron
	Geoffrey Blunden	Jeremy Heron
	Steve Davies	David Russell

COUNCIL TAX 2023/24 - SETTING THE TAX BASE

1. RECOMMENDED

1.1 That it be a recommendation to the Council that:

- a) The calculation of the Council's tax base for the year 2023/24 be approved.
- b) Pursuant to this report and in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Council as its council tax base for the year 2023/24 be as follows and as detailed in Appendix 3.

PARISH/TOWN	TAX BASE 23/24
Ashurst & Colbury	937.3
Beaulieu	516
Boldre	1,059.7
Bramshaw	343.4
Bransgore	1,827.6
Breamore	184.3
Brockenhurst	1,906
Burley	803.6
Copythorne	1,219.9
Damerham	248.9
Denny Lodge	160
East Boldre	382.7
Elingham, Harbridge & Ibsley	632
Exbury & Lepe	116.1
Fawley	4,655.9
Fordingbridge	2,427.9
Godshill	227.6
Hale	268
Hordle	2,440.1
Hyde	514.2
Hythe & Dibden	7,494.8
Lymington & Pennington	7,531.1
Lyndhurst	1,480.4
Marchwood	2,067.6
Martin	198.5
Milford on Sea	2,934.2
Minstead	377.3
Netley Marsh	812.2
New Milton	10,624
Ringwood	5,474.9
Rockbourne	164.8
Sandleheath	283.8
Sopley	389.8
Sway	1,730.8
Totton & Eling	9,484.4
Whitsbury	102.9
Woodgreen	249
Whole District	72,271.7

2. INTRODUCTION AND BACKGROUND

- 2.1 The purpose of this report is to enable Members to approve the tax base for 2023/24.
- 2.2 Setting the Tax Base is an integral part of the Budget setting process and the determination of Council Tax levels. The Tax Base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and the calculation has to be made between 1 December and 31 January. The approved tax base must be notified to the County Council by 31 January.
- 2.3 The Tax Base is a yearly calculation and represents the estimated number of chargeable dwellings and is set to a “Band D equivalent” figure. Each dwelling falls into one of eight valuation bands (A to H) for council tax purposes, with different proportions of tax are payable by each band.
- 2.4 The tax base is the estimated number of dwellings in the District, modified to take account of the different proportions payable, premiums, discounts, exemptions and other reductions.
- 2.5 The calculation of the tax base for tax setting also includes an allowance for non-collection.
- 2.6 Separate tax bases have to be made for each Parish.

3. THE CALCULATION PROCESS

- 3.1 Detailed calculations are required to set the tax base for tax setting purposes.
- 3.2 The number of properties are adjusted in each valuation band to allow for estimates of:
 - The number of properties estimated as being exempt
 - The number of demolished properties due to be removed
 - The number of properties that have a disabled band reduction (for dwellings in Band A they pay 5/9th of the Band D charge instead of 6/9th)
 - The number of properties that have a discount (i.e. single person discount).
 - The number of properties with a 50% discount due to structural repairs (although this is being reviewed with a recommendation to reduce this discount to 0%).
 - The number of properties where a 100% discount will apply for one month only, due to being unoccupied and unfurnished (‘void’) dwellings.
 - The number of properties subject to an Empty Homes Premium will apply.
- 3.3 The resultant net number of dwellings is multiplied by the relevant proportions to ascertain equivalent Band D properties. The relevant proportions are shown in Appendix 1.
- 3.4 The Council Tax Reduction scheme (CTR) operates as a discount on claimants Council Tax bills with the effect of reducing the Council Tax Base. The value of CTR awarded to pensioners and those of working age are aggregated to arrive at the total council tax reduction. These values are converted into the tax base and band D equivalents. The proposed change to the Council Tax Reduction scheme for 2023/24 is minimal and does not affect these calculations.
- 3.5 The next step of the calculation is to assess the likely collection rate and thereby make an appropriate allowance for non-collection. The collection rate for 2023/24 is 98.5%, which takes into consideration our record of good performance in Council Tax collection, the impact of the cost of living, and is considered prudent. Contributions in lieu for Ministry of Defence dwellings are then added. The whole calculation process is shown in Appendix 2.
- 3.6 The figures used in the calculation process are based on latest actuals. Appendix 3 shows 2023/24 tax bases compared to 2022/23.

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

4. ENVIRONMENTAL AND CRIME AND DISORDER IMPLICATIONS

4.1 None arising directly from this report.

5. CONCLUSION

5.1 The Council should approve formally the tax base for tax setting purposes. The regulations require that the tax base be formally approved for each parish/town Council area, with the calculations being approved by Members.

5.2 A prudent approach has to be taken in forecasting the tax base. Clearly, there is an obligation to ensure that sufficient funds are realised to meet the Council's expenditure.

5.3 A realistic collection rate has to be determined. It is important that the tax base is not overstated, as any shortfall will result in interest costs falling on the Council's General Fund.

5.4 Any Council Tax surplus/deficit on the Collection Fund will be shared between the Principal Authorities, pro rata to the demand/precept on the fund for the year concerned.

Further Information:

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Service Manager Revenues and Benefits
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Background papers:

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

VALUATION BANDS

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

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

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

COUNCIL TAXBASE 2023/24

	SUMMARY									
	DIS. A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
TOTAL DWELLINGS ON THE VALUATION LIST	0	7161	12185	18143	19425	13618	7083	4605	618	82838
ACTIVE EXEMPTIONS	0	355	231	263	356	181	90	61	7	1544
DEMOLISHED DWELLINGS BAND TO BE REMOVED	0	3	0	1	0	2	1	1	0	8
CHARGEABLE DWELLINGS	0	6803	11954	17879	19069	13435	6992	4543	611	81286
NUMBER OF CHARGEABLE DWELLINGS SUBJECT TO DISABLED REDUCTION	0	33	81	155	186	157	62	58	24	756
NUMBER OF DWELLINGS EFFECTIVELY SUBJECT TO CTAX FOR THIS BAND BY VIRTUE OF DISABLED BAND	33	81	155	186	157	62	58	24	0	756
NUMBER OF CHARGEABLE DWELLINGS ADJUSTED FOR DISABLED RELIEF	33	6851	12028	17910	19040	13340	6988	4509	587	81286
NUMBER OF DWELLINGS ENTITLED TO 25% DISCOUNT	15	4073	5448	5916	5688	3097	1366	733	64	26400
NUMBER OF DWELLINGS ENTITLED TO 50% DISCOUNT	0	139	26	36	66	50	55	47	8	427
NUMBER OF DWELLINGS ENTITLED TO 100% DISCOUNT	0	29	21	29	29	7	8	2	0	125
TOTAL DISCOUNTS	15	4360.86	5507.14	5997.86	5829.18	3199.38	1478.72	827.68	80	27296.5
DISCOUNT DEDUCTION	3.75	1090.22	1376.78	1499.46	1457.295	799.84	369.68	206.92	20	6824.12
NET DWELLINGS	29.25	5760.79	10651.21	16410.54	17582.54	12540.12	6618.32	4314.08	567	74461.88
DWELLINGS SUBJECT TO A PREMIUM (100%)	0	15	13	23	9	5	14	1	0	80
DWELLINGS SUBJECT TO A PREMIUM (200%)	0	24	2	2	4	1	2	1	0	36
DWELLINGS SUBJECT TO A PREMIUM (300%)	0	4	1	1	1	2	0	3	0	12
ADJUSTED NET DWELLINGS	29.25	5835.79	10661.22	16440.54	17602.54	12553.16	6636.32	4302.08	567	74649.88
BAND D EQUIVALENTS	16.3	3890.5	8299.8	14613.8	17602.5	15342.7	9585.8	7190.1	1134	77676
CTR PENSIONERS	4654.52	844619.57	1208529.68	1241486.84	818029.26	381376.35	129958.59	21772.88	0	4650427.69
CTR WORKING AGE	8987.61	919867.02	1562902.09	1397674.07	385435.72	118348.26	24669.92	5188.57	0	4423073.26
TOTAL CTR	13642.13	1764486.59	2771431.77	2639160.91	1203464.98	499724.61	154628.51	26961.45	0	9074927.64
REDUCTION IN COUNCIL TAX BASE DUE TO PENSIONERS CTR	4.14	632.73	774.17	699.31	411.53	158.09	45.81	6.73	0	2732.55
REDUCTION IN COUNCIL TAX BASE DUE TO WORKING AGE CTR	8.10	685.52	999.13	784.82	193.83	48.45	8.66	1.6	0	2730.13
TOTAL REDUCTION IN TAX BASE DUE TO CTR BAND D EQUIVALENTS	6.81	878.83	1379.22	1319.24	605.38	252.43	78.72	13.87	0	4534.49
ADJUSTED BAND D EQUIVALENTS	9.5	3011.7	6920.6	13294.6	16997.1	15090.3	9507.1	7176.2	1134	73141.1
COLLECTION RATE										98.50%
SUB-TOTAL										72044
CONTRIBUTIONS IN LIEU										226.2
TAX BASE										72271.7

TAX BASES FOR 2023/24 COMPARED TO PREVIOUS YEAR 2022/23

PARISH/TOWN	TAX BASE 22/23	TAX BASE 23/24	MOVEMENT
Ashurst & Colbury	930	937.3	7.3
Beaulieu	518.2	516	-2.2
Boldre	1,069	1,059.7	-9.3
Bramshaw	345.1	343.4	-1.7
Bransgore	1,834.9	1,827.6	-7.3
Breamore	184.2	184.3	0.1
Brockenhurst	1,902.9	1,906	3.1
Burley	797.7	803.6	5.9
Copythorne	1,223.1	1,219.9	-3.2
Damerham	245.9	248.9	3
Denny Lodge	161.5	160	-1.5
East Boldre	387.7	382.7	-5
Elingham, Harbridge & Ibsley	627.5	632	4.5
Exbury & Lepe	119.3	116.1	-3.2
Fawley	4,621.3	4,655.9	34.6
Fordingbridge	2,413.3	2,427.9	14.6
Godshill	229.7	227.6	-2.1
Hale	266.1	268	1.9
Hordle	2,450.3	2,440.1	-10.2
Hyde	516.5	514.2	-2.3
Hythe & Dibden	7,479.3	7494.8	15.5
Lymington & Pennington	7,505	7,531.1	26.1
Lyndhurst	1,466.7	1,480.4	13.7
Marchwood	2,070.4	2,067.6	-2.8
Martin	198.7	198.5	-0.2
Milford on Sea	2,919.9	2,934.2	14.3
Minstead	373.7	377.3	3.6
Netley Marsh	817.6	812.2	-5.4
New Milton	10,624.7	10,624	-0.7
Ringwood	5,465	5,474.9	9.9
Rockbourne	168.7	164.8	-3.9
Sandleheath	278	283.8	5.8
Sopley	391.9	389.8	-2.1
Sway	1,727.9	1,730.8	2.9
Totton & Eling	9,440.7	9,484.4	43.7
Whitsbury	100.9	102.9	2
Woodgreen	248.8	249	0.2
Whole District	72,122.1	72,271.7	149.6

Band D equivalents per Council Tax Band

Tax Band	Band D Equivalent properties
Band A (DBR)	9.5
Band A	3,011.7
Band B	6,920.6
Band C	13,294.6
Band D	16,997.1
Band E	15,090.3
Band F	9,507.1
Band G	7,176.2
Band H	1,134
TOTAL	73,141.1

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ASSET INVESTMENT STRATEGY

1. RECOMMENDATIONS

- 1.1 That the Cabinet recommends the Council approves:
- i. the Asset Investment Strategy attached as Appendix 1 to this report;
 - ii. the proposed level of investment, at £20M, and associated financial implications as set out in the Strategy and this report; and
 - iii. the continuation of the Property Investment Panel for the purposes set out in this report.

2. INTRODUCTION

- 2.1 Since 2017, the Council has implemented an asset investment strategy to invest in commercial property in support of its stated priorities to help local businesses grow, to boost the economic viability of the District and to identify opportunities to generate income to maintain services that are important to residents.
- 2.2 Cabinet is asked to support a new Asset Investment Strategy which continues the existing strategy.
- 2.3 The proposed Asset Investment Strategy is attached as Appendix 1, to this report.

3. BACKGROUND

- 3.1 Since the introduction of the existing Asset Investment Strategy, the Council has been able to secure a diverse portfolio of good quality commercial property within the District to support economic activity and industrial development within the New Forest. The purchases have also provided a worthwhile rental income to the Council to support the delivery of the Medium-Term Financial Plan. Based on purchases to date and in train, as well as projects currently under construction, the Council will have invested the initial £30M fund by the end of the 2022/23 financial year.
- 3.2 The Council is confident that in the long term there will continue to be opportunities to purchase and develop further good quality commercial property in the District in support of its objectives and so is planning within the investment strategy and capital strategy for a further £20M of funding to be made available to accommodate further property acquisitions before a further review of the strategy is necessitated.
- 3.3 The Financial Strategy and Business Case for the continuation of the programme is set out in the attached Asset Investment Strategy.
- 3.4 The management of the commercial property portfolio is undertaken by the Estates and Valuation Service. The Council's principal commercial investment properties in its portfolio have a current total capital value of approximately £29m *. The present rental income is £1.7m * (gross) which when compared

against the initial purchase prices results in a gross yield of around 6%.
(*excludes the 'asset under construction' – Platinum Jubilee Business Park).

- 3.5 Direct costs are fairly minimal, with the ability, in most cases, to recharge these through service charges. The Council applies Minimum Revenue Provision (the repayment of capital reserves from the revenue budget) in line with the Council's approved MRP policy, and this results in a current annual (internal) charge (payable by Revenue into Capital) of approximately £250,000 per annum.
- 3.6 A Commercial Property Panel, comprised of senior officers and members, provides decision-making, oversight, and guidance in respect of the implementation of the present Asset Investment Strategy. The Panel has reviewed the proposed Asset Investment Strategy 2022 and has endorsed it.

4. FINANCIAL IMPLICATIONS

- 4.1 Full details of the Financial and Business Case and the Financial Implications and the Council's prudent approach to investments are set out in the attached Asset Investment Strategy.
- 4.2 An increase of £20M to the investment portfolio, making a total of £50m, is sought as a supplementary estimate to the Council's Capital budget. The exact net financial return will depend on the type and nature of acquisitions and development projects, the financing mix and the level of additional internal resource required, as outlined in para 5.1. It is estimated that the Strategy will achieve an additional net income in the region of £500,000 - £600,000 PA.
- 4.3 Properties will continue to be financed using a combination of reserve-based equity investments (20%) and borrowing (80%). Internal borrowing will be utilised initially, with specific decisions on the timing and size of any external financing requirement being a Treasury Management decision taking into account the Council's whole Capital Financing Requirement.
- 4.4 There are risks the Council should consider, all of which could have an impact on the net return to the Council as set out in the attached Asset Investment Strategy.

5. HUMAN RESOURCE IMPLICATIONS

- 5.1 Increasing the Council's investment property portfolio will have an impact on workloads within the Estates and Valuation team. Additional resource is likely to be required to help develop and manage the portfolio and its expansion. There may be further staffing requirements within the Estates and Valuation team depending on the nature of the properties acquired.

6. CRIME & DISORDER IMPLICATIONS

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

7. ENVIRONMENTAL IMPLICATIONS

- 7.1 There may be environmental benefits arising through the execution of the strategy. Opportunities include sustainable construction practices, for example to reduce vehicle movements, introduction of solar panels on buildings and the

provision of electrical vehicle charging points. New development and investments in the District may encourage local economic benefits and employment which may bring other sustainability benefits such as a reduction in commuting to neighbouring centres for example. Working with the Council's new Climate Change manager may identify further opportunities for sustainable practices.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no equality and diversity implications arising from this report.

9. DATA PROTECTION IMPLICATIONS

9.1 There are no data protection implications arising from this report.

10. CORPORATE AFFAIRS AND LOCAL ECONOMY OVERVIEW AND SRUTINY PANEL COMMENTS

10.1 The Panel considered the Strategy at their meeting of 17th November and noted the content ahead of its consideration by Cabinet on 7th December 2022.

11. PORTFOLIO HOLDER COMMENTS

11.1 I am pleased to see the Council will continue with the asset investment strategy that will support a vibrant and prosperous New Forest economy.

For further information contact:

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Background Papers:

Asset Investment Strategy.

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Asset Investment Strategy

‘In support of a vibrant and prosperous New Forest economy’



Platinum Jubilee Business Park – An NFDC development due for completion January 2023

1. Introduction

- 1.1 In 2017 the Council introduced a new strategy to invest in commercial property in support of its stated priorities to help local businesses grow, to boost the economic viability of the District and to identify opportunities to generate income to maintain services that are important to residents.
- 1.2 Since the introduction of the new strategy, which set aside a £30M fund, the Council has been able to secure good quality commercial property within the District to support economic activity and industrial development within the New Forest. The purchases have also provided a worthwhile rental income to the Council to support the delivery of the Medium-Term Financial Plan. Based on purchases to date and in train, as well as projects currently under construction, the Council will have invested the initial £30M fund by the end of the 2022/23 financial year.
- 1.3 The Council is confident that in the long term there will continue to be opportunities to purchase and develop further good quality commercial property in the District in support of its objectives and so is planning within the investment strategy and capital strategy for a further £20M of funding to be made available to accommodate further property acquisitions before a further review of the strategy is necessitated.

2. Background

- 2.1 Stated aims of the Council as set out in its Corporate Plan 2020 - 2024 include to deliver a sustainable and prosperous New Forest, helping local businesses to grow and prosper and enabling service provision and ensuring value for money for the Council taxpayer including by identifying sites and opportunities through the asset investment strategy.
- 2.2 The purpose of the Asset Investment Strategy is to make commercial property investments in support of a sustainable New Forest economy, and to provide economic redevelopment or regeneration in the District. It also provides a satisfactory rental income in support of the Medium-Term Financial Plan.
- 2.3 The Asset Investment Strategy includes continual evaluation of the investment portfolio to ensure that it is fit for purpose.
- 2.4 It is considered that a meaningful contribution towards ensuring continued delivery of the Council's key priorities can be achieved through investment in good quality commercial property. The strategy is supplemental to other strategies being adopted by the Council that also aim to fulfil corporate priorities.
- 2.5 The management of long-standing and newly acquired assets, pursuant to the adoption of the 2017 strategy, is undertaken by the Estates and Valuation Service. In addition, the Council is developing the new Platinum Jubilee Business Park in Ringwood which is expected to support between 150 – 200 jobs with further added benefits to the wider supply chain, and will generate

gross rental income over £0.5M per year when fully let.

- 2.6 Investments to date have been financed through the use of Council resources. Further purchases will require external borrowing, depending on the scale and the timing of the investment.
- 2.7 The specific governance arrangements put in place to deliver on the strategy have enabled the Council to respond swiftly when good opportunities arise in the District. The refreshed Asset Investment Strategy provides the Council with the ability to continue to assess opportunities in a systematic way whilst being able to move quickly. The Council has taken advantage of off-market introductions as well as open market sales to build the mixed portfolio and believes it has a strong local reputation and track record to complete transactions.
- 2.8 The management of the Council's cash is dictated within the Council's Treasury Management Strategy and is held within a variety of investment types. The average yield achieved as at 31 March 22 from these investments was 0.77%. The Treasury investment portfolio currently includes £13.6m held in pooled property and equity funds which are higher earning (4.17% achieved), with the majority of other funds being held with less than 1 year to maturity for operational reasons.

3. The Financial Strategy and Business Case

- 3.1 The Council's adopted corporate plan covering 2020 - 24 includes several key aspects that can be related back to this strategy. The vision and values of the corporate plan include:
- To secure a vibrant and prosperous New Forest
 - Working with others to maintain a vibrant local economy that brings opportunities to the area
 - To act fairly, openly and with financial responsibility in all that we do
 - Protecting the special character of the New Forest
 - Understanding local needs
- 3.2 The Council is looking to play a key role in the shaping of 'Place' across the District. The ability to make strategic asset purchases to support Town Centre regeneration and development and promote local economic activity is pivotal to the ability of the Council to deliver on a range of priorities.
- 3.3 Local authorities are also seeking to become more self-sufficient and not reliant on grant funding. An important financial consideration when implementing the Asset Investment Strategy is for the properties to make a positive contribution towards the achievement of the Council's Medium Term Financial Plan, whilst noting that this is a long-term strategy.
- 3.4 Although the Council's cash balances ranged between £50.4m and £105.4m to the 12 months to March 2022, some of this balance was in relation to varying covid

- related Business Support grants held briefly by the Council, before onward distribution. Balances in general are forecast to decrease over the next few years. The Councils' Capital Programme Reserve stood at £12.004m as at March 2022, with this largely committed to schemes over the coming few years. It is envisaged that an internal borrowing arrangement would take place to initially finance any further property purchases, until such a time when external borrowing is required.
- 35 Officers believe that the Council could potentially borrow funds with the PWLB, or from a variety of other sources. The PWLB fixed interest rates are based on gilt yields and are published twice a day. The PWLB needs to be satisfied the Council is acting lawfully when borrowing funds.
- 36 One-off and on-going costs will be incurred to deliver the strategy. Prospective bids would allow for transactional costs (finder's fees, valuations, legal costs, stamp duty, etc.) when calculating the yield.
- 37 NFDC already has substantial loans of c£122.6M following the Housing Revenue Account resettlement in 2012. The Council's prudential indicators, which are agreed as part of the Treasury Management Strategy and Annual Budget 2022/23, include for example, a limit on external debt. The agreed size, funding mix and anticipated timing of the acquisitions of the investment portfolio would need to be taken into account in the prudential indicators, to include an increase in the overall external debt limit.
- 38 It is necessary for the Council to take a prudent approach to the management of its financial affairs. When assessing investments taking a prudent approach, the Council will need to consider such factors as the security against loss, the liquidity of the investment, the yield, affordability of the loan repayments, change in interest rates and property values.
- 39 In short, the Council must get right the balance between risk and reward in a manner befitting with the Council's overall risk appetite to ensure the cost of funding the Asset Investment Strategy does not fall on the taxpayer.

4. Recent market experience

- 4.1 As mentioned above, the Council has grown its portfolio pursuant to the Asset investment Strategy. The Council believes attractive properties will come to the market in the future. The Council also believes there is and will remain good demand for commercial space from local and regional business tenants serving the District economy and the wider region.
- 4.2 The portfolio is diverse with a mix of public sector, offices, leisure, industrial, professional services and retail. In the Council's view there is no overweighted exposure to any particular market or occupier. The portfolio has occupiers undertaking their various business activities with the Council's properties and acting as a supportive landlord we achieve a low level of void space.
- 4.3 The portfolio will be further complemented with completion of the Council's biggest investment in the

development of Platinum Jubilee Business Park which is a mix of larger and smaller light industrial units and offices targeting the local business market. The Council believes there will be good demand for the units once the development is completed and expects that more than 150 jobs will be supported by the development.

- 4.4 In addition, and pursuant to this Asset Investment Strategy, the Council may invest in the redevelopment, re-purposing or improvement of its own landholdings. The Council undertook improvements at Lymington Town Hall and has let the space so created to a variety of public and private sector tenants including Hampshire Police and the Citizens Advice Bureau.

Market economic outlook

- 4.5 Regarding the present economic profile of the District:
- 4.6 The New Forest is the fourth largest economy in the Hampshire County Council Area. In 2020 the New Forest economy generated some £4.4bn (GVA). Including VAT and other indirect taxes on products (minus subsidies) this rises to nominal GDP of £5.1 billion to the economy.
- 4.7 Primary & secondary industries contribute approximately one third (31%, £1.36bn) of economic output in the New Forest, larger in relative terms than both Hampshire or UK economies. Manufacturing is the largest component with a concentration in New Forest above the national average. The construction sector is also significant across the New Forest.
- 4.8 Timelier national data saw the economy rebounding in 2021, with estimated Hampshire growth above the national average and the New Forest possibly even faster thanks to recovery of consumer-facing services sectors. However, the UK economy is showing signs of stalling in 2022 amidst geopolitical tensions and with rising inflation and low growth (stagflation)

- 4.9 there is an increasing likelihood of recession in late 2022 and throughout 2023. Forecast growth is therefore subdued in the short-term

SOURCE: Report: The New Forest Economic Profile 2022 Business Intelligence Service

4.10 Industrial & Logistics sector

Lambert Smith Hampton produced a report 'Fast Forward' Industrial & logistics Market 2022. A summary is:

"As investors in other property sectors continue to grapple with uncertainty, the UK industrial logistics market is thriving. The sector rose to the challenge of COVID-19 in 2020, paving the way for a frenzy of activity in 2021; a year that saw record take-up, record levels of speculative development and,

tellingly, record low levels of supply.

Investors are playing their part. The scale of global capital seeking UK logistics is seemingly without limit, drawn in by the sector's relatively defensive attributes and clear evidence of unprecedented levels of rental growth. Such is the strength of occupier demand; investors have never been more assured of putting their money into speculative development. But it isn't all plain sailing. Conflict in Eastern Europe has raised global geopolitical tensions substantially, bringing a new layer of uncertainty and risking further escalation of inflation. Landlords should be mindful at least of the threat of rising costs to consumers and occupiers alike, as well as the prospect of rising rating liabilities in 2023 and possible moves towards a new online sales tax.

Even if 2022 struggles to match the highs of last year, this does not for a moment look like a bubble about to burst. The growth and activity we are witnessing is underpinned by extremely positive dynamics, which I expect to continue to drive the market for years to come. If anything, a critical lack of supply is likely to prove the main impediment to activity in 2022"

JAMES POLSON
NATIONAL HEAD OF INDUSTRIAL & LOGISTICS
LAMBERT SMITH HAMPTON AUGUST 2022

4.11 Retail Sector

"UK consumer confidence remained at a historic low of -41 in July, according to GfK's Consumer Confidence Index. All five sub-indices remained virtually unchanged, with the general economic situation indices remaining extremely subdued at -66 (last 12 months) and -57 (next 12 months).

This collapse in consumer confidence reflects the rapid rise in inflation, which is creating the biggest fall in real household disposable incomes since records began in the 1960s, as well as rising interest rates and a deteriorating economic outlook. With already-high inflation set to increase further, this very weak confidence is likely to continue for some time.

A further sharp decline in real household incomes looks inevitable, although the Government's Cost of Living Support package, together with rising wages and the low rate of unemployment will help to cushion the impact. The Bank of England is now forecasting real household income to fall by 1.5% this year and by 2.25% in 2023, only returning to modest growth in 2024.

This will inevitably impact consumer spending levels. Indeed, a recent ONS survey reported that just over 60% of households were already spending less on non-essentials, and almost 50% were spending less on food. On the positive side, consumer spending will fall by less than incomes, as some households (typically higher income ones)

will be able to tap into savings accumulated during the pandemic, or reduce the proportion of their income that they save. Discretionary spending will be most under pressure, as households delay big-ticket and non-essential purchases.

These impacts are yet to be fully seen in retail sales data. Retail sales volumes fell by 0.1% in June 2022 following a fall of 0.8% in May 2022 (revised from a fall of 0.5%); sales volumes were 2.2% above their pre-pandemic February 2020 levels, but down over the past year.

The proportion of retail sales online fell to 25.3% in June, the lowest proportion since March 2020 (22.8%), continuing a broadly downward since February 2021 (37.4%), as more shoppers return to physical stores following the pandemic. However, over the medium term, online sales are likely to resume their upward trend as a proportion of total sales.

UK town centre footfall remains circa 10% below its pre-pandemic levels, due mainly to the higher level of the remote working. This now appears to be a structural shift, to which retailers will need to permanently adjust. On the positive side, many local high streets continue to benefit, but at the expense of larger town and city centres.

Average retail rental values had been declining for 18 months prior to the pandemic, a trend that accelerated sharply during the lockdowns, and are now 17.4% below their 2018 peak (MSCI Monthly Index, June). However, the rate of decline has been moderating recently, and average all-rental values have now broadly levelled off. This does mask significant variation, depending on the type of property and location.

The retail warehouse subsector has fared considerably better than most of the wider retail sector. Average rental values saw only a modest fall during the pandemic, and have been rising steadily, by 1.1% between September 2021 and June 2022 (MSCI)."

CARTER JONAS RESEARCH AUGUST 2022

4.12 Office Sector

Vail Williams recently reported:

"In 2021 we saw the bounce back of the office markets in the region's major cities, including Portsmouth and Southampton, as the desire to be in and amongst city centre facilities and have a sense of place, returned.

Now, seven months into 2022 our South Coast agency team, the region's leading commercial office agent, Russell Mogridge, discusses what we are seeing on the ground across the South Coast office market.

"As businesses have begun to think about what their

post-pandemic workplace strategies look like, workforces have been encouraged back into the office, and the professional services sector has led the way.

Having enjoyed the benefits that working from home provided for some (but not all), most businesses have opted for a hybrid office model for the medium term at least.

This is giving their teams the benefit of both worlds – the flexibility of homeworking, together with the social, mental health, career and innovation benefits that the office environment delivers – not to mention the recruitment lure.

This is translating into a continued 'flight to office quality, as occupiers seek a higher standard of office building boasting a good range of amenities, collaboration spaces and green energy efficient credentials, to enable them to attract and retain talent."

RUSSELL MOGRIDGE
VAIL WILLIAMS -SOUTHAMPTON
AUGUST 2022

4.13 The Asset Investment Strategy may also consider acquisitions marginally beyond the District boundary on a case-by-case basis. This could broaden the opportunity to acquire good quality investments covering the range of types and locations and to spread risk. The Council may consider sites immediately outside the District boundary that can still demonstrate economic links to the District in terms of workforce commute and wider supply chain benefits back to within the District boundary. To date however all the Council's commercial property purchases have been within the District and the preference is to purchase commercial property within the District.

4.14 Overall and notwithstanding current economic headwinds, the Council remains of the view that purchases of commercial properties and future development (including re-development of land or the repurposing of existing Council real estate) when made on a cautious and prudent basis will over time contribute to the Council's vision and priorities as set out in this strategy.

Holding property investments

4.15 The Council may hold property assets either directly or indirectly. Direct property investment gives the Council full control over the property and responsibility for its management. All properties acquired to date are held in this way.

4.16 Indirect property investment (excluding pooled funds held through a Treasury Management Strategy) could take the form of either setting up a trading company or forming a joint venture with another property investment company.

4.17 The holding of property assets in a property company would enable greater freedom and flexibility of the

decision-making process. However, there are potential risks and set up costs involved, the company would be subject to corporation tax and incur higher financing costs than if the investment acquisition programme is undertaken directly. Although there is the potential for higher returns, there is also the potential for significant losses.

4.18 The preferred approach therefore is to establish governance arrangements that support the ability to seek and purchase suitable assets, avoiding the need for Council controlled separate legal entities to be involved. Larger and more complex projects may require alternative legal structures, but these will be developed and assessed on a case-by-case basis as required.

Criteria for selecting investment assets

4.19 The Council selects properties which support economic activity within the District. The criteria also confirms that the purchase will provide a satisfactory rental return for the provision of services. The Council will acquire and hold properties directly where possible and appropriate. The Council will also retain the discretion to make investments outside the immediate District where a clear economic benefit inflow exists back to within the NFDC boundary. The preference however is to secure properties within the District. The strategy also allows for the redevelopment, re-purposing or improvement of its own landholdings for these purposes.

4.20 Investment property acquisitions need to be subject to the agreed parameters of the Council's Asset Investment Strategy. The Council's initial selection of an asset shall be assessed on three acid test criteria on a pass or fail basis.

- I. Does the opportunity promote or support economic activity with the New Forest District.
- II. To achieve the minimum evaluation requirement of yield, that is to ensure the income from the investment does not place an additional financial burden on the General Fund, the yield required from a purchase should exceed a minimum level of 1.5% above the most up to date PWLB lending rate; and

Leases should be classified, for accounting purposes, as an operating lease rather than finance lease, to ensure that all rental income can be treated as revenue income (rather than a mix of capital receipt and revenue income). Operating leases are those where the risks and rewards of ownership are retained by the lessor (the Council) and must meet certain criteria. The main criteria being that the lease term should not be for the major part of the property's economic life unless the price paid is underpinned by the sites redevelopment potential and at the start of the lease, the total value of minimum lease payments (rents) should not amount to a significant proportion of the value of the property.

4.21 Any asset meeting these first three criteria will pass to the next stage for consideration. Subject to paragraph 4.21 below, the Council will not consider any properties that

do not meet the two acid test criteria.

4.22 For assets that pass the first two criteria, officers will evaluate any prospective property against a comprehensive set of defined property specific criteria. To form an initial view on the strength of a given investment proposition, officers will score the property against the scoring criteria shown in the table set out in Appendix 1. The minimum score should be at least 171 out of a maximum score of 285; this is equivalent to at least the 60th percentile of the maximum score. There will, however, always be a trade-off between the level of return and the score.

4.23 The table in Appendix 1 shows the suggested scoring criteria to be applied when considering an investment property.

4.24 The Council reserves a discretion to acquire commercial property assets that may fall outside the investment criteria if a strong case can be made that the target property provides an exceptional opportunity to promote the Council's main priorities and values.

Acquisition process and governance

4.25 The team comprises experienced officers from Finance and Estates & Valuation to prepare initial assessments and recommendations concerning suitable properties. It is important that the Council's approval procedures work swiftly to ensure that opportunities are not lost to rival purchasers.

4.26 To complement the governance arrangements that already exist within the Council, acquisitions are subject to the following process being completed in the following stages:

a. Maintain officer and member awareness of future investment acquisition programme via the Property Investment Panel

b. Source the asset

c. Inform Portfolio Holder for Finance Investment & Corporate Services and the Strategic Director Corporate Resources and Transformation (Section 151 Officer) of prospective asset.

d. Pre-offer stage: circulate template of information on full details and cash flow of the potential acquisition to key individuals and services to ensure the legal and financial implications of purchase are fully understood

e. Request approval to enter bidding process or to make an offer, subject to contract, from the Portfolio Holder for Finance, Investment and Corporate Services and the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Property Investment Panel where appropriate

f. Finalise Heads of Terms where bid is successful and commission independent surveys, purchase report and valuation and legal due diligence.

g. Approvals to enter into binding contract then to be finalised as follows:

1. The Chief Executive, the Strategic Director Housing, Communities and Governance and the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Portfolio Holder for Finance, Investment and Corporate Services, the Chairman of the Corporate Affairs and Local Economy Overview and Scrutiny Panel and the Portfolio Holder for Business, Tourism and High Streets, shall have authority to make asset purchases and investments up to £5million.

2. Cabinet shall have authority to make asset purchases and investments above £5million.

Purchaser's costs

4.27 Any direct property acquisition would be subject to purchaser's costs, typically these would include the following:

Stamp Duty	4.75%
Legal Fees	0.75%
Agent, Survey & Valuation Fees	1.75%
Total Acquisition Fees Circa	7.25%

Total Acquisition costs = 7.25% of the property purchase price.

4.28 This level of acquisition costs is the industry standard and all commercial property yields quoted are generally net of purchaser's costs.

Financing Costs

4.29 The extension of the portfolio fund would continue to utilise a 20% General Fund reserve contribution, whilst seeking to finance the remaining 80% through loan. The decision as to whether the Council will borrow externally and at what point in time is a treasury management decision and not directly linked to the purchase of the asset or this strategy.

4.30 The requirement to borrow externally requires assessing through the Council's prudential indicators to ensure that the overall level of debt is suitable in relation to its standard operating cash flows.

Timescales

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

4.32 The Council will continue to implement the strategy, subject to the availability of 20% reserve contributions as outlined at paragraph 4.25, or will review within 5 years, or when a further £20M is utilised, whichever is sooner.

5. Risk Management

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

- 5.1.1 Capital values and rental values can fall as well as rise.
- 5.1.2 Borrowing costs could increase.
- 5.1.3 Vacancies (voids) in the portfolio will reduce average yield. As well as lost rental income on vacant units, the Council could find itself liable for a share of on-going costs which a tenant would normally pay such as empty property rates.
- 5.1.4 Disputes with tenants. Common disputes include ongoing maintenance and repair costs of buildings and the ability to recover those costs from tenants.
- 5.1.5 Tenant default, and that financing costs could rise.
- 5.1.6 External factors. Property investment, whether direct or through pooled funds, is subject to factors the Council cannot control, e.g. failure of tenants, changes in perception of what is a good location, economic downturn etc.

5.2 The overall investment value and range of properties being acquired needs to represent a good mix and spread of risk across differing sectors. The overall size of the investment pool needs to establish a suitable mix.

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

5.4 All forms of investment carry an element of risk and the acceptance of a risk factor is rewarded by the achievement of key corporate plan objectives and priorities, and of course the potential for financial return.

5.5 New development, regeneration and redevelopment can take time before cash inflows commence. Officers will prepare a detailed cash flow model for each prospective investment in order to appraise the cash flow risk and the internal rate of return of the investment. Officers will also take into account the ability for lending rates to increase, noting that this strategy has a long-term focus.

6 Ongoing management and performance review of the assets

6.1 Property management varies between properties. Managerial issues include rent collection, service charge calculation and collection, building maintenance,

security, dealing with tenants, re-letting empty units, negotiating terms of rent reviews, dilapidation claims and the general miscellany of property management.

6.2 The means of ongoing management of acquired commercial property investments will be determined on a case-by-case basis. In some management intensive cases, such as multi-let properties, day to day management fees may be largely recoverable by way of service charge, provided an external firm is used. However, there does remain a 'client side' management function for all owned properties and the time commitment will increase relative to the number and type of properties acquired as well as the number of tenants within the portfolio.

6.3 The Estates and Valuations team will be responsible for providing regular reports on management issues and the performance of the Councils property investment portfolio.

6.4 The Council's Capital Change Board (CCB) will review all investment assets every six months and the Corporate Affairs and Local Economy Overview and Scrutiny panel will receive an annual report, with further updates as requested by the panel Chairman.

6.5 Regular reports to be provided to the Property Investment Panel consisting of:

6.5.1 Portfolio Holder for Finance, Investment and Corporate Services,

6.5.2 Chairman of the Corporate Affairs and Local Economy Overview and Scrutiny Panel,

6.5.3 Portfolio Holder for Business, Tourism and High Streets,

6.5.4 the Chief Executive,

6.5.5 Strategic Director Corporate Resources and Transformation (Section 151 Officer), and

6.5.6 Strategic Director Housing, Communities and Governance.

7 Financial implications

7.1 The Council currently holds property leased out on commercial terms, with a book value of approximately £29M associated to the principal assets. This figure will increase when the Platinum Jubilee Business Park is completed. The Estates and Valuation team deal with the leases and rent reviews and are responsible for ensuring that all income due to the Council is collected.

7.2 The experience of the Council since 2017 indicates that a range of properties with differing gross yields are marketed or get passed to the Council for early consideration off-market. The resultant net revenue income of any prospective purchase is compared

against the cost of capital (i.e. either the cost of a loan or investment interest foregone, or a combination of both). It is generally accepted that properties promoting regeneration and redevelopment will come with a potential lower prospective yield.

- 7.3 The financial assessment for each prospective purchase will take into the specific costs and incomes associated with the property and will account for Minimum Revenue Provision based on the internal borrowing requirement over a useful life period of 50 years.
- 7.4 Properties will continue to be financed using a combination of reserve-based equity investments (20%) and borrowing (80%). Internal borrowing will be utilised initially, with specific decisions on the timing and size of any external financing requirement being a Treasury Management decision taking into account the Council's whole Capital Financing Requirement.
- 7.5 The Council's Capital Strategy and Investment Strategy for 2023 will account for the extension of the Asset Investment Strategy and will be based on additional investment of £20M. This will cap the Council's overall exposure to investment property acquired pursuant to this and the preceding Asset Investment Strategy at £50M. The Council's Section 151 officer considers this proportionate taking into account the size of the Council, it's cash and reserve balances, and its risk appetite.
- 7.6 It is envisaged that additional resources will be required once a tipping point in reached in the number, size and complexity of properties owned and managed by the Council. The resource will either be in-house or via an external management contract (or possibly a combination of both depending on purchases identified). Separate resource covering regeneration exist within the Council and will be supplemented on a project-by-project basis.

APPENDIX 1 - INITIAL SCORING MATRIX

Scoring Criteria	Score	5	4	3	2	1
	Weighting Factor	Excellent / very good	Good	Acceptable	Marginal	Low
Economic Benefit to the District	12	Supporting substantial economic benefits and/or growth, and new or sustainable employment	Supporting good economic benefits and/or growth, and new or sustainable employment	Supporting acceptable economic benefits and/or growth, and new or sustainable employment	Supporting marginal economic benefits and/or growth, and new or sustainable employment	Supporting economic benefits and/or growth, and new or sustainable employment but is outside of District
Lot size	10	Between £1.5M & £5.5M	Between £0.5M and £1.5M or between £5.5M and £7M	Less than £0.5M or between £7M and £8M	Between £8m & £10m	More than £11m
Tenure	10	Freehold	Lease 125 years plus	Lease between 75 & 125 years	Lease between 25 & 75	Lease less than 25 yrs
Building Quality, Obsolescence and Energy Performance	8	Newly Built with EPC Rating A, B or C	Recently Refurbished EPC Rating A, B or C	Average condition and likely to continue to be fit for current use EPC Rating A,B or C	Aged property with redevelopment potential EPC Rating D or E	Nearing end of useful life/ use unlikely to continue when lease expires EPC rating > E
Tenancy strength	8	Single tenant with strong financial covenant	Multiple tenants with strong financial covenant	Single tenant with satisfactory financial covenant	Multiple tenants with satisfactory financial covenant	Tenants with poor financial covenant strength
Occupiers lease length	5	Greater than 15 years	Between 10 and 5 years	Between 5 & 2 years	1 year or less	Vacant with little opportunity to let.
Repairing terms*	4	Full repairing & insuring	Internal repairing - 100% recoverable	Internal repairing - partially recoverable	Internal repairing - non recoverable	Landlord

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MEDIUM TERM FINANCIAL PLAN 2022 ONWARDS

1. Recommendations

Cabinet are asked to;

- a) note the contents of the report and the updates to the Medium Term Financial Plan;
- b) endorse the approach taken to set the Asset Maintenance and Replacement Programme and Capital Programme Budgets for 2023/24;
- c) allow the Fleet Manager to begin procurement for the vehicles and plant as included within the 2023/24 replacement programme; and
- d) recommend Council approve the proposed fees and charges as included at appendix 1 and 2 to this report.

2. Purpose of Report

- 2.1 To consider the ongoing development of the Medium Term Financial Plan 2022 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2023/24.

3. Background

- 3.1 The Council has a legal requirement to set an annual fully funded balanced budget and must plan its finances over a medium term period.
- 3.2 The Council's financial strategy seeks to align available financial resources to corporate priorities and achieve a balanced budget through the crystallisation of efficiencies from all services, supported with the targeting of new and additional income generation. Financial stability over the medium-to-long term has underpinned the Council's financial strategy, with due consideration being given to the potential implications that the Fair Funding Review, Business Rate Reset, and national rent setting policy will have on this Council. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services and aligns the financial plan to ensure its delivery of key priorities as outlined in the Corporate Plan.
- 3.3 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. The September MTFP set a baseline position and is now updated for changes and reviews undertaken since. As explored further in section 4, uncertainty still surrounds the local government finance settlement, which is expected early-mid December.
- 3.4 The Business Rate Retention Scheme is still under review within the context of the wider Fair Funding Review. The September expectation was based on a hard reset in 2025/26

with partial redistribution of the national surplus, and a revised retention scheme (currently a 50% retention scheme, with the District Council retaining 40% of Business Rate growth). This is still the base assumption included within this updated MTFP.

4. Autumn Spending Review & External Factors

- 4.1 The Chancellor's 2021 spending review announced that Local government would receive an additional £4.8bn in grant funding over the next three years, which represents real terms growth in funding. The annual increase of £1.6bn came in one tranche in an increase to 22/23 in comparison to 21/22. For the avoidance of doubt, £4.8bn is the 3 year figure, made up of £1.6bn x 3.
- 4.2 The Chancellor presented a full Autumn Statement on 17 November. The OBR estimates that the fiscal gap is some £55bn if the Chancellor is going to achieve his objective of falling debt in 2027-28. Half the fiscal consolidation will be from spending cuts, and half from tax rises. The detail of what spending cuts mean to government departments will become clearer when provisional finance settlements are released towards the mid-end of December. There were 2 items that will lead to increased potential funding for the Council;
 - 4.2.1 The chancellor confirmed that the business rate multiplier would be frozen, and that local authorities would be compensated for the freeze. This was largely expected, as precedent for this had previously been established. The question mark remains on what government will use as the measure of inflation for the compensating section 31 grant to the authority.
 - 4.2.2 The chancellor confirmed that the Band D Council tax pre-referendum threshold would be increased to the greater of £5 or 2.99% for District and Borough Councils. For this Council, the added flexibility to largely immaterial, and enables an increase to £5.63, with the additional £0.63p worth an added £46,000 to the Council for 23/24 (and included in base Council Tax thereafter).
- 4.3 The Autumn Statement also confirmed some business rate relief measures, most notably 75% relief for Retail, Hospitality and Leisure sectors in 2023/24.
- 4.4 The District Council received 2 settlement grants in 2022/23, the Services Grant (£276,000) and the Lower Tier Services Grant (£179,000). Both of these were included as one-year only grants. It is not yet known whether any specific grant funding will be directed to District and Borough Council's in the 2023/24 settlement.
- 4.5 We won't know the specific implications to NFDC in terms of funding support until the release of the provisional finance settlement, usually released early-mid December. It is also now increasingly unlikely that the recently re-appointed Secretary of State for Levelling Up, Housing and Communities will provide a 2-year settlement.
- 4.6 The items that we either know, or that have the potential to impact NFDC finances over the medium term as a result of government policy are:
 - 4.6.1 Business Rate Reset – NFDC will retain its Business Rate growth in 2023/24. There is no change to Medium Term Forecast as the reset is still expected at some stage between now and 25/26.

- 4.6.2 Lower Tier Services Grant - £179,000 received in 22/23, communicated as one-off.
 - 4.6.3 Services Grant - £276,000 received in 22/23 communicated as one-off although also seen as the compensation for the National Insurance increase, now revoked.
 - 4.6.4 Council Tax Increase – Expected that the greater of £5 or 2% will still be allowable, but final decision on this not yet clear.
 - 4.6.5 New Homes Bonus – £366k received in 22/23. Not clear yet whether any new New Homes Bonus will be payable after 22/23. Based on the Council’s 2022 tax base growth, no bonus will be payable in 23/24.
 - 4.6.6 National Insurance Contributions – The 1.25% increase introduced in April 2022 has now been revoked, and so will be able to be removed from the budget. It had been confirmed that this additional funding is embedded within the additional £1.6bn of funding as previously noted.
 - 4.6.7 Extended Producer Responsibility Scheme – we’re still no clearer on understanding whether this will come into effect from 23/24, and to what extent it will impact on the Council’s finances. In any case, this will likely contribute towards the additional costs of adhering to the new National Waste Strategy, there will be a nil net impact to NFDC.
 - 4.6.8 Homelessness Prevention Grant – Unlikely to see grants reduce during the period covered by the MTFP. NFDC currently receive c£1m PA.
 - 4.6.9 HRA Rent Cap - In the Chancellors Autumn Statement (17 November) it was confirmed that the current policy of CPI +1% would be replaced with a 7% rent cap for 2023/24.
- 4.7 On 3rd November, the Bank of England increased the Base Rate of inflation to 3%. This is the highest rate of inflation since November 2008. There is market expectation of a further rate increase in the near future. In the short term, it will have a positive impact to the Council’s interest Earnings, but in the medium term, will impact on the cost of borrowing required to support the Capital Programme. The rate increase will also impact on Residents who have variable rate mortgages, and so could further increase immediate cost of living pressures

5. Updated Medium Term Financial Plan – General Fund

- 5.1 The September MTFP outlined a forecast deficit to 2026/27 of £3.353M. Such is the magnitude of the forecast deficit, the base MTFP assumption now allows for the annual increase in Council Tax, aligned to the flexibilities allowed by central government policy, which adds to a cumulative £1.508M to 26/27, as opposed to showing this as an option for consideration. The figures as shown within table 1 are based on 2.99% for 2023/24 and the continuation of the greater of 2% or £5 for the annual pre-referendum Council Tax increase thereafter:

Table 1 – Updated Forecast Deficit with Annual Council Tax Increase Assumed

	Forecast 23/24 £'000	Forecast 24/25 £'000	Forecast 25/26 £'000	Forecast 26/27 £'000
Sept Forecast Deficit	(1,229)	(1,703)	(3,037)	(3,353)
Annual Council Tax Increase	407 (2.99% / £5.63)	771 (2.58% / £5)	1,138 (2.51% / £5)	1,508 (2.45% / £5)
Updated Forecast Deficit	(822)	(932)	(1,899)	(1,845)

5.2 The other significant quantifiable changes to consider since the September reported position, are as follows:

5.2.1 Homelessness Cost Pressures

As reported to the Cabinet in November 2022, the Council has seen significant increased demand in homelessness support during the year, and it is expected that this will likely continue into 23/24. An additional budget of £1M is allowed for within 2023/24, with this increase being phased out over a 2 year period.

5.2.2 Triennial Pension Revaluation

The triennial pension revaluation has confirmed a whole-fund ratio of 107.1%, which means the fund is now in surplus to the tune of 7.1%. This has negated the need, for the second triennial review, for a deficit contribution, and so the retained deficit budget within the Council's General Fund of £1.25M will now be used to help offset the additional and significant costs of pay award, and homelessness. It had been used to support the financing of the Capital Programme for 2022/23. The revaluation also introduces a small degree of choice on where the Council can set its own primary rate contribution. The advice from the actuary is to continue with the current primary rate (18.4%), thus protecting the current surplus level. There was no expectation of a reduction in primary rate so there will be no further impact to the MTFP as a result of the continuation of the 2022/23 contribution rate.

5.2.3 National Insurance

The favourable impact to the NFDC General Fund of the recent revocation of the 1.25% rise National Insurance Contributions is c£180k.

5.2.4 Pay Award

Pay Award was significant in 2022/23, to the extent that it added a total of £1.2M to the Council's overall pay bill. The base assumption within the MTFP is 2%, but an added contingency of £250,000 will be included within the base budget for 23/24, allowing for an increase of up to 3.25%.

5.2.5 Tax Base Growth

An assumption of tax base growth (new housing within the District) is factored into the Medium Term Forecast. The calculated growth for 22/23, to feed into the 23/24 budget setting has been confirmed elsewhere on this Cabinet Agenda. The growth of 149 (0.21%) is a reduction on the base assumption of 0.75% as included within the September MTFP.

5.2.6 Investment in the New Forest Economy

The completion in January 2023 of the Platinum Jubilee Business Park in

Ringwood will support between 150-200 new jobs on the site. It will also have a positive impact to the broader local supply chain, and return a net income to the Council.

5.2.7 The freezing of the Business Rate multiplier

The freezing of the multiplier for 23/24 will mean businesses will still pay the same level of business rates in the £1 on their rateable value in 2023/24 as they did in 2022/23, although noting that there has been a valuation review which will take effect from April 2023. In terms of the multiplier freeze, the government will compensate for the lost inflationary increases that the business rate retention policy assumes. This has yet to be confirmed, but should be worth approximately £400,000 to the Council in its base funding assumptions.

5.2.8 Investment in Service Change Resources

There will be a significant amount of service changes coming within operational services as a result of the newly adopted Waste Strategy, and convergence to National Waste Strategy and the Hampshire wide Joint Municipal Waste Management Strategy. The budget proposes an additional establishment post to support the vast upfront procurement activity, and for that post to play an ongoing role in broader performance management by third party contractors within the Place, Operations and Sustainability Directorate going forward.

The Council is missing a specific business analyst role to support service transformation, so ahead of the full presentation of the transformation business case early in 2023/24, an additional resource budget is being proposed within the budget to initially focus on the operations service, and take a subsequent Council-wide role in the delivery of efficiencies across the Council.

5.2.9 Fees and Charges

The September MTFP report included a Fees and Charges setting policy for 2023 and 2023/24. In the main, charges applicable from 1st April will be included within the February budget report. A couple of service areas have reviewed their charges ahead of February, due to the need for extended lead times to communicate the changes to a significant number of customers.

1. Garden waste collections – Appendix 1

From April 1st, garden waste subscription fees will increase by between 9.1% and 11.1%, depending on the number of bags required and the point at which a customer joins the scheme.

These increases are in line with inflation. When compared with other councils, in 22-23 New Forest had the joint lowest fees in Hampshire, with the average fee (£48) being significantly higher than the fee in NFDC, at (£37), although almost all other councils now only offer wheeled bins for garden waste, in contrast to NFDC's use of reusable sacks.

The proposed increases in fees will result in estimated additional yield of £103,000.

2. Trade waste – Appendix 2

There are numerous different waste and recycling services offered to business

within the NFDC area, including waste, mixed recycling and glass collections. Different container and collection frequency options are also offered.

The cost of the trade waste collection service has increased during 22-23 due to significant increases in salaries, fuel, and the cost of plastic sacks. In addition, disposal costs in 23-24 will increase by RPI. The charges proposed therefore are in line with these inflationary increases.

The proposed increases in fees will result in estimated additional yield of £27,000.

- 5.3 The resultant summary financial position showing the cumulative forecast deficit to 2026/27 is as follows:

Table 2 – Resultant Forecast Deficit to 2026/27

	Forecast 23/24 £'000	Forecast 24/25 £'000	Forecast 25/26 £'000	Forecast 26/27 £'000
Available Funding (pre Council Tax increase)	21,426	21,971	20,722	21,276
Budget Requirement	21,958	22,328	21,821	22,321
(Deficit) / Surplus	(532)	(357)	(1,099)	(1,045)

- 5.4 Options identified to address the deficit as above, but not yet delivered total £1.570M, and are summarised as follows:

5.4.1 Commercial and Residential Income Generation: £500,000

This represents the forecast net income to be generated assuming the successful adoption and delivery of the extended Asset Investment Strategy.

5.4.2 Efficiency Programme (inc. F&C's Yield): £1,070,000

The Transformation Programme will be critical to delivering financial efficiencies from improved service delivery and in the alignment of resources to corporate plan priorities. Growth in Fees and Charges also has a key role to play in off-setting expenditure increases across the Council.

- 5.5 There are also other potential changes, yet to be quantified that need due consideration in the Medium Term Financial Planning;

5.5.1 Waste Strategy

Updated information in relation to New Burdens funding is still outstanding. At this stage, the Council is still unaware of the value and longevity of any funding that was initially confirmed to cover the added cost of separate food waste collection. The forecast additional cost of this separate collection service is £1.6M PA, so significant in the context of the Council's General fund budget.

The service transition budget, funded from Capital reserves, will also need to be adjusted for inflation.

5.5.2 Leisure Centres

The Leisure contractual position is under pressure as a result of the significant

increases in utilities and the slower than anticipated income return, undoubtedly linked to the current cost of living crisis. Council representatives on the Partnership Board continue to work closely with Freedom Leisure.

5.5.3 Solent Freeport

Work is ongoing with Senior Officers and Cabinet members in their various roles within the Freeport Consortium committees. The option to subject an expression of interest was submitted by the Solent Freeport Consortium Ltd, with several caveats around planning requirements being protected. The current ongoing piece of work is the development of an initial investment proposal, which is a document required by DLUHC that will set out the intention of the freeport in prioritising initial project delivery, using future retained rates to provide financial support to the varying infrastructure projects required to help make the tax and customs sites accessible and operational.

5.5.4 Local Plan Delivery

The Council needs to have an up to date Local Plan with review required every 5 years. Work has commenced on Local Plan Part 2. The Council may need to consider whether it continues with a Part 2 Review or, if ABP confirms its intention to progress an NSIP for Dibden Bay*, a full Local Plan Review. Either option will require considerable budget to produce the necessary evidence bases and take through Public Inquiry. At this stage it must be acknowledged that there will need to be budgetary provision to fund initial work to create an evidence bases for either route. The Council has set aside an initial sum of £370,000 within a specific reserve for this purpose.

* The Local Plan Part 1 2016-2036 sets out ABP intention, as set out in the Draft Port of Southampton Master Plan 2016, to seek consent for port expansion on to Dibden Bay. Given the scale of development the project would qualify as a Nationally Significant Infrastructure Project (NSIP). This would fall to the Planning Inspectorate to consider, however it would require significant input from the Council working to a fixed NSIP timetable. Whilst there would be discussion with ABP around project resource nevertheless there will be a need for significant resources focused on this project and so there will be budgetary implications which will need to be considered when this NSIP project is launched.

5.5.5 Regeneration Masterplan work

Work has taken place over the summer on initial work to create a Regeneration Vision for Totton. The next stage of the work will be to produce a detailed Masterplan and delivery Plan. The required budget will be picked up in the next MTFP, and this work will also inform Local Plan work.

5.5.6 Sustainability and Carbon Reduction

Over the period covered by this Medium Term Financial Plan, the Climate and Nature Emergency actions will begin to be substantiated with financial implications that will need addressing in the budget cycle. Whilst there are no direct financial implications to include within this report, there is a likelihood that the February Budget will look to include a level of funding to support the desire of the Council to become more environmentally sustainable and to reduce carbon emissions.

5.6 **At this stage in the budget planning cycle, the Council is well placed to provide a balanced budget for 2023/24, utilising the accrued Budget Equalisation Reserve as necessary and has suitable plans to address the budget deficit over the Medium Term period.**

6. Asset Maintenance and Replacement Programme

6.1 The General Fund includes a budget for Asset Maintenance and cyclical Asset Replacement totalling £2.050M. This includes a £150,000 increase to 23/24 as a result of the increased pricing seen in fleet replacement (Cabinet Report 7th Sept);

Table 3 – Asset Maintenance and Replacement Budget Allowance for 2023/24

	2023/24 Budget Allowance £'000
Health & Leisure Centres (Landlord Maintenance)	550
Other (Offices / Depots / ICT Hardware)	280
Cyclical Replacement of V&P	1,450
Proportion Chargeable to the HRA	(230)
TOTAL	2,050

6.2 Service Managers were invited to submit their project requirements during the month of October, with the summary schedule collectively reviewed by the Capital and Change Board.

6.3 The AMR project bids will be shared with the Corporate Affairs and Local Economy Overview and Scrutiny Panel at its meeting in January. At this stage via this report, the Cabinet is asked to endorse the approach taken to set the Asset Maintenance and Replacement Programme Budget for 2023/24.

6.4 **Vehicle and Plant Replacement**

A significant share of the programme cost is the write down of the replacement Vehicles and Plant acquired by the Council. Lead in times for particular vehicles can be extremely long, and so waiting for February for the formal budget approval is not conducive to ensuring the delivery of the programme in the 12 month fiscal window. The replacement of vehicles is essential to front line service delivery and plays a significant part in ensuring the Council's fleet contributes to the Council's green agenda as new engines are typically more efficient than older models. If a vehicle is running well with low maintenance costs, it is not replaced in line with the tabled cyclical replacement, but when the timing is right for that vehicle. It is highly unlikely that the overall budget will need to be amended to the extent that it cannot support the replacement programme for 2023/24, so a specific recommendation has been included within this report to allow the Fleet Manager to begin procurement for the vehicles and plant as included within the 2023/24 replacement programme. It is worth noting that vehicles are being specified to take account of potential changes to waste collection services in line with the newly adopted waste strategy.

7. Updated Medium Term Financial Plan – Housing Revenue Account

- 7.1 Plans are progressing with regards to the development of the HRA budget for 2023/24, which will include:
- The potential for additional income as a result of the new property developments and acquisitions
 - The reduced additional income yield, noting that Government intervention is now confirmed at a 7% social rent cap, as opposed to the current policy of CPI +1%.
 - The additional costs of Pay Award and incremental progression
 - Cost pressures on external supplies and material associated with the Consumer Price Index
 - Cost and income pressures related to void properties, which have now seen an increase in number over the last 2 financial years
 - New administrative requirements in relation to the social Housing Charter
- 7.2 In the Chancellors Autumn Statement (17 November) it was confirmed that the current policy of CPI +1% would be replaced with a 7% rent cap for 2023/24. The September MTFP had presented a then policy compliant assumption, which will now be re-addressed in the detailed budget preparation to align to the new confirmed cap.
- 7.3 The impact of every additional £1 spent in the revenue account is £1 less to provide funding to the Housing Capital Programme. The factors as described above are likely to result in a reduction to the forecast Revenue Account surplus. The full extent will be explored over the coming months as detailed budget preparation and medium term forecasting continues.
- 7.4 The Council has recently engaged an external consultant to assist with the preparation of its 30-year HRA business plan, which will be presented alongside the detailed HRA budget report to tenants and the Housing and Homelessness Overview and Scrutiny Panel in January 2023 and to Cabinet in February 2023. Significant preparation work has already been carried out using latest 2022/23 budget figures.
- 7.5 The Capital programme will include the significant Major Repairs Programme, fire safety actions and the continuation of the strategy to increase NFDC Council stock numbers. The Programme will follow a similar route to the General Fund programme in terms of having an initial review through EMT, followed by presentation at the Housing and Homelessness Overview and Scrutiny Panel, and ultimately onto Cabinet and Council as part of the formal budget setting process. The projects and financing will be fully explored in the updated Capital Strategy for 2023/24.
- 7.6 The Capital Strategy and Investment Strategy will further explore the relationship between the outstanding loans held by the HRA, which as at the 31st March totalled £122.1M, the current level of reserve balances, and the value of the proposed Capital Programme, to ensure the cost of debt strikes the right balance between the cost of carry Vs the potential investment returns currently available.

8. Capital Programme & Reserves Held

- 8.1 Service Managers were invited to submit their project requirements during the month of October, with the schedules initially reviewed by the Capital and Change Board, and will be presented to the Corporate Affairs and Local Economy Overview and Scrutiny Panel in January. The final proposed programme will be included in the Budget setting paper

to Cabinet and Council during February.

- 8.2 The Capital reserves held by the Council to support the direct financing of the Capital Programme totalled £30.074 million as at 31/03/22. These reserves are split across the various headings and General Fund / HRA as follows:

Table 4 – Reserve Balances as at 31/3/22 Supporting the Capital Programme

	General Fund £'000	HRA £'000
Capital Programme	12,004	
Capital Receipts	2,477	3,416
Acquisitions and Development		11,729
Leisure Development	448	
TOTAL	14,929	15,145

- 8.3 The proposed programme to 2025/26 and financing will be fully explored in the updated Capital Strategy for 2023/24.
- 8.4 The Council will use flexibilities on the use of capital receipts to provide the funding for service transformation in waste collection, aligned with the new waste strategy.
- 8.5 The General Fund budget reserves remains in situ at £3M, and the HRA general reserve at £1M.

9. Crime and Disorder / Equality and Diversity

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

10. Environmental Implications

- 10.1 The 2022/23 budget introduced a new £500,000 sustainability fund to the General Fund Capital Programme, and £500,000 per annum for Greener Housing Initiatives to the Housing Revenue Account Capital Programme.
- 10.2 The Council's budget was also adjusted in 2022/23 to include the funding for the appointment of a Climate Change Manager.
- 10.3 Proposed actions and so funding will be required over the life of the MTFP, with financial implications being picked up in future reporting.

11. Portfolio Holders Comments

- 11.1 The Portfolio Holder for Finance, Investment and Corporate Services: 'We continue to

face a number of challenges over the period of the Medium-Term Financial Plan, not least the uncertainty of both income and the level of rising costs associated with inflation, however we remain as well placed as we can be and I am confident that New Forest District Council will meet those challenges.'

- 11.2 The Portfolio Holder for Housing & Homelessness Services notes the update of the MTFP in respect of the Housing Revenue Account set out in section 7 of the report.

For Further Information Please Contact:

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Background Papers:

Cabinet Sept '22 - MTFP

APPENDIX 2

TRADE WASTE - PROPOSED SCALE OF FEES AND CHARGES FOR 2023/24						
REFUSE						
			Charges 2022/23	Proposed Charges 2023/24	Increase	Increase
			£	£	£	%
Green Sacks	Per Roll - 10 sacks		17.50	19.50	2.00	11.4%
	Box of 30 rolls		359.00	410.00	51.00	14.2%
Delivery Charge	Sack delivery charge (orders under £40)		5.25	5.75	0.50	9.5%
	Sack delivery charge (orders over £40)		Free	Free	Free	0.0%
Regular Collection Green Sacks (charges per week)	Charge Band	No. sacks per week				
	A	0-15	18.00	20.00	2.00	11.1%
	B	16-30	32.00	35.00	3.00	9.4%
	C	31-45	46.00	51.00	5.00	10.9%
	D	45-60	59.00	65.00	6.00	10.2%
1100 litre bin (charges per annum)	Weekly Collection		n/a	n/a	n/a	n/a
	Fortnightly Collection		n/a	n/a	n/a	n/a
	Monthly Collection		n/a	n/a	n/a	n/a
MIXED RECYCLING (cans, paper, card, plastic bottles)						
			Charges 2022/23	Proposed Charges 2023/24	Increase	Increase
			£	£	£	%
Clear Sacks	Per Roll - 36 sacks		23.00	25.50	2.50	10.9%
Stickers	Recycling stickers (for afixing to bundles of cardboard) per roll - 36 stickers		23.00	25.50	2.50	10.9%
Delivery Charge	Sack/sticker delivery charge (orders under £40)		5.25	5.75	0.50	9.5%
	Sack/sticker delivery charge (orders over £40)		Free	Free	Free	0.0%
1100 litre bin (charges per annum)	Weekly Collection		565.00	620.00	55.00	9.7%
	Fortnightly Collection		294.00	325.00	31.00	10.5%
	Monthly Collection		240.00	265.00	25.00	10.4%
GLASS RECYCLING						
			Charges 2022/23	Proposed Charges 2023/24	Increase	Increase
			£	£	£	%
1100 litre bin (charges per annum)	Fortnightly Collection		240.00	265.00	25.00	10.4%
	Monthly Collection		120.00	132.00	12.00	10.0%
360 litre bin (charges per annum)	Fortnightly Collection		99.00	109.00	10.00	10.1%
	Monthly Collection		59.00	65.00	6.00	10.2%
240 litre bin (charges per annum)	Fortnightly Collection		72.00	79.00	7.00	9.7%
	Monthly Collection		45.00	49.00	4.00	8.9%

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COUNCIL TAX REDUCTION SCHEME 2023/24

1. RECOMMENDATION

- 1.1 That the Cabinet recommends to Council that the Council Tax Reduction backdate period be extended from 6 months to 12 months, as detailed in Section 6, from 1 April 2023.
- 1.2 That a Task and Finish Group review a Banded scheme during 2023.

2. INTRODUCTION

- 2.1 Members will recall that local authorities are responsible for setting up their own local Council Tax Reduction Scheme to support those of working age on low income with paying their council tax. The Government stipulated that there must be no change to the level of support that pensioners receive and there are no plans to localise the scheme for this group. Currently, there are currently no plans to include Council Tax Reduction within Universal Credit.
- 2.2 The Council Tax Reduction Scheme must be formally made by the Council no later than 11 March in any year, to take effect from 1 April.
- 2.3 The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
- 2.4 There are currently 7,904 claimants receiving Council Tax Reduction. Of these 4,151 are working age and 3,753 are of pensionable age. See Appendix 1 for caseload trend.
- 2.5 The current Council Tax Reduction Scheme costs approximately £9.1 million. This is split between:

Working Age	£4,423,073
Pensioner	£4,650,428

The cost is shared between all precepting authorities.

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

3. REVIEW PROCESS

- 3.1 The Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2023.
- 3.2 Due to the ongoing impact of the pandemic and administering various support schemes, including Test and Trace Support Payments, Household Support Fund, Food Voucher scheme, Omicron Business Grants and the £150 Energy Rebate scheme, it has not been possible to undertake a full review of the scheme, including consideration of a banded scheme. It is recommended by the Revenue and Benefits

Service Manager, who has been in consultation with the Portfolio Holder for Finance, to consider this in 2023.

- 3.3 The recommendations of the Task & Finish Group are to be considered by the Corporate Affairs and Local Economy Overview Scrutiny Panel, the Cabinet and full Council in December 2022.

4. THE CURRENT LOCAL COUNCIL TAX REDUCTION SCHEME

- 4.1 The council's Council Tax Reduction Scheme protects the vulnerable. A person is vulnerable if they (or a partner) are in receipt of Disability Living Allowance, Personal Independence Payments or Severe Disablement Allowance.
- 4.2 The council's Council Tax Reduction Scheme for 2022/23 requires all working age claimants (except the vulnerable) to pay a minimum of 10% council tax.
- 4.3 The council's Council Tax Reduction Scheme also includes:
- Council Tax Reductions are capped at band D (so that claimants living in higher banded properties receive any reduction based on band D).
 - A savings limit of £6,000, so that claimants with more than £6,000 in savings are not entitled to any reduction.
 - The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings. For comparison purposes, the government disregards in Housing Benefit are £25.00 for a lone parent, £20.00 for a disabled claimant, £10.00 for a couple and £5.00 for a single claimant.

5. MATTERS CONSIDERED BY TASK & FINISH GROUP

- 5.1 Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in working with those affected. In 2022/23 council tax bills increased by an average of 3%, meaning council tax payers having to pay more. This is likely to continue in the forthcoming years.
- 5.2 The Council Tax in-year collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, has reduced from 79.72% to 74.63% and overall in year collection rate for those in receipt of Council Tax Reduction reduced from 91.95% to 85.59%.
- 5.3 Many of the claimants have also been affected by other welfare reform changes as well as an increase in the cost of living, in particular fuel and food inflation which adversely affects low income households.

6. DISCUSSION ON COUNCIL TAX REDUCTION SCHEME FOR 2023/24

- 6.1 The group considered reviewing various aspects of the current scheme. This included:
- the 10% minimum contribution
 - the Band D cap

- 16 hours additional earnings disregard

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

6.3 The Group also discussed a Banded scheme and recommended a fundamental review of this be undertaken in 2023.

6.4 The Group discussed one proposed change, primarily to support our most vulnerable households. The proposed change is summarised as follows:

Description	No of claims affected	Financial impact
To extend the backdating period of 6 months to 12 months	Minimal	Minimal

6.5 The Group discussed the reasons and impact of the proposed change:

To extend the backdate period from 6 to 12 months

Where a claimant has delayed in making their claim and there is continuous “good cause” their claim can be backdated for a period of up to 6 months. The Group discussed extending this time period to provide additional support to our most vulnerable claimants who, in exceptional circumstances, delayed making their claim, and who otherwise would have to pay their council tax for the period. Although the number of claims who will benefit from this will be minimal, it will provide much needed additional financial support.

The Group agreed to consult on extending the backdate period from 6 to 12 months.

6.6 The Group were made aware of the Exceptional Hardship Payment scheme which is available to support any claimant in exceptional financial hardship with paying their Council Tax due to a shortfall between their Council Tax Reduction and the amount of Council Tax to pay. A new online form is being developed to apply for an Exceptional Hardship Payment and we will work with our partners to promote this.

7. CONSULTATION

7.1 The Council has a duty to consult on any changes to the scheme. The Council undertook a consultation exercise over a 6-week period, from 30 August 2022 to 12 October 2022, advertising on the council’s website and on decision notices, as well as contacting partner organisations, including Citizens Advice New Forest.

7.2 The Council only received 3 responses, two strongly agreeing with the proposed change, with one disagreeing, although not providing any explanation for their view. However, due to the minimal response it is not possible to determine any conclusions.

7.3 After considering the consultation responses, the Group recommend making the proposed change to the Council Tax Reduction scheme from 1 April 2023. The Panel support the Group’s recommendation.

8. FINANCIAL IMPLICATIONS

- 8.1 The financial implications of the proposed change were discussed.
- 8.2 The cost will be minimal, especially as the Council only retains around 10% of the total Council Tax collected.

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

- 9.1 There are none

10. EQUALITY & DIVERSITY IMPLICATIONS

- 10.1 Our Council Tax Reduction scheme continues to support those on a low income and protects vulnerable households.

11. CORPORATE AFFAIRS AND LOCAL ECONOMY OVERVIEW AND SCRUTINY PANEL COMMENTS

- 11.1 The Panel support the recommendations in full.

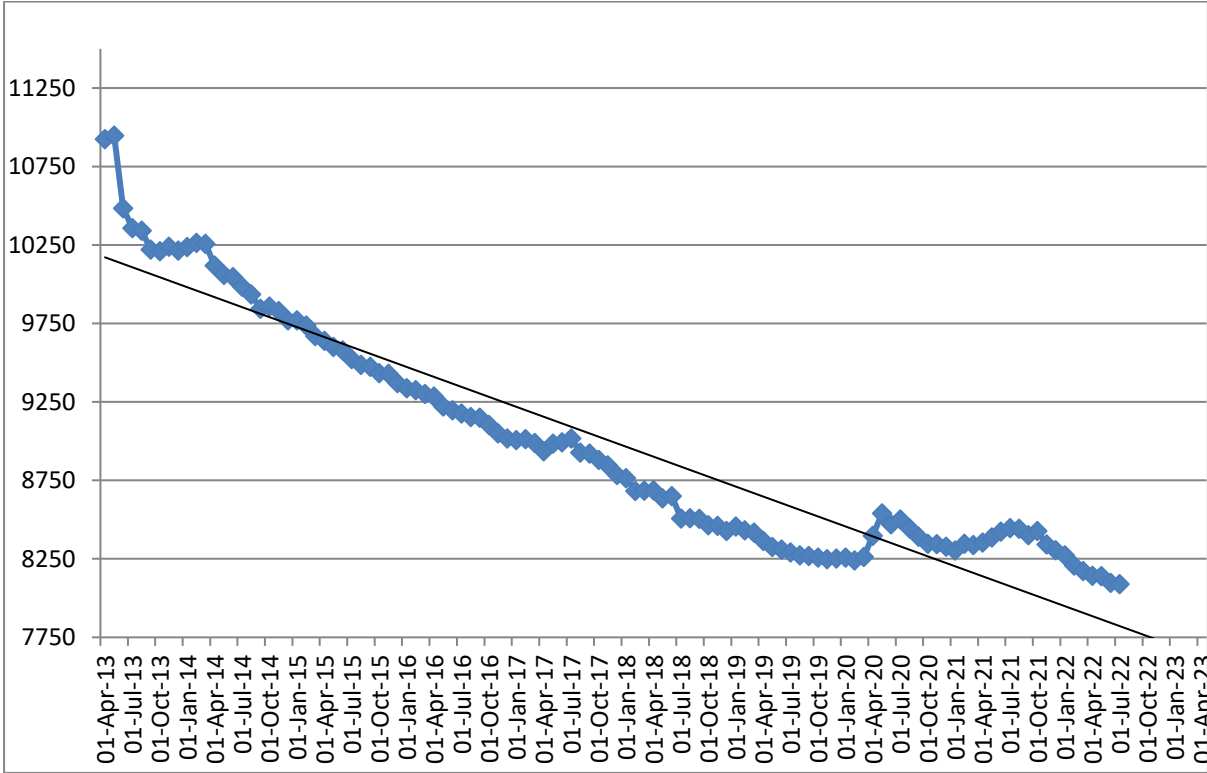
12. PORTFOLIO HOLDER COMMENTS

- 12.1 I support the recommendations which enhances the support that the Council provides to those in our community that are most vulnerable.

For further Information Contact:
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Background Papers:
Minutes of Task & Finish Group

Council Tax Reduction Caseload



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COUNCIL TAX EMPTY HOMES PREMIUM, SECOND HOMES PREMIUM, DISCOUNTS AND POLICIES

1. RECOMMENDATION

1.1 That the Cabinet recommend to Council:

- a) that the empty homes premium as detailed in Section 3 remain unchanged;
- b) that the extension of the Empty Homes Premium as detailed in Section 4 be approved;
- c) that the introduction of a second homes premium of 100%, as detailed in Section 4, be approved;
- d) that the removal of the council tax discount for properties in Prescribed Class D, as detailed in Section 5, be approved; and
- e) that the updated policies as detailed in Section 6 be approved

2. INTRODUCTION

2.1 The purpose of this report is to consider the recommendations of the Council Tax Reduction Task and Finish Group on Council Tax Empty Homes Premium, a premium on second homes, council tax discounts and three Revenue and Benefits policy reviews. All of these recommendations have been considered by the Corporate Affairs and Local Economy Overview and Scrutiny Panel.

2.2 The effective date of any change would be 1 April 2023 unless otherwise stated.

3. EMPTY HOMES PREMIUM

3.1 The aim of introducing the Empty Homes Premiums is to encourage owners of empty properties to bring them back into use.

3.2 The government have stated that they “want to address the issue of empty properties. It can’t be right to leave a property empty when so many are desperate for a place to live”. Two years is considered sufficient time for homeowners to sell, rent or complete any major renovations that might be required, and the premium seeks to incentivise owners to bring their properties back into use.

3.3 There are certain exemptions in place for properties that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of the main property. While not an exemption, guidance states that consideration should be given for properties which are genuinely for sale or available to rent, and that owners should not be penalised in cases of hardship. These decisions are to be made on a case-by-case basis and regularly reviewed.

3.4 Tackling empty homes is part of our Private Sector Empty Homes Strategy and the Private Sector Housing and Revenues teams work together. The council’s Private Sector Leasing Scheme is promoted on any Empty Home Premium communication.

3.5 If an unoccupied property is furnished, such that it is capable of being lived in, a premium does not apply.

- 3.6 The current empty homes premium and the level of discretion available are summarised as follows:

Conditions	Discretion available	Current premium applied by NFDC
Empty for 2 years or more	Up to 100%	100%
Empty for more than 5 years	Up to 200%	200%
Empty for more than 10 years	Up to 300%	300%

- 3.7 The Task and Finish Group recommend no changes to these premiums.

4. PROPOSED NEW PREMIUMS

- 4.1 The Queens speech in May 2022 included a specific Levelling Up and Regeneration Bill that proposes to give local authorities discretion to address second homes and to extend their exiting provisions in relation to empty homes.

- 4.2 The bill recognises the impact that high levels of second home ownership can have in some areas and introduces a new discretionary council tax premium on second homes of up to 100%. It will also allow councils to apply a council tax premium of up to 100% on properties which have been empty for longer than one year, rather than the two years as currently. The bill states this will encourage more empty homes into productive use, while enabling councils to raise and retain additional revenues to support local services and keep council tax down for residents.

- 4.3 These proposals require legislation to be laid and Royal Assent before they become available for billing authorities to implement. This will provide further details, including any exemptions. In addition, a determination must be made at least one year before the beginning of a financial year to which it relates, hence the reason for its inclusion. Therefore, should Royal Assent be received prior to 31 March 2023, the council could potentially apply these new proposals from 1 April 2024.

4.4 Second Homes

- 4.4.1 There are 1,608 properties currently registered as being unoccupied and furnished, and therefore potentially second homes. The breakdown by council tax band is:

Band	A	B	C	D	E	F	G	H
No. of Second homes	128	126	224	387	287	212	201	40

- 4.4.2 The Task and Finish Group were supportive of applying a premium to second homes and recommend adopting a second homes premium of 100%, subject to legislation being laid.

4.5 Empty Homes Premium

4.5.1 There are currently 203 properties that have been empty between 12 months and 24 months. The breakdown by council tax band is:

Band	A	B	C	D	E	F	G	H
No. of empty properties	26	27	49	46	29	13	11	2

4.5.2 The Task and Finish Group recommend applying a 100% empty homes premium where a property has been empty for more than one year, subject to legislation being laid.

5. **DISCRETIONARY COUNCIL TAX DISCOUNTS**

5.1 The Task and Finish Group reviewed the current discounts to council tax payers who meet specified criteria. These are summarised as follows:

Discount	Conditions	Discretion available	Current discount applied	Quantity in 21/22
Prescribed Class C	Property is unoccupied and substantially unfurnished	Discount between 0% and 100% for up to 6 months. Both amount and duration are discretionary.	100% for 1 month from date property first becomes unoccupied and unfurnished	5,278
Prescribed Class D	Property is unoccupied and substantially unfurnished and requires major repair works to render it habitable.	Discount between 0% and 100% for 12 months. Only the amount is discretionary, not the duration.	50%	461

5.2 The Group discussed the above discounts.

- A. **Prescribed Class C.** This discount applies to properties which are unoccupied and substantially unfurnished. Local authorities have discretion to set a discount of between 0 and 100% for any period up to 6 months. The discount applies from the date the property first becomes unoccupied and substantially unfurnished. After the discount ends, the full council tax is payable.

The current discount is 100% for 1 month. The reasoning for the discount is to allow sufficient time for changes in occupation or minor works to be undertaken. Members considered that this should encourage prompt turnover of properties and reduce “voids”. It also avoids billing landlords for small sums between lets.

The Task and Finish Group recommend no change.

- B. **Prescribed Class D.** This discount applies to properties which are unoccupied and unfurnished and where major repair works or structural alterations are required or under way, often referred to as “uninhabitable”.

Local authorities have discretion to set a discount of between 0 and 100% for a maximum period of 12 months. There is no discretion on the duration, only on the amount of discount. After 12 months the discount ends, the full council

tax is payable. The current discount in this District is 50% for 12 months. Members were keen to encourage properties to be brought back into use.

The Task and Finish Group recommend reducing the discount from 50% to 0%.

6. POLICY REVIEWS

6.1 FAIR COLLECTION AND DEBT RECOVERY POLICY

6.1.1 The Group reviewed the current Fair Collection and Debt Recovery Policy for the Revenues and Benefits Service (Appendix 1). The policy has been updated following the introduction of Breathing Space.

6.1.2 Local Authorities are encouraged to approve a policy on how collection and debt recovery is administered. Nationally, Local Authorities have been criticised on how they deal with debts, in particular council tax. The recommended policy ensures the council's approach to debt collection is transparent and demonstrates our approach to working with taxpayers and partner organisations.

6.1.3 Having a fair collection and debt recovery policy will enable the council to sign up to the Citizens' Advice Council Tax protocol, and we have engaged with Citizens Advice New Forest with the policy.

6.1.4 The Task and Finish Group support the updated policy attached as Appendix 1 and recommend its approval and adoption with immediate effect.

6.2 DISCRETIONARY HOUSING PAYMENTS POLICY

6.2.1 Local Authorities can award Discretionary Housing Payments (DHP's) where there is a shortfall between the rent a landlord is charging and the amount of Housing Benefit or the housing element of Universal Credit being awarded, or to help with housing costs.

6.2.2 The legislation covering Discretionary Housing Payments is the Discretionary Financial Assistance Regulations 2001, and delegated powers for decisions have been authorised. The policy review gives full regard to the updated Department for Work and Pensions Guidance Manual for Discretionary Housing Payments and demonstrates our proactive and collaborative approach to supporting households.

6.2.3 The Task and Finish Group support the updated policy attached as Appendix 2 and recommend its approval and adoption with immediate effect.

6.3 EXCEPTIONAL HARDSHIP PAYMENTS POLICY

6.3.1 An Exceptional Hardship Payments Policy is to assist residents who have applied for and are entitled to Council Tax Reduction, and who are experiencing exceptional financial hardship. This is to provide further assistance where a resident is in receipt of Council Tax Reduction, but the level of support does not meet their full council tax liability.

6.3.2 The legislation covering Exceptional Hardship Payments is in S13A (1) (c) of the Local Government Finance Act 1992, and forms part of the Council Tax Reduction Scheme, and delegated powers for decisions have been authorised.

6.3.3 The Task and Finish Group support the updated policy attached as Appendix 3 and recommend its approval and adoption with immediate effect.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications of each of the above are:

Empty Homes Premium – applying a 100% premium after 1 year, instead of the current 2 years, would increase income by £120,000, of which the council's share is £12,000.

Second Homes Premium – applying a premium of 100% for second home properties could increase income by up to £3.6m, of which the councils share is £360,000.

Council Tax Prescribed Class D – reducing the discount from 50% to 0% could increase income by £208,000, of which the councils share is £20,800.

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

8.1 There are none.

9. EQUALITY & DIVERSITY IMPLICATIONS

9.1 There are no equality and diversity implications.

10. CORPORATE AFFAIRS AND LOCAL ECONOMY OVERVIEW AND SCRUTINY PANEL COMMENTS

10.1 The Panel support the recommendations a, b, c and e in full and note the proposal d is worthy of further discussion by Cabinet as a view was expressed that the removal of the discount may have an adverse effect and dissuade people from purchasing such properties.

11. PORTFOLIO HOLDER COMMENTS

11.1 I, like the scrutiny panel, had some questions as to the impact of the Task and Finish Group's recommendation to reduce the Prescribed Class D discount. But, following further discussions with officers I now conclude that the proposed changes are the right way forward to help deliver on the Council's overriding objective, which is to bring as many properties back into occupation in as timely a manner as possible.

11.2 The updated policies confirm our commitment to support our customers and work with our partners.

For further Information Contact:

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Background Papers:

Minutes of Task & Finish Group

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Revenues and Benefits Service

Fair Collection and Debt Recovery
Policy

Contents

1. Introduction
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1. Introduction

- 1.1 The Council has a legal duty to recover all sums due to the Council in order to deliver quality public services. A collection and debt recovery policy ensures that collection methods are fair to everyone, especially those on low incomes. This Policy covers the collection of Council Tax, Business Rates, Sundry Income, Housing Benefit, and non-entitlement to Council Tax Reduction and has been written in consultation with Citizens Advice New Forest whose assistance with providing debt advice is invaluable.
- 1.2 It is recognised that people do not pay their debts for a variety of reasons and there is no one-size fits all approach to collecting arrears.
- 1.3 The council will ensure that no individual is discriminated against on any grounds. t.
- 1.4 Some people, because of living in or on the margins of poverty, will have difficulty in paying. The Council will help such people to minimise the impact of debt on them and we will work collaboratively with partner organisations to support residents.
- 1.5 Some people may deliberately set out to delay or not make payments and all methods of enforcement will be used to secure payment in these cases.
- 1.6 Some people may be able to pay but do not pay because of an oversight or personal difficulties and not because of a deliberate decision to avoid or delay payment. The Council will seek to help such people develop a culture of payment by encouraging them to get in contact and discuss a resolution to their difficulties at the earliest opportunity.
- 1.7 Encouraging customers to contact the council is central to our debt recovery approach. Where a person makes contact their circumstances will be considered with a view to agreeing a reasonable payment arrangement, minimising recovery action. Where people fail to make contact or maintain arrangements, recovery of the debt will continue.

2. Benefits of a debt collection policy

- 2.1 The Policy will:
 - a) Help to reduce the effect of debt on people on low income
 - b) Mean that by being approachable individuals will be more willing to contact us when they first face difficulties
 - c) Enable people who fall into arrears to come to payment arrangements appropriate to their circumstances
 - d) Help to identify deliberate non-payers or people who delay payment
 - e) Make sure that when we take enforcement action it is appropriate and likely to be effective

3. Aims of the Policy

- 3.1 The aims of the Policy are to:
 - a) Take positive action to prevent arrears occurring
 - b) To provide a range of payment methods
 - c) Take enforcement action against deliberate non-payers
 - d) Ensure prompt billing and to remind people quickly if they do not pay

e) Encourage people to make early contact to avoid the build-up of debt

4. Debt collection principles

4.1 The council:

- a) Considers that people have a responsibility to pay
- b) Aims to identify those who can pay but do not or who delay payment
- c) Actively encourages contact at every stage of the recovery process
- d) Aims to help maximise income and/or entitlement to discounts, exemptions, reliefs, or benefits
- e) Will provide a service that is sensitive to individuals and their needs and sympathetic to those in hardship
- f) Will signpost and refer to advice agencies where appropriate and consider safeguarding vulnerable individuals
- g) Will utilise all means of recovery available where appropriate

5. Notifications

5.1 The Council will provide prompt and clear information about the amount due, when the payments are due, how to make payments, details of discounts, exemptions and support and contact details. We will use plain English, without the use of jargon and promote organisations where customers can obtain free and impartial advice and information.

6. Making a payment

6.1 The Council promotes a payment culture and offers a variety of methods for paying bills and invoices. This includes by:

- Direct debit
- Standing Order – these are arranged by the individual with their bank. They must notify their bank of any changes to the amount due
- Phone – by contacting our office or using our 24/7 telephone payments system
- On-line – by using the Council's secure payments service at www.nfdc.gov.uk
- Payment card – these can be used at any post office
- Visiting a local council office
- On-line banking
- Cheques

6.2 Council Tax – there are three direct debit collection dates available, 1st, 15th and 23rd of the month.

6.3 For taxpayers who do not pay by direct debit, the default payment date is the first of the month although we can accept an alternate payment date where we specifically agree this with the taxpayer. Bills are sent in March requesting payments over 10 installments, April to January. Taxpayers can request instalments to be spread over 12 months and the Council will promote this where a taxpayer is having difficulty paying or is in arrears.

6.4 Business Rates has a direct debit collection date of 1st or 15th of the month.

6.5 Housing Benefit overpayments has a direct debit collection date of either 5th or 20th of the month.

- 6.6 Sundry Income has a direct debit collection date of the 1ST of the month.
- 6.7 Where we agree a payment plan, the date for payments will be flexible.
- 6.8 The Council will publicise this information on our website, www.nfdc.gov.uk
Whichever payment method is used, payment must be received by the due date.

7. Getting into arrears

- 7.1 Where an individual gets into arrears with their payment, the Council will:
- a) Expect priority debts, as defined by the Financial Conduct Authority, which includes council tax, to be paid before any non-priority debts
 - b) Aim to maximise their income and inform them of their potential entitlement to state benefits, discounts, exemptions, and reliefs
 - c) Consider pausing recovery where the taxpayer contacts the Council to work with them to pay their arrears
 - d) Advise how they can obtain independent advice and work with third parties, including advice agencies
 - e) Undertake basic debt advice which will include reviewing income and expenditure, discussing plans to repay priority debts and referrals to more specialist support, e.g., Citizens Advice New Forest.
- 7.2 The Council will agree a payment plan with the individual that reflects the ability to pay and the level of debt outstanding. This will take into consideration:
- a) The amount of arrears
 - b) The period of time taken to pay the arrears
 - c) Their payment history
 - d) Their financial situation, including reasonable living expenses
- 7.3 Where a payment arrangement is agreed, the Council will notify the customer of the amount and frequency of payments. Where payments are made as agreed, no further recovery steps will be taken. Where an individual does not provide information or give details of their income and expenditure the Council may refuse the arrangement and pursue alternative means to recover the debt.
- 7.4 Where the council receives a payment which does not match an instalment, the sum paid will be used to reduce the oldest debt.

8. Council Tax and Business Rates Recovery process

- 8.1 In accordance with legislation, where payments have not been made, the Council will seek recovery through the following:

Reminder Notice

- 8.2 A Reminder Notice is issued where an instalment is due and has not been paid. The notice will request the amount overdue to be paid within 7 days. If payment is not received within a further 7 days the full remaining balance of the years council tax or business rates will become due.
- 8.3 At this stage, where the customer contacts the council, council staff will be able to offer a number of alternatives:

- Re-profile the instalments to spread the payments
- Check entitlement to any discount, exemptions, or reliefs
- Check for Council Tax Reduction entitlement
- Special arrangements, e.g. weekly payment or double payment to be made on the next instalment

Second Reminder

- 8.4 Where payments are brought up to date following the issue of a Reminder Notice, but then a further payment becomes overdue a second reminder is issued. If payment is not received within a further 7 days the full remaining balance of the years council tax will become due.
- 8.5 If the taxpayer is in receipt of Council Tax Reduction, they will always receive two reminder notices before further recovery proceedings.

Final Notice – Council Tax

- 8.6 A Final Notice is issued where payment becomes due after issuing a reminder or second reminder and the right to instalments is lost and the full remaining balance for the year becomes due within 7 days.
- 8.7 The Council will be able to offer the alternatives above to assist the taxpayer.

Complaint

- 8.8 Where the amount is still due the council will make a complaint to the magistrate's courts requesting the issue of a liability order. Before making the complaint the council will check to ensure the summons is properly served.
- 8.9 Once the complaint is made to the court the magistrates will issue a summons to attend a liability order hearing. This summons is issued advising that the right to pay by instalments is lost and the full balance outstanding should be paid immediately. The summons advises that failure to pay the sum due or contact the council will result in a liability order being granted by the magistrates.
- 8.10 Where a summons is issued to a taxpayer in recipient of Council Tax Reduction, we will not apply the £40 summons costs. In addition, if the taxpayer agrees an arrangement ahead of the liability order hearing, the £30 liability order costs are also not applied.
- 8.11 Where a summons and liability order are issued and granted costs of £70.00 are added to the council tax account.

Liability Order

- 8.12 Once a liability order is granted by the magistrates the council will send the taxpayer a liability order notice along with a request for financial information.
- 8.13 Where the taxpayer has contacted the council, the council will:
- Agree an affordable payment plan, aiming to pay the balance due within the financial year to avoid starting the next financial year in arrears

- Encourage payment by direct debit
 - Monitor payment arrangements to ensure compliance
- 8.14 Where the taxpayer does not contact the council, make a payment, or defaults on an agreed payment plan, the council will consider the most appropriate recovery method. For Council Tax this includes:
- Attachment to state benefits, such as Jobseekers Allowance/Universal Credit/Income Support or Pension Credit
 - Attachment to earnings
- 8.15 The amount deducted is determined by legislation.
- 8.16 Where the taxpayer does not contact the council and the above methods of recovery are not available, the debt will be passed to an Enforcement Agent. The Enforcement Agent will send a Pre-Compliance letter to encourage the taxpayer to make contact and agree a payment plan. If the taxpayer does not contact the Enforcement Agent in relation to the Pre-Compliance letter within 14 days, formal proceedings will commence. This will incur additional costs. Enforcement Agents operate within a legal framework with a regulated fee structure. They will agree payment arrangements appropriate to the circumstances. Where the Enforcement Agent becomes aware that the taxpayer is vulnerable, they will contact the council to seek further advice.
- 8.17 In exceptional circumstances and only with the council's permission, the Enforcement Agent can take possession of goods if payments are not made.
- 8.18 The council will only recall a debt from an Enforcement Agency in exceptional circumstances, where it is in the best interests of all parties.
- 8.19 If the above options fail the Council will consider alternative recovery methods. This includes but is not necessarily limited to:
- Applying for a Charging Order on the property
 - Applying for a bankruptcy or insolvency order
 - Applying for a committal to prison – but only where all recovery methods have been considered, and the council considers that the taxpayer is wilfully refusing or has shown culpable neglect to pay and the taxpayer has failed to contact the council

9. Housing Benefit overpayments

- 9.1 An overpayment of benefit is any amount which has been paid but to which there was no entitlement. In accordance with regulations, the Council is responsible for recovering all overpayments of benefit and must:
- Establish any underlying entitlement
 - Establish the cause of the overpayment
 - Identify the period and amount of the overpayment
 - Decide if the overpayment is recoverable
 - Consider whether or not we will recover the overpayment
 - Decide who to recover the overpayment from
 - Notify any "person affected"
 - Classify and record overpayments so we can make the correct rate of recovery

- 9.2 Where there is ongoing entitlement to Housing Benefit, any overpayment will be deducted from this amount, subject to specified amounts. The council will not reduce a person's weekly payable benefit to below 50 pence. If the amount being deducted is causing hardship the claimant can request a revised repayment arrangement based on their financial circumstances. The council will usually request completion of an income and expenditure form.
- 9.3 Where there is an overpayment and no ongoing entitlement to Housing Benefit the council will send an invoice. Where a claimant contacts the council we will agree a payment arrangement, taking into consideration their financial circumstances. Where the claimant does not contact the council within 14 days, or keep to the payment arrangement, the council will send a reminder. If there is still no contact within a further 14 days, the council will send a Final notice. If there is still no contact the council can recover the overpayment by:
- Attachment to the claimant's earnings
 - Attachment to state benefits
 - Requesting another council recover the overpayment from Housing Benefit
 - Collection Agency

10. Council Tax Reduction

- 10.1 Council Tax Reduction is paid by way of a credit to the claimant's council tax account. Where an amount is paid that the claimant is not entitled to, e.g. failure to notify a change in circumstance, the council will consider if the amount is recoverable. Where the amount is recoverable the amount will be debited from the council tax account. The resulting outstanding council tax will be recovered in the same manner as other sums of council tax.

11. Sundry Income

- 11.1 An invoice will be issued as soon as possible. The recovery process will depend on the service but typically payment will be due within 21 days, unless specified otherwise, e.g. monthly direct debits or an agreed payment plan has been arranged.
- 11.2 If payment is not received within 21 days of the amount being due and the customer has not contacted the council, a reminder will be sent. If payment is not received within 14 days after the reminder has been issued a final reminder will be sent or the specific service is notified of the non-payment for them to proceed in line with their own policy.
- 11.3 Where the taxpayer has contacted the council, the council will:
- Agree an affordable payment plan
 - Encourage payment by direct debit or Standing Order
 - Monitor payment arrangements to ensure compliance
- 11.4 If a payment is still not received a notice is sent informing the taxpayer to contact the Council to make an arrangement or further recovering proceedings will commence, including a Collection Agency or Court.
- 11.5 If the debt remains due and the taxpayer has not contacted the Council the debt will be sent to a Collection Agency. The Council will only recall a debt from the

Collection Agency in exceptional circumstances and where it is in the best interests of all parties.

11.6 Where the debt still remains due the council can apply to the court and obtain a County Court Judgment. This will incur costs. Once obtained the council may enforce the debt by applying for:

- An attachment of earnings order
- County Court Enforcement Agent

12. Breathing Space

12.1 The Debt Respite Scheme (Breathing Space Moratorium) will give a customer in arrears or debt the right to legal protections from creditors for up to 60 days. There are two types of breathing space; a standard breathing space and a mental health breathing space, where the breathing space period lasts for as long as the taxpayer is receiving crisis treatment.

12.2 A taxpayer can apply through a debt advisor and will work with a debt advisor throughout the breathing space period to receive debt advice and review their circumstances to agree a plan to deal with their debts.

12.3 The Council will adhere to the legislation and guidance and will promptly pause any recovery on receipt of a breathing space notification.

13. Working with partners

13.1 We will work collaboratively with partner organisations to support residents and provide signposting information when communicating with residents. The Council will provide contact details, meet regularly and engage promptly with partners.

13.2 Where the council is notified by the taxpayer that they are seeking advice from a relevant body, the council will suspend recovery of the debt.

13.3 Where a recognised debt advisor prepares a Standard Financial Statement, and an arrangement is made the Council will recognise this. Offers of a payment plan received will be treated in good faith.

13.4 The Council will meet regularly with the Enforcement Agent, have point of contacts, and an escalation and returns procedure, for example if the taxpayer is vulnerable.

14. Write-offs

14.1 Where the council has exhausted all recovery methods and there is no realistic prospect of recovering the amount outstanding, the council will write-off the debt.

14.2 The council may reverse a write-off and resume recovery in certain circumstances, e.g. if they reclaim Housing Benefit.

15. Credit refunds

15.1 When a credit has built up on a council tax account and it has been identified the taxpayer had a debt with the Council, this may be used to repay or reduce a debt, including Housing, Benefits and Sundry Income. Any monies that remain in credit can then be refunded to the taxpayer.

15.2 Where there is more than one debt, the credit will normally be used to reduce or clear the biggest or oldest debt, or where it is in the interest of the taxpayer to avoid further recovery proceedings, for example possession of property.

16. Policy review

16.1 We will review this policy every 5 years, or sooner in the event of a relevant change in legislation.



New Forest District Council

Discretionary Housing Payments (DHP)

Policy

Contents

1. What are Discretionary Housing Payments
2. Purpose of this policy
3. What are Housing costs?
4. Welfare Reform
5. What a DHP cannot help with
6. Claiming a DHP
7. Awarding a DHP
8. Amount and duration of award
9. Paying a DHP
10. Authorisation
11. Notifying an award of DHP
12. Appeals
13. Changes in circumstances
14. Overpayments
15. Fraud
16. Complaints
17. Publicity
18. Policy review

1. What are Discretionary Housing Payments?

- 1.1 The legislation covering Discretionary Housing Payments is the Discretionary Financial Assistance Regulations 2001. This policy gives full regard to the Department for Work and Pensions Guidance Manual for Discretionary Housing Payments.
- 1.2 Local Authorities can award Discretionary Housing Payments (DHPs) where there is a shortfall between the rent a landlord is charging and the amount of Housing Benefit or the Housing Element of Universal Credit being awarded, or to help with housing costs. Where Universal Credit is awarded and housing costs refer to support for mortgage interest payments, owner-occupiers are not eligible to receive DHPs.
- 1.3 The main features of DHPs are:
 - the scheme is purely discretionary,
 - there is no right to a payment,
 - there must be an entitlement to Housing Benefit, or the Housing Element of Universal Credit
 - they cannot be awarded to pay for ineligible service charges,
 - the total amount of DHPs that can be awarded in any financial year is limited by the Secretary of State. Once this budget is spent the Council cannot make any more awards.
 - The council is allowed to spend up to 2½ times the funding allocations. However, the extra money must be sourced from the council's own finances.
 - Any unspent Discretionary Housing Payment funding will have to be returned to the Department for Work and Pensions.
- 1.4 The Council will assist potential beneficiaries to claim a DHPs.

2. Purpose of this policy

- 2.1 The Council will operate the DHP scheme and consider making a DHP to applicants who meet the qualifying criteria as detailed below. Every application will be treated on its merits and all applicants will be treated equally and fairly. The Council is committed to work closely with the Council's Homelessness Team, Social Landlords, the local voluntary sector, and other organisations where appropriate, and seek, through the operation of this policy, to:
 - to safeguard tenancies and prevent homelessness
 - minimise hardship
 - reduce the need for temporary accommodation for homeless households
 - encourage and sustain New Forest residents in employment
 - support the vulnerable in the local community
 - help applicants through personal crisis and difficult events
 - keep families together
 - help applicants with their rent whilst they seek cheaper/smaller accommodation
- 2.2 The DHP scheme should be seen as a short-term emergency fund to help New Forest residents. However, in some cases long term awards may be appropriate.

3. What are “Housing costs”?

- 3.1 Housing costs are not defined in the regulations and this approach purposely allows broad discretion and interpretation. In general, “housing costs” usually refers to rental liability, although the term can be interpreted to include:
- Rent in advance
 - Other lump sum costs associated with a housing need such as removal costs.
- 3.2 Council Tax liability cannot be met by DHP, even where an applicant is receiving Council Tax Support.
- 3.3 A DHP can be awarded in exceptional circumstances and where other financial support is not available, for a rent in advance for a property that the applicant is moving to. When awarding a DHP, The Benefits Service will ensure that:
- The rent is affordable for the tenant, and
 - The tenant has a valid reason to move, and
 - The deposit or rent in advance is reasonable and
 - The applicant’s circumstances are exceptional
- 3.4 The Council will establish if the applicant is due to have a rent deposit returned to them in respect of their existing tenancy, and other assistance available to them, for example the Council’s Rent Deposit Scheme.

4. Welfare Reform

- 4.1 The Government has implemented a number of welfare reforms. This includes:
- Size criteria in the social rented sector
 - Local Housing Allowance
 - Benefits Cap
 - Universal Credit
 - 2 Child limit for new claims
- 4.2 The Benefits Service will work with applicants affected by welfare reforms. This may include awarding a DHP. Where an application is received, we will look to signpost to other support where appropriate and work in partnership with relevant agencies and internal departments to ensure applicants are offered the appropriate support, advice, and information.

5. What a DHP cannot help with

- 5.1 A DHP cannot help with the following:
- Ineligible service charges which are included in the rent for example gas, electricity, or water
 - Mortgage payments
 - Shortfalls in HB due to overpayment recovery or certain sanctions

- Rent arrears where the applicant was in receipt of maximum Housing Benefit or Universal Credit
- Short fall in rent due to Housing Benefit or Housing Element within Universal Credit that have been suspended
- Household goods such as furniture or white goods
- Payments towards a council tax bill

6. Claiming a DHP

6.1 Before an award is made, the Council must be satisfied that the applicant is entitled to:

- Housing Benefit (HB) or the Housing Element of Universal Credit; and
- Requires further assistance with their housing costs.

6.2 Where there is no entitlement to Housing Benefit or Universal Credit a DHP cannot be awarded.

6.3 A DHP can be claimed for two properties in exceptional circumstances, such as where someone is temporarily absent from their main home because they are a victim of domestic abuse.

6.4 To claim DHP's the applicant, or someone acting on their behalf, must fill in and sign an application form, or complete an e-form, detailing all their income and expenditure. The Council may accept details of income and expenditure not on its own application form and will assist those that are vulnerable to complete an application form, for example a home visit

6.5 The Benefits Service will usually request bank statements for the previous two months, showing all transactions, an applicant's Universal Credit award and tenancy agreement, and may request further information or evidence to assist in making a decision. The applicant will be asked to provide the evidence within one month of the date of request, although this may be extended in appropriate circumstances. If the applicant fails to provide the requested evidence, the council will make a decision on the information available. The Council will contact the applicant by telephone, email, or arrange an interview or home visit if necessary.

6.6 Before a decision is made, the Benefits Service will seek to ensure the applicant maximizes their income by checking entitlement to other state benefits or financial support that may be available to them, for example Council Tax Reduction and Personal Independence Payments. The Benefits Service will also give budgeting advice and refer for debt advice through Citizens Advice or other agencies if appropriate

7. Awarding a DHP

7.1 In making a decision the following factors will be considered:

- what steps the applicant is taking to move to smaller or more affordable accommodation
- the amount of the shortfall between the Housing Benefit or the Housing Element of Universal Credit awarded and the amount of rent

- how long the shortfall is likely to be for
- the household of the applicant and their circumstances and whether they are likely to change
- the financial circumstances of the household, including all income, the types, amounts and reasonableness of expenditure
- what steps the applicant is taking to reduce expenditure and engage in budgeting support if appropriate
- the amount of household savings and debts
- any social or medical issues in the household or adaptation's due to a disability which may make moving to a suitable alternative accommodation difficult
- the impact on the applicant and the council if the application is refused
- whether the applicant contributed to the shortfall
- if tied to an existing tenancy
- if a rent deposit is needed to assist in moving to affordable accommodation
- if there has been a previous award of DHP
- if the applicant is engaging with their work coach if receiving Universal Credit
- any other special circumstances

7.2 The Benefits Service will consider the above factors, which is not exhaustive, and decide on the level of DHP to award. Any award will not exceed the total eligible rent.

7.3 An award of DHP does not guarantee that a further award will be made at a later date, even if the applicant's circumstances have not changed.

8. Amount and duration of award

8.1 The duration and the amount of the award are determined at the discretion of the Council and will be based on the evidence supplied and the circumstances of the claim. The start date of the award will normally be:

- the Monday following receipt of the application form, or
- the date HB or Universal Credit entitlement starts, providing the application is received within one month of this date, or
- an earlier date if the Benefits Service considers reasonable

8.2 The DHP award will:

- normally award DHPs for a three-month period when on expiry the award can be reviewed, or a new application made. A DHP may be made for a shorter period of time where appropriate.
- not normally award a DHP for more than a year. Awards may be extended if the applicant's circumstances are exceptional or unlikely to change.
- consider any reasonable requests for backdating an award of DHP, usually limited to the current financial year, so long as there is an award of Housing Benefit or Universal Credit.

8.3 A DHP shall not be awarded for any period where the applicant has no entitlement to either Housing Benefit or the Housing Element of Universal Credit.

9. Paying a DHP

- 9.1 The Benefits Service will decide who the most appropriate person to receive the DHP award. This will normally be to whoever is receiving the Housing Benefit or the Housing element of Universal Credit. However, the Benefits Service may decide to pay the landlord if appropriate. Payments will be by electronic transfer (BACS) or by crediting the applicants rent account.
- 9.2 Payment frequency will normally be in line with Housing Benefit payments, either 2 weekly or 4 weekly if paid to a landlord. Where an applicant is receiving Universal Credit, payments will be monthly.
- 9.3 Where payments of Housing Benefit are suspended or where there is a sanction on Universal Credit, payments of DHP will be suspended. This is to ensure that the applicant takes the necessary steps to provide the relevant information to the Council or the Department for Work and Pensions.

10. Authorisation

- 10.1 Any one-off awards over £2,500 will be approved by the Service Manager - Revenue and Benefits

11. Notifying an award of DHP

- 11.1 On receipt of an application for a DHP the Benefits Service will aim to inform the applicant of its decision within two weeks of receiving all the evidence and information, or as soon as reasonably practicable thereafter.
- 11.2 Where the application is successful the notification will advise the applicant:
- the weekly amount of DHP awarded,
 - if the award is a one-off award,
 - the start and end date of the award and the need to re-apply on expiry if appropriate
 - how, when and to whom the DHP will be paid
 - the requirement to report any changes in circumstances
 - any actions that need to be undertaken by the applicant and/or partner
- 11.3 Where the application is not successful, the notification will state this, along with an explanation for the decision and the right for a review.
- 11.4 The Benefits Service will keep a record of all decisions in accordance with its retention policy.

12. Appeals

- 12.1 DHPs are not payments of Housing Benefit and are therefore not subject to an appeal. However, the Council will operate the following approach following a refusal to award a DHP or a decision not to backdate an award of DHP:

- 12.2 An applicant (or appointee) who disagrees with a DHP decision can request an explanation of the decision. This must be done by e-mail, letter, or phone within one month of the date of the decision. The Benefits Service will explain its decision to the applicant and aim to resolve the matter.
- 12.3 Where the applicant disagrees with the reasons for the decision this must be done by e-mail, letter, or phone within one month of the date of the decision. This decision will be made by the Service Manager Revenues and Benefits. This decision is final and may only be challenged via judicial review or by complaint to the Local Government Ombudsman.
- 12.4 In exceptional circumstances the one-month time limit to appeal a decision can be extended.

13. Changes in circumstances

- 13.1 On awarding a DHP the applicant must notify the council of any changes in circumstances to the Benefits Service straight away. The Benefits Service may revise the award of DHP or decide to end the award, for example where the applicant has misrepresented or failed to disclose a material fact, or where they no longer need financial assistance towards their housing costs
- 13.3 The decision will be notified to the applicant within 14 days, or as soon as reasonably practical.

14. Overpayments

- 14.1 Where a DHP is overpaid, officers will consider whether it is appropriate to recover in full, or in part, or not at all. The Council will seek to recover any DHP which has been overpaid as a result of misrepresentation or failure to disclose a material fact, fraudulently or otherwise.
- 14.2 Overpaid DHPs will be recovered from the applicant or payee. This is normally done by sending an invoice. Under no circumstances will recovery be made from Housing Benefit payments due to the applicant.
- 14.3 The Council does have discretion not to recover an overpayment of DHP.
- 14.4 The Benefits Service will notify the applicant of a decision to recover an overpayment of DHP, along with details on how to request the offer of a review of the decision.

15. Fraud

- 15.1 The Council is committed to protect public funds and ensure funds are awarded to the people who are rightfully eligible to them.
- 15.2 An applicant who tries to fraudulently claim a Discretionary Housing Payment by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.

15.3 Where the Council suspects that such an offence may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

16. Complaints

16.1 The Council's "Feedback, comments and complaints" procedure is available on the Council's website and will be applied if a complaint is received about this policy or administration of the scheme.

17. Publicity

17.1 The Council will publicise the scheme and proactively work with applicants to identify and assist with applications, in particular vulnerable applicants. Information will be included in decision notices, on the council's website and the Benefits Service will actively work with partner organisations, including the Council's Homelessness Team, Social Services, Citizens Advice, voluntary organisations, and Housing Associations.

18. Policy Review

18.1 We will review this policy every 3 years, or sooner in the event of a relevant change in legislation or guidance.

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New Forest District Council

Council Tax Reduction

Exceptional Hardship Payments (EHP)

Policy

Contents

1. What are Exceptional Hardship Payment Awards
2. Purpose of this policy
3. Claiming Exception Hardship Payment
4. What an EHP cannot help with
5. Awarding Exceptional Hardship Payment
6. Amount and duration of award
7. Notifying an award of Exceptional Hardship Payment
8. Appeals
9. Change in circumstances
10. Overpayments
11. Fraud
12. Complaints
13. Publicity
14. Policy review

1. What are Exceptional Hardship Payments?

- 1.1 The Exceptional Hardship Payment (EHP) scheme has been set up by the Council to support those in receipt of Council Tax Reduction who are experiencing exceptional hardship. The scheme provides further support where there is a shortfall between the Council Tax Liability and the amount of Council Tax Reduction (CTR).
- 1.2 Exceptional Hardship Payments falls within S13A (1) (c) of the Local Government Finance Act 1992 and forms part of the Council Tax Reduction Scheme
- 1.3 The main features of EHPs are:
 - The scheme is purely discretionary and there is no right to a payment
 - EHP awards are not a payment of the main CTR scheme
 - CTR must be in payment in the week which an EHP award is made
 - Exceptional Hardship Payments are designed as short-term help to applicants in extreme financial hardship.
 - awards are subject to available funding.

2. Purpose of this policy

- 2.1 The purpose of this policy is to specify how the Council will operate the scheme and to indicate some of the factors which will be considered when deciding if an Exceptional Hardship Payment award can be made.
- 2.2 Each case will be treated on its own merits and all applicants will be treated fairly and equally in terms of access to the scheme and the decisions made.
- 2.3 The Benefits Service is committed to work with applicants to:
 - alleviate poverty and minimise hardship
 - support the vulnerable in the local community
 - help applicants through personal financial crisis and difficult events

3. Claiming an Exceptional Hardship Payment

- 3.1 The Exceptional Hardship Payment is a short-term award, whilst the applicant seeks alternative solutions. Before an award is made, the Council must be satisfied that the applicant is entitled to Council Tax Support
- 3.2 All applicants must be willing to undertake all of the following:
 - Make a separate application for assistance
 - Provide full details of their income, capital, and expenditure
 - Assist the Council in trying to reduce Council Tax liability by way of any other discount, reductions and exemptions that can be granted
 - Maximise their income through the application for other welfare benefits, and identifying ways in which their overall household expenditure can be reduced
 - Accept assistance from either the Council or third parties such as the Citizens Advice, or similar organisations, to enable the applicant to manage their finances more effectively
 - Identify potential changes in payment methods and arrangements to assist the applicant

- 3.3 An applicant, or someone acting on their behalf, must make a claim for an EHP award by submitting an application to the council's Benefit Team. The application form can be obtained on-line via the website, telephone or in person at the Council offices. Customers can get assistance with the completion of the form from the Benefits team.
- 3.4 The application must be fully completed and supporting information or evidence provided, as reasonably requested by the council.
- 3.5 In most cases, the person who claims an EHP award will be the person entitled to Council Tax Reduction. However, a claim can be accepted from someone acting on their behalf such as an appointee, if it is considered reasonable.
- 3.6 The council may accept details of income, capital, and expenditure not on its own application form.
- 3.7 Where an applicant is not claiming a council tax discount or exemption to which they may be entitled or a claim for Council Tax Support, or additional financial assistance, they will be advised, and where necessary assisted, in making a claim to maximise their income, before their claim for EHP will be decided.
- 3.8 An award of EHP cannot be awarded for the following circumstances:

4. What an Exceptional Hardship Payment cannot help with

4.1 A EHP cannot help with the following

- For any other reason than to reduce Council Tax Liability
- Where the council considers that there are unnecessary expenses/debts etc. and that the client has not taken reasonable steps to reduce them
- To reduce any CTRS overpayment
- A shortfall caused by the Department of Work and Pensions sanction or work/interview/training opportunities
- When CTRS is suspended
- Where full Council Tax liability is already being met by Council Tax Reduction
- To pay for any additional council tax caused through the failure of the applicant to notify of a change in circumstances in a timely manner or where the applicant has failed to act correctly or honestly.
- Court Costs for non-payment of Council Tax or Administrative Penalties

5. Awarding an Exceptional Hardship Payment

5.1 In making a decision the following factors will be considered:

- The shortfall between the CTR and Council Tax Liability
- Steps taken by the applicant to reduce their Council Tax liability
- The financial and medical circumstances (including ill health and disabilities) of the applicant, his or her partner, any dependants, and any other occupants of the applicant's home
- Changing payment methods, re-profiling Council Tax instalments or setting alternative payment arrangements to make them affordable
- Ensure all discounts, exemptions and reductions are granted
- Any savings or capital that might be held by the applicant or his or her family, irrespective of whether the capital is disregarded under the Council Tax Reduction scheme

- The income and expenditure of the applicant, his or her partner and any dependants or other occupants of their home. If information being requested is not provided the council may refuse the application.
- The impact on the applicant and the council if the application is refused
- All income may be considered, including those which are disregarded for CTR
- If there has been a previous award of EHP
- The length of time they have lived in the property
- The exceptional nature of the applicant's circumstances

5.2 The Benefits Service will consider the above factors, which is not exhaustive, and decide on the level of EHP to award. Any award will not exceed the total eligible council tax.

5.3 Any award of Exceptional Hardship Payment does not guarantee that a further award will be considered.

6. Amount and duration of award

6.1 The duration and the amount of the award are determined at the discretion of the Council and will be based on the evidence supplied and the circumstances of the claim. The start date of the award will normally be:

- the Monday after the claim for an EHP is received by the council,
- an earlier date if the Benefits Service considers reasonable

6.2 The maximum length of the award will:

- not exceed the end of the financial year in which the award is given.
- the award may be ended early if the circumstances of the applicant change which means they are no longer considered to be in exceptional financial hardship.

7. Notifying an award of Exceptional Hardship Payment

7.1 On receipt of an application for EHP the council will aim to inform the applicant of its decision within one month.

7.2 Where the application is successful the council will notify the applicant and advise:

- The amount awarded and credit the Council Tax Account
- A demand notice with the revised balance and instalments due
- The start and end date of the award and the need to re-apply on expiry if appropriate
- The requirement to report any changes in circumstances

7.3 Where the application is not successful, the council will write to the applicant and explain the reasons for the decision and give the right for a review.

8. Appeals

8.1 EHP awards are not payments of Council Tax Reduction and are therefore not subject to appeal. However, the council will operate the following approach following a refusal to award an EHP or a decision not to backdate an award of EHP.

- 8.2 An applicant (or appointee) who disagrees with a EHP decision can request an explanation of the decision. This must be done by e-mail, letter, or phone within one month of the date of the decision. The Benefits Service will explain its decision to the applicant and aim to resolve the matter.
- 8.3 Where the applicant disagrees with the decision this must be done by e-mail, letter, or phone within one month of the date of the decision. This decision will be made by the Service Manager Revenues and Benefits. This decision is final and may only be challenged via judicial review or by complaint to the Local Government Ombudsman.
- 8.4 In exceptional circumstances the one-month time limit to appeal a decision can be extended.

9. Changes in Circumstances

- 9.1 On awarding a EHP the applicant must notify the council of any changes in circumstances to the Benefits Service straight away. The Benefits Service may revise the award of EHP or decide to end the award, for example where the applicant has misrepresented or failed to disclose a material fact, or where they no longer need financial assistance towards paying their council tax.
- 9.2 The decision will be notified to the applicant within 14 days, or as soon as reasonably practical.

10. Overpayments

- 10.1 The council will seek to recover any EHP award which has been overpaid as a result of misrepresentation or failure to disclose a material fact, fraudulently or otherwise. This is normally done by sending a revised Council Tax bill.
- 10.2 The council does have discretion not to recover an overpayment of EHP.
- 10.3 The Benefits Service will notify the applicant of a decision to recover an overpayment of EHP, along with details on how to request a review of the decision.

11. Fraud

- 11.1 The Council is committed to protect public funds and ensure funds are awarded to the people who are rightfully eligible to them.
- 11.2 An applicant who tries to fraudulently claim an Exceptional Hardship Fund award by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.
- 11.3 Where the Council suspects that such an offence may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated. This may lead to the council issuing a penalty under regulations 11, 12 & 13 of the Council Tax Reduction scheme (Detection of Fraud and Enforcement) Regulations 2013.

12. Complaints

- 12.1 The Council's "Feedback, comments and complaints" procedure is available on the Council's website and will be applied if a complaint is received about this policy or administration of the scheme.

13. Publicity

- 13.1 The council will publicise the scheme and work with partner organisations, including the Council Tax team, Housing, Social Services, Citizens Advice and Housing Associations.

14. Policy Review

- 14.1 This policy will be reviewed every 3 years, or sooner in the event of a relevant change in legislation or guidance.

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CABINET – 7 DECEMBER 2022

PORTFOLIO: LEADERS

SOLENT FREEPORT - HM GOVERNMENT MEMORANDUM OF UNDERSTANDING

1. RECOMMENDATIONS

- 1.1 Cabinet is asked to recommend to Council that delegated authority is given to the Chief Executive, in consultation with the Section 151 Officer and Leader of the Council, to sign the Memorandum of Understanding on behalf of the Council as part of the Freeport designation process.

2. PURPOSE OF REPORT

- 2.1 To provide members of the Council with an update on the progress of the Solent Freeport, and to seek approval to sign HM Government Memorandum of Understanding, to which this Authority will be a signatory.

3. BACKGROUND

- 3.1 At its meeting on 21 March 2022, Council received a comprehensive report ([Report available here](#)) on the Solent Freeport proposition and resolved to continue to support the development of the Freeport bid to Full Business Case (FBC) stage. The following recommendations were agreed by members at that time:-

1. *That continued support is given to the Solent Freeport, noting the benefits and opportunities within the New Forest.*
2. *That delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Full Business Case, on behalf of the Council.*
3. *That delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Memorandum of Understanding, on behalf of the Council.*
4. *That the Solent Freeport Business Rate Relief Policy is approved, with authority being given to the Council's Service Manager – Revenue and Benefits to make changes to the policy, in consultation with the Portfolio Holder for Finance, Investment and Corporate Service, to ensure it meets the criteria set by the Council and, in line with updated Government guidance.*

- 3.2 The reference to the Memorandum of Understanding set out in recommendation 3 above specifically related to the local Memorandum of Understanding that had been drawn up collectively between the Rating Authorities, the Solent Freeport Company and the Accountable Body (Portsmouth City Council) covering how the Rating Authorities will manage the growth/uplift in Business Rates generated by the designated tax sites within the

Solent Freeport to achieve the aims and objectives of the Freeport, as set out by the Government. This local MOU also set out arrangements in respect of the pooling of rate receipts, funding criteria and the strategy for reinvestment in the Wider Solent Freeport area.

- 3.3 As part of the final approval stages of the Freeport designation process, there is a requirement for all Rating Authorities, including the parties set out in 3.2 above, to enter into a further Memorandum Of Understanding with the Government. The current draft of this MOU is at Appendix 1 of this report.
- 3.4 Having considered the terms of the Government MOU, Officers are of the view that there is nothing within it, which goes against anything the Council has previously decided when making decisions on the Freeport. It repeats many of the key elements of the Full Business Case principles, which the Council has already endorsed. However, for completeness, the Council is being asked to give its approval to sign up to the Government MOU as part of the final stages of the Freeport designation process. Section 4 below sets out a summary of its principal terms.
- 3.5 In October, the Leader of the Council sent a letter to the Secretary of State expressing an interest in the Solent Freeport becoming an Investment Zone in order to have the potential to realise additional tax incentives to further encourage the location of new businesses to the Freeport tax sites. A firm condition was attached to the expression of interest that any Investment Zone designation would not include a streamlining of planning, deregulation, or a dilution of the environmental protections that are currently in place. The government has said it will refocus the Investment Zones programme and will use this programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters. The Leader will continue to work closely with the Solent Freeport Board to make the case to Government that there remains significant economic rationale for continuing the offer of the extended fiscal incentives that come with Investment Zones, including the securing of tax incentives over a 10 year period to 2032, rather than the current period which expires in September 2026. The main focus at this time however is to ensure the crystallisation of the benefits that the Freeport designation brings to the Solent and wider New Forest District area.

4. HM GOVERNMENT MEMORANDUM OF UNDERSTANDING

- 4.1 The Government MoU which Rating Authorities, along with the Solent Freeport Co and the Accountable Body will be requested to sign, covers:
- The role and responsibilities of the Accountable Body;
 - The role and responsibilities of the Freeport Governing Body; and
 - The planned use of retained business rates by the Freeport.
- 4.2 The MoU is intended to formalise the Government's expectations that the Freeport Governing Body delivers the Freeport proposition as articulated in the FBC. It will not affect the local MOU already agreed between the Rating Authorities, the Solent Freeport Co and the Accountable Body, which seeks to protect the District Council's interests with the Council being able to draw upon pooled retained rates to meet local priorities, still aligned to Freeport objectives.
- 4.3 The Solent Freeport FBC has been considered by the Treasury Approval Panel and is now with Ministers for final approval. In anticipation of this DLUHC have provided the

Government MoU based upon the Council's approved FBC content, along with several schedules covering aspects from seed funding spend profiles, to communications packs to Monitoring and Evaluation indicators and guidance.

- 4.4 The Council's Section 151 Officer and Monitoring officer have both reviewed the Government MOU and consider that the contents are acceptable. There are still matters that require further discussion with the Government principally around clarification over the 'no detriment' business rates position and setting the rates retention baseline. Senior Officers of the Council will work through these issues with colleagues from other relevant authorities, including through the Freeport Finance Officers' Group and RRIC. The status of all actions will be reviewed during the first annual review in 2023.
- 4.5 The signing and return of the MoU effectively leverages the release of the £25M seed capital funding, which would start to be received in early 2023, in line with the project delivery timescales as included within the MoU itself.

5. FINANCIAL IMPLICATIONS

- 5.1 The report to the Council meeting on 21 March 2022 set out Financial Implications arising from the creation of the Freeport. There are no additional considerations as a direct result of this report.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY

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

7. ENVIRONMENTAL IMPLICATIONS

- 7.1 The report to the Council meeting on 21 March 2022 set out detailed Environmental Implications arising from the creation of the Freeport. There are no additional considerations as a direct result of this report.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 I am pleased to see progress being made with the final approval process for the Solent Freeport and support the signing of the Government MoU with the District as the billing authority responsible for collecting business rates in Freeport tax sites in addition to the local arrangements considered previously. This Council supports the Freeport proposal as a much-needed opportunity to accelerate delivery of employment floorspace, address local need and bring significant economic benefits in terms of local employment opportunities, increased trade, innovation and new investment to the District supported by the opportunity to deliver physical and green infrastructure across the area.

For Further Information Please Contact:

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Section 151 Officer
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Background Papers:

Cabinet 21 March 2022 -
Solent Freeport

MEMORANDUM OF UNDERSTANDING

Between

The Secretary of State for Levelling Up, Housing and Communities

-and-

Portsmouth City Council

As the Accountable Body for Solent Freeport

-and-

Solent Freeport Consortium Limited

As the Governing Body responsible for the delivery of the Freeport

-and-

Southampton City Council, Eastleigh Borough Council, New Forest District Council and Havant Borough Council

As the Billing Authorities responsible for collecting business rates in Freeport Tax Sites

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5. Strategic Delivery 23

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Attached

- Appendix 1: Solent Freeport FBC with Annexes
- Schedule 1: Spend Profile
- Schedule 2: Progress Milestones
- Schedule 3: Communications Partnership Pack for Freeports
- Schedule 4: Freeports Performance Management, Security Audit and Assurance Framework ('the Freeports Framework')
- Schedule 5: Monitoring and Evaluation Indicators and Guidance

Version history

Version	Date agreed	Update summary
1.0	XX	

1. Introduction

1.1. Purpose

- 1.1.1. This Memorandum of Understanding ('MoU') sets out the terms, principles and practices that will apply to the working relationship between: the Department for Levelling Up, Housing and Communities ('DLUHC'); Portsmouth City Council ('the Accountable Body'); and the Solent Freeport Governing Body ('the Governing Body') (collectively 'the Parties'), regarding the delivery and administration of the Solent Freeport ('the Freeport'), including the use of Seed Capital grants; the use of Capacity Funding grants; and Southampton City Council, Eastleigh Borough Council, New Forest District Council and Havant Borough Council (collectively 'the Billing Authorities') for collecting business rates in the Freeport tax sites.
- 1.1.2. These parties have agreed to collectively deliver a public policy intervention – Solent Freeport – with aims rooted in the public good. This carries with it certain expectations of the Parties, their behaviour, and the consideration they will give to those aims given the financial and other public support they stand to receive from His Majesty's Government of the United Kingdom of Great Britain and Northern Ireland ('HMG'). This MoU details those expectations and provides for a shared understanding of what it means to participate in the delivery of public policy.
- 1.1.3. Eight prospective Freeports in England were announced at the March 2021 Budget. The Solent Freeport was successful in its bid to become a Freeport, as set out in the Freeports bidding prospectus.¹
- 1.1.4. An Outline Business Case ('OBC') and a Full Business Case ('FBC') were developed to demonstrate how the Freeport will achieve the policy objectives set by HMG.
- 1.1.5. Following submission and appraisal of its OBC, HM Treasury ('HMT') tax site assessment and HM Revenue & Customs ('HMRC') authorisation of a custom site, the Freeport became operational on 24 August 2022. An operational Freeport is a Freeport with designation of at least one tax site and one customs site, and an approved OBC.
- 1.1.6. On 22 April 2022, the FBC for the Freeport was received by DLUHC. Following consultation with DLUHC and other government departments, on [14 November 2022] HMG approved the FBC and DLUHC notified the Freeport of the outcome. A copy of the FBC and its Annexes are attached at Appendix 1, unlocking Seed Capital from Financial Year ('FY') 2022/23 to FY2024/25.
- 1.1.7. HMG has approved the FBC on the understanding that the Accountable Body and Governing Body will oversee the development of individual business cases for Seed Capital projects in accordance with best practice

¹ <https://www.gov.uk/government/publications/freeports-bidding-prospectus>

principles, namely those outlined in the HMT Green Book (2020),² IPA Cost Estimating Guidance and Cabinet Office's The Construction Playbook.^{3 4}

1.1.8. Following FBC approval, DLUHC provided the Solent Freeport with the following list of outstanding actions that should be achieved within the agreed timeframes. DLUHC will review the status of these actions through the processes set out in Section 6 of this MoU:

- a) Provide regular updates to HMT on the progress towards getting a business operational on the customs site and note there may be implications for seed funding should a business not be operational within 12 - 18 months of designation.
- b) Work with DLUHC on clarifying no detriment; setting the business rates retention baseline, and finalising the details of the Retained Business Rates Strategy prior to the designation of tax sites for the purpose of business rates retention

1.1.9. This MoU formalises the key commitments made by the Freeport throughout the FBC and outlines what support it can expect from DLUHC and other HMG departments, including the Department for Business, Energy and Industrial Strategy ('BEIS'), Department for Education ('DfE'), the Department for Work and Pensions ('DWP'), Department for International Trade ('DIT'), HMT, and HMRC.

1.1.10. While this MoU is not legally enforceable, it is expected that all parties will aim to, as far as possible, honour their obligations under this memorandum, as per Section 7 of this MoU.

1.2. Definitions

1.2.1. **It is agreed that:**

- a) "Accountable Body" means the local authority organisation(s) accountable for the delivery and administration of Freeport Seed Capital and Capacity Funding grants and for ensuring the good functioning of the Freeport Governing Body. Depending on locally agreed retained business rates arrangements, the Accountable Body may also be accountable for the use of the retained business rates across the Freeport.
- b) "Governing Body" means the primary governance body accountable for delivering the Freeport and achieving its strategic objectives. The Governing Body may take different organisational forms based upon how the Freeport company or entity is set up. The Accountable Body is a member of the Governing Body. Depending on locally agreed retained business rates arrangements, the Governing Body may also

² <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

³ <https://www.gov.uk/government/publications/cost-estimating-guidance>

⁴ <https://www.gov.uk/government/publications/the-construction-playbook>

be accountable for the use of the retained business rates across the Freeport.

- c) “Billing Authority” means the local authority(s) responsible for the collection of business rates within a Freeport designated tax site. Depending on locally agreed retained business rates arrangements, the Billing Authorities may be accountable for the use of the retained business rates across the Freeport.
- d) “Freeport” means the area, and related operations within, outlined in maps provided to, and agreed by, HMG during the business case approval process. These maps are published on GOV.UK⁵.
- e) “Operational Freeport” means a Freeport with designation of at least one tax site and one customs site, and an approved OBC.
- f) “Tax Site” means Freeport tax sites that are designated and recognised in law as geographical areas where businesses can benefit from tax reliefs to bring investment, trade and jobs to regenerate regions across the country that need it most. Freeport tax site maps are published on GOV.UK⁶.
- g) “Seed Capital” means the capital grant which is HMG’s contribution towards capital investment for the delivery of the Freeport proposal. This is disbursed through the Accountable Body.
- h) “Capacity Funding” means the revenue grant which is HMG’s contribution towards day-to-day resources and administration for the delivery of the Freeport proposal. This is disbursed through the Accountable Body.
- i) “Spend Profile” means the forecast spend of grants as set out in the Schedule 1: Spend Profile, demonstrating how grants will be spent and the assumptions on how projects will be financed.
- j) “Financial Year” means the Government’s financial year which runs from 1 April to the 31 March each year.
- k) “Confidential Information” means any information which has been designated as confidential by any of the parties in writing or that ought to be considered as confidential (howsoever it is conveyed or on whatever media it is stored) including information the disclosure of which would, or would be likely to, prejudice the commercial interests of any person or trade secrets and all personal data and sensitive personal data within the meaning of applicable legislation. Confidential Information shall not include information which:
 - i. was public knowledge at the time of disclosure (otherwise than by breach of a duty of confidence by any of the parties);

⁵ <https://www.gov.uk/government/publications/maps-of-uk-freeports>

⁶ <https://www.gov.uk/government/collections/maps-of-freeports-and-freeport-tax-sites>

- ii. was in the possession of the receiving party, without restriction as to its disclosure, before receiving it from the disclosing party;
 - iii. is required to be disclosed by applicable laws or regulations of a stock exchange or regulatory authority or by order or ruling of a court or administrative body of competent jurisdiction;
 - iv. is received from a third party (who lawfully acquired it) without restriction as to its disclosure; or
 - v. is independently developed without access to the Confidential Information.
-
- l) “Crown” means the government of the United Kingdom (including the Northern Ireland Executive Committee and Northern Ireland Departments, the Scottish Executive and the National Assembly for Wales), including, but not limited to, government ministers, government departments, government offices and government agencies.
 - m) “Data Protection Legislation” means (i) the UK GDPR as amended from time to time; (ii) the Data Protection Act 2018 as amended from time to time; (iii) regulations made under the Data Protection Act 2018; (iv) all applicable law about the processing of personal data.
 - n) “UK GDPR” means the General Data Protection Regulation (Regulation (EU) 2016/679) as transposed into United Kingdom national law by operation of section 3 of the European Union (Withdrawal) Act 2018, together with the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019.

2. Governance

2.1. Roles and Responsibilities

- 2.1.1. The Solent Freeport Governing Body is accountable to DLUHC for the delivery of the Solent Freeport and achieving its strategic objectives as set out in Sections 4 and 5 of this MoU and the approved FBC, attached at Appendix 1. Where the Governing Body is accountable for an aspect of Freeport delivery, but contracts this out, it is incumbent upon the Governing Body to put in place the necessary mechanisms to hold partners to account for the Solent Freeport’s delivery.
- 2.1.2. Portsmouth City Council is the Accountable Body for the Solent Freeport and is accountable to DLUHC for the use of Seed Capital, Capacity Funding grants and for ensuring the good functioning of the Freeport Governing Body. The Accountable Body is required to be a member of the Governing Body.
- 2.1.3. Southampton City Council, Eastleigh Borough Council, New Forest District Council and Havant Borough Council are the Billing Authorities

who are responsible for the collection of business rates within a Freeport designated tax site. The accountability of the Billing Authorities and use of retained business rates is set out in Section 3.7.

- 2.1.4. DLUHC as the HMG body accountable for coordinating the delivery of the Freeports Programme, agrees to support the Parties in the delivery of commitments as set out in the FBC, and particularly in the realisation of the strategic objectives as set out in Section 5 of this MoU.
- 2.1.5. The Parties agree to work together, cooperate in good faith and fully participate in the delivery of the Freeport as articulated through the FBC, attached at Appendix 1, in addition to this MoU, or any subsequent revisions to the FBC agreed through the change process as referenced in Section 6.10 of this MoU.
- 2.1.6. For the avoidance of doubt, the relevant Parties shall be accountable to DLUHC for the acts of its external delivery partners if delivering public money, including any consequences of poor performance arising from their conduct, as per Section 7.3 of this MoU.

2.2. Freeport governance

- 2.2.1. The Governing Body will adopt the governance structures for the delivery of the Freeport as set out at 5(a) in the Management Case of the FBC and relevant governance annexes attached at Appendix 1, including:
- a) Portsmouth City Council is the accountable body for Solent Freeport Consortium Limited ('SFCL') and is accountable for the proper use and administration of funding and for ensuring that decisions are made in accordance with HMG requirements.
 - b) The Board consists of sixteen Directors. This includes ten drawn from the core membership (namely Solent Local Enterprise Partnership, Hampshire County Council, Portsmouth City Council, Southampton City Council, New Forest District Council, Eastleigh Borough Council, Havant Borough Council, Associated British Ports, Solent Gateway and Southampton Airport) and six additional directors appointed by the Board (an independent Chair, four independent non-executive directors and an Executive Director). The Board will also invite key stakeholders to all Board meetings (namely New Forest National Park, University of Portsmouth as a regional higher education representative, and tax site owners / operators including a representative of ExxonMobil Fawley Refinery, Fawley Waterside Ltd and Portico Shipping Limited). The S151 Officer or their nominated representative of Portsmouth City Council, as accountable body for SFCL, will have a standing invitation to

attend all Board meetings, as will the DLUHC Freeport Lead.

- c) The SFCL Board may delegate areas of work to committees or individual directors; however, the Board and Portsmouth City Council as the Lead Authority will remain accountable for them.
- d) The Board has the overall responsibility for the Finance and Resource Committee ('FRAC'), Remuneration, Employment and Nominations Committee ('RENCOM'), Operations and Delivery Committee ('ODC') and Retained Rates Investment Committee ('RRIC').
- e) The FRAC is responsible for monitoring the integrity of financial statements and announcements, providing advice on annual reports and accounts, reviewing internal financial controls and risk management systems, monitoring and reviewing the effectiveness of the SFCL's internal and external audit functions.
- f) The RENCOM is responsible for employment matters including the development of executive capacity of Solent Freeport; determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management; and to lead the process for appointments, ensure plans are in place for orderly succession to both the Board and senior management positions, and oversee the development of a diverse pipeline for succession.
- g) The ODC has been established to provide advice to the Board on operational matters relating to the successful delivery and operation of the Solent Freeport. This includes the development of an annual delivery plan and annual report in accordance with quality assurance processes set out by HMG. The ODC will support work needed to initiate and implement the delivery of the key priorities and strategies for the Freeport (Trade and Investment (including operationalising the customs sites), Regeneration and Levelling up (including securing HMG agreement to the tax sites and to support their delivery), Innovation (which includes the development of the Solent Freeport Green Growth Institute), Net zero and natural capital and Seed Capital programme delivery.
- h) The RRIC is the forum through which the SFCL and Billing Authorities will work together to agree the overall quantum of funding that is to be made available to the SFCL for the Core Investment Programme and Solent Freeport Operations; protocols by which retained rates collected by the Billing Authorities within the Solent Freeport area may be pooled; process to agree how retained rates

will contribute to enhanced local authority capacity and local priorities that go towards achieving the objectives of the Freeport; joint decision-making process relating to the assessment of applications for Retained Rates Funding with a reasonable amount of funding be kept aside within each investment round for contingency, with input from the Accountable Body; and how the costs of the Billing Authorities and the SFLC incurred in administering such funding and business rates relief will be funded.

2.2.2. The Governing Body will notably, in this regard:

- a) Commit to appropriate levels of transparency, propriety, and inclusivity with respect to governance and adherence to the Seven Principles of Public Life ('the Nolan Principles'⁷). This includes but is not limited to the publication of board papers, minutes, and register of members' interests to ensure any actual or perceived conflicts of interest are recorded and managed appropriately. Where publication of board papers, minutes and registers of members and directors' interest are subject to commercial confidentiality, the Accountable Body will need to set out a process for determining the publication criteria for commercial confidentiality with the Governing Body. This will need to provide the rationale that balances protecting commercial interests directly connected to the objectives against the wider public interest in transparent Freeport governance. This should be aligned with established regulatory standards such as Schedule 12a of the Local Government Act 1972 and principles⁸ set out by the Information Commissioners Office ('ICO'). All items need to be maintained if not publicly published and must be provided to DLUHC if requested for assurance purposes.
- b) Within reasonable endeavours, ensure that sufficient financial and human resources are available to support the successful delivery of the Freeport; and
- c) Inform the DLUHC Freeport Lead (see Section 2.3.1) of any changes to these governance structures and if required, take any changes through the change process referenced in Section 6.10 of this MoU and as per Schedule 4 of the Freeports Framework.

2.2.3. The Governing Body will adopt the structures referred to in Section 2.2 within the timeframes set out in the FBC Management Case. The Governing Body will inform their DLUHC Freeport Lead of any changes to

⁷ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

⁸ <https://ico.org.uk/for-organisations/guidance-index/freedom-of-information-and-environmental-information-regulations/section-43-commercial-interests/#publicinterest>

these timeframes.

2.2.4. The Accountable Body will:

- a) Be accountable for any HMG Freeport-specific grant funding if paid through a Section 31 grant and unless stated otherwise, including monitoring and reporting against the use of these funds, upholding procurement practices, as per Section 3.5 of this MoU;
- b) Maintain appropriate records relating to Freeport delivery, including, but not limited to project plans and risk registers for HMG funded activity; and
- c) Ensure the Governing Body operates in line with appropriate levels of transparency, propriety and inclusivity, abiding by the Nolan Principles, as referenced above in Section 2.2.2(a).

2.2.5. The Billing Authorities will:

- a) Be accountable to DLUHC for the management of the retention of Business rates in line with the Local Government Accountability System.
- b) Be responsible for allocating all business rates collected on the Freeport tax sites to the decision-making process and purposes outlined in the FBC.

2.2.6. The Governing Body, the Accountable Body and the Billing Authorities agree to work collaboratively and proactively to manage any actual or perceived conflicts of interest in decision-making as set out in the Management Case of the FBC, and in particular on the use of Seed Capital, Capacity Funding and collected business rates. The Governing Body, the Accountable Body and the Billing Authorities agree to provide DLUHC with evidence of these processes when requested as part of the Freeports Framework as set out in Section 6 of this MoU.

2.2.7. The Governing Body, the Accountable Body and the Billing Authorities are required to manage any disputes in relation to Section 2.2 through a locally agreed process.

2.3. Ways of working

2.3.1. The Freeport will be assigned a lead within the DLUHC Freeports Delivery Team who will act as a central interface for the Governing Body to interact with HMG on the delivery of the Freeport and its strategic objectives ('DLUHC Freeport Lead'). This will help ensure that the Freeport

is receiving the expertise and input it needs from across HMG departments to enable the Freeport to deliver against its FBC. In addition, DLUHC will support Freeports through:

- a) Continuous improvement and policy learning, for example by using monitoring and evaluation to generate evidence and insights to inform improvements in Freeport delivery and adaptation of policy;
- b) Providing sector support, exploring areas where Freeports strongly align with national and sectoral economic strategies;
- c) Exploring opportunities to access further benefits across HMG, considering areas to leverage policies, schemes, and support for the Freeport;
- d) Cross-programme collaboration, enabling opportunities for Freeports to collaborate, facilitating lesson-learning and shared programme learning;
- e) Providing sufficient specialist and technical resource to support the delivery of the programme until 31 March 2025. DLUHC is unable to provide commitment beyond the current Spending Review period, though they commit to consulting with the Freeport on plans beyond 31 March 2025 when it is right to do so;
- f) DLUHC will ensure the Freeport is consulted should there be the opportunity for any new benefits related to the programme.

2.3.2. BEIS will hold quarterly meetings with the Freeport innovation lead(s) to understand progress on the innovation strategy and the barriers to innovation the Freeport is facing. BEIS will help the Freeport address these barriers where possible, including ensuring the Freeport is connected to the correct teams across government to provide them with support.

2.3.3. On trade and investment, the Freeport will be supported by the DIT in leveraging the export and support services which the Department offers to provide additionality above and beyond what the Freeport is able to deliver itself.

2.3.4. The DIT Freeports team will act as the central contact point for accessing DIT services and capabilities, and the Freeport will endeavour to ensure regular dialogue with DIT through bi-monthly check-in meetings. DIT will ensure the Freeport is consulted in relation to strategic investment and export promotion activity conducted by DIT and will ensure the Freeport is notified of enquiries relating to the Freeport arising from DIT

lead generation activity.

2.3.5. The Freeport is responsible for maintaining capability to independently support exporters and the end-to-end investor journey, including functions for prospecting and generating leads, enquiry handling, project management and support, as well as the management and retention of existing investors. The Freeport is encouraged to notify DIT of investment enquiries and requests for export support in order for DIT to provide targeted support on projects on an on-going basis. This will involve the Freeport's lead for Trade and Investment liaising closely with their DIT partnership manager; who, where appropriate, will ensure a virtual team from across DIT is brought together in support of prospective investors from when they express an interest in locating in the Freeport to when their investment lands. DIT will work collaboratively with the relevant official within the Freeport to agree arrangements for providing this information. This is the standard manner in which DIT works with investment promotion agencies to manage and support investment projects and enables DIT to help investors access any relevant support. Accessing DIT resource and support is contingent on the Freeport sharing information on investment and export enquires as they arise.

2.3.6. The Freeport will engage with the Freeport Security Forum as per Section 2.5.5 and 2.5.6 of this MoU, in line with the requirements of the annual Freeport security audit. This is a cross-government group consisting of security stakeholders from the Home Office, Border Force, National Crime Agency, the Police, DfT, HMT and HMRC.

2.4. Public sector equality duty

2.4.1. Recognising its role regarding the public sector equality duty under the Equality Act 2010, the Accountable Body commits to ensuring the Governing Body complies with Public Sector Equalities Duty.

2.4.2. The Parties commit to using this data to help ensure that the Freeport is optimised to advance equality and foster good relations by highlighting any key areas for improvement, ensuring that adverse aspects of Freeport delivery relating to equality are mitigated and limited, and ensure that any opportunities to reduce inequalities are maximised.

2.5. Risk management and security

2.5.1. The Governing Body will ensure the documentation and active management of all overall delivery risks related to the Freeport and the dedication of proportionate resources to ongoing risk management.

- 2.5.2. The Governing Body commits to ensuring suitable escalation to address, mitigate and resolve significant risks through the governance procedures put in place and will flag any escalation of risk to DLUHC.
- 2.5.3. The Governing Body will regularly and thoroughly maintain the Freeport's risk register(s) and will inform DLUHC of risks, associated mitigations, progress and removal through the measures set out in the Management Case of the FBC.
- 2.5.4. Recognising HMG's priority to ensure Freeports uphold the UK's reputation of high standards for tax integrity and probity, port security and combatting illicit activity, the Parties commit within the scope of Freeport activities to fully support and cooperate with HMG in honouring the obligations set out in the OECD Code of Conduct for Clean Free Trade Zones,⁹ and the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 2.5.5. The Governing Body commits to ownership and management of the security and illicit activity risk assessment at Annex B of the FBC and to coordinating the implementation of an appropriate risk management and mitigation plan on this basis. Recognising this, and the commitment from Freeport customs site operators to counter illicit activity included in Annex H of the FBC, the Governing Body commits to the establishment, ownership and management of the appropriate structures, governance arrangements, and establishing effective processes for coordinating the management of security risks outlined in the Management Case of the FBC. This includes coordinating active management across physical, personnel and cyber domains and working with HMG and other relevant agencies as required.
- 2.5.6. The Governing Body will carry out an annual audit of Freeport security measures in place and any breaches with local security stakeholders as required by the Freeports Framework.

2.6. Data retention and intellectual property

- 2.6.1. Documents and data should be retained by the relevant Parties for a minimum of 7 years. Where relevant data is held by third parties, the Governing Body should seek mechanisms to be put in place to ensure they also keep documents and data for a minimum of 7 years and provide the information to the Governing Body if required.
- 2.6.2. If requested, the Governing Body will work within reasonable endeavours to enter into an intellectual property licensing agreement

⁹ <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0454>

whereby the Freeport will grant DLUHC a perpetual royalty-free licence to use the OBC(s) and FBC(s). Agreement would be gained from all Parties and participating organisations/ partners before publication and any published documents would be subject to commercial confidentiality.

2.6.3. The Governing Body will manage the Freeport's data and its stakeholders' data effectively and commit to complying with Portsmouth City Council's data retention policies and Data Protection Legislation.

2.6.4. The Parties will process any personal data in compliance with the Data Protection Legislation. HMG will manage any data provided by the Freeport effectively and commit to complying with Data Protection Legislation.

2.7. Communications and Branding

2.7.1. DLUHC has provided the Governing Body with a Communications Partnership Pack for Freeports attached at Schedule 3. This is to support consistent messaging when communicating about the Freeport, including where public funds are being used or other government support has been provided, and the UK Freeports programme as a whole. The Pack also sets out how DLUHC will work in partnership with the Freeport on joint communications and engagement activity. New iterations of this pack will be made available as the programme – and the associated messaging and branding – evolve. The Parties should work to best endeavours in adopting the guidelines set out in the Pack and subsequent additions.

2.7.2. The Governing Body should work to best endeavours to inform DLUHC of major upcoming events, public announcements, and publications, in good time, where possible. Where appropriate, DLUHC will use HMG platforms to promote and support the work of the Freeport.

3. Financial Arrangements

3.1. The Governing Body will aim to deliver the Freeport in line with the Financial Case as set out in the FBC. DLUHC recognises that the Financial Case may adjust as the Freeport develops. If significant changes are to be made to the Seed Capital or Capacity Funding, DLUHC should be notified in advance through the change process set out in Section 6.10 of this MoU.

3.2. The Governing Body commits to the Freeport being no longer reliant on HMG Capacity Funding and self-funded by FY2025/26, enabled by Capacity Funding available from FY2021/22 through to FY2024/25, or alternative means where necessary.

3.3. Freeport Seed Capital and Capacity Funding

3.3.1. The Seed Capital (capital grant) is part of HMG’s capital investment for delivery of the Solent Freeport proposal. The Capacity Funding (revenue grant) is to support the Freeport to ensure there is sufficient organisational capacity in place for the set up and delivery of the Freeport. DLUHC expects the Freeport, overseen by the Accountable Body to use the allocated funding for activities outlined in the approved FBC attached at Appendix 1 and that the relevant evidence of spend and delivery is provided to DLUHC through the reporting requirements as set out in Section 6 of this MoU. DLUHC expects the Governing Body to fully support and cooperate with the Accountable Body to deliver the Seed Capital and Capacity Funding to achieve the objectives of the Freeport.

3.3.2. As part of its support for the Freeport, DLUHC considered the FBC for the Freeport proposal at Dunsbury Park, Navigator Quarter, Southampton Water (Fawley Waterside, Solent Gateway, Redbridge) and Portsmouth International Port tax and customs sites and agreed to allocate Seed Capital (paid as capital grant funding) up to £25m Seed Capital over FY 2022/23 to 2024/25 and Capacity Funding (paid as revenue grant funding) up to a total of £1m from FY2021/22 to FY2024/25. An indicative allocation for each year, based on the FBC and any additional information provided to DLUHC to date is set out in Table 1 below. The profile of grants should be aligned to planned delivery and spend arrangements during that financial year. There will be opportunities to request changes to the proposed profile of this funding through the process referenced in Section 6.10 of this MoU. As DLUHC will need to consider the financial profile across the overall Freeports Programme, adjustments may not always be possible.

Table 1

Financial Year	Seed Capital (capital grant)	Capacity Funding (revenue grant)
2021/22	-	£450,000 (paid prior to MoU being signed)
2022/23	£1,950,000	£300,000 (paid prior to MoU being signed) A further £250,000 to be paid before end of 2022/23 financial year
2023/24 (Indicative)	£21,770,000	
2024/25 (Indicative)	£1,280,000	

Total 2020/21 – 2024/25	£25,000,000	£1,000,000
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3.3.3. The FBC sets out the details of projects comprising the delivery of the Freeport, including their: budget; Spend Profile; scope; key assumptions; outputs; timeline; key milestones; and risks. Together these project parameters set out what is expected by the Parties, and these are set out in Table 2 below.

Table 2

Funded Projects	<ul style="list-style-type: none"> • Redbridge (Phase 1) – £4.6m <i>Enabling works to fast-track the redevelopment of the Redbridge site (to deliver a 40% increase above current TEU throughput through Southampton) and port centric logistics and manufacturing potential.</i> • *Solent Gateway - Phase 1 – £4.5m <i>A package of infrastructure improvements to enable the full development of Marchwood Port and associated increases in global trade capacity.</i> • Dunsbury Business Park - Phase 1 – £4.5m <i>A package of transport and supporting site infrastructure to deliver the current masterplan of Dunsbury Park and the potential for over 1,800 new on-site job opportunities.</i> • *Navigator Quarter Transport Infrastructure – £5.9m <i>A package of infrastructure investment to unlock much of the Southampton Airport Limited land to enable access to Navigator Quarter site, unlocking over 2,500 jobs directly on the tax site and 3,500 jobs for the wider master plan area.</i> • *Fawley Waterside enabling infrastructure - Phase 1 – £4.7m <i>A package of investment to unlock full capacity at Fawley Waterside location. Across the Fawley Waterside location within the Southampton Water tax site there is an estimated potential for 5,000 new job opportunities</i> • *Rudmore Square junction upgrade - 0.4m <i>To ease traffic flows to/from the Portsmouth International Port, site of one of our proposed customs sites, the demolition of the 'Sydenham's' building which provides the</i>
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	<p><i>additional operational land necessary to facilitate the port's Freeport Customs Zone.</i></p> <ul style="list-style-type: none"> • *Solent Maritime Innovation Hub – 0.4m <p><i>A high profile, creative, flexible, and multi-user facility that fosters the innovation strengths of the Solent Freeport area. It will bring together existing and new businesses, alongside our three Universities and wider research assets such as the National Oceanography Centre.</i></p>
Spend Profile	Schedule 1: Spend Profile - enter
Project Outputs & Outcomes	The Governing Body will deliver on the outputs and outcomes presented in the FBC, but a final, more detailed set of project outputs and outcomes will be agreed through the setup of quarterly reporting as set out in Section 6 of this MoU.
Projected Timeline & Key Milestones	Appendix 1: FBC Annex C – Project Plan – check
Risk Management	Appendix 1: FBC Annex D – Risk Register – check

3.3.4. As per the requirements of the English Freeports Full Business Case Guidance¹⁰ (section 4.5, page 15), the Accountable Body is expected to develop and appraise project business cases for all Seed Capital funded projects. Project Business cases will be assessed by independent experts appointed by the Freeport Board and ratified by the Accountable Body, the Investment Committee and ultimately the Freeport Board.

3.3.5. The FBC identified the projects marked above with an asterisk as not fully developed at the time of signature of this MoU. The Accountable Body must take these projects through the steps outlined in Section 3.3.4 prior to any Seed Capital funding being released for these projects. The Accountable Body must notify DLUHC once these projects have been approved locally. DLUHC may release an initial payment to the Accountable Body to support the development of these projects if requested.

3.3.6. By agreeing to this MoU, the Accountable Body and the Governing Body commit to full compliance with the process referred to in the 3.3.4 subsection, unless changes have otherwise been mutually agreed as per the change process set out in Section 6.10 of this MoU.

3.3.7. Reporting and assurance on project progress shall be carried out through the Freeports Framework, as set out in Section 6 of this MoU.

3.4. Grant Arrangements

¹⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1072199/English_Freeports_Guidance_-_Full_Business_Case.pdf

- 3.4.1. Seed Capital and Capacity Funding (see Table 1) will be issued to the Accountable Body as non-ringfenced grant payments under Section 31 of the Local Government Act 2003, for expenditure as set out in Table 2 above.
- 3.4.2. The Accountable Body will manage grant payments to deliver and operate the Freeport, including the financial and fraud risks associated with this and upholding the principles of Managing Public Money. The Accountable Body reserves the right to enforce risk management systems or audit the Freeport Governing Body where the delivery of public money pertains.
- 3.4.3. Grant payments to the Accountable Body will normally be made annually by DLUHC, towards the beginning of each FY, as agreed between DLUHC and HMT. Annual amounts for each FY will be agreed in principle by the Parties before the payment is made.
- 3.4.4. The Accountable Body (or Governing Body, if delegated to them by agreement of the Accountable body and Governing Body) will provide quarterly project, financial, and risk reporting to DLUHC, demonstrating spend against the previous funding and that outputs are being delivered, including site delivery, in line with the approved FBC, as per Section 6.3 of this MoU. This should include updates on the development or approval of the individual business cases for any Seed Capital projects not locally approved prior to the approval of the FBC.
- 3.4.5. The release of subsequent Seed Capital and Capacity Funding will be subject to an annual review as outlined in the Freeports Framework and set out in Section 6 of this MoU. DLUHC reserves the right to make appropriate adjustments to payments and may withhold payments where it has significant concerns regarding the delivery of the Freeport, as per Section 7 of this MoU.
- 3.4.6. Should the Accountable Body wish to amend the annual Spend Profile at Schedule 1 of this MoU for the following financial year, the Accountable Body will give notice to DLUHC by the last working day of September of the previous financial year. Requests for amendments will be considered by DLUHC, with DLUHC's approval of such requests subject to the availability of resources. There are no guarantees that such requests will be accommodated.
- 3.4.7. The Accountable Body will consult in good faith with the Governing Body on matters related to the delivery of grants to end users and strive to amicably find a mutually acceptable resolution of any differences, with due transparency and expeditiousness.

3.5. Procurement

- 3.5.1. On the use of public funds, the Accountable Body will ensure:

- a) It is compliant with all relevant regulations and best practice standards.
- b) That value for money is achieved; and
- c) That the Freeport objectives as set out in Section 5 are delivered.

3.5.2. Before releasing public funding associated with the Freeport Programme to Freeport delivery partners, the Accountable Body will assure themselves that all relevant regulations and approved standards have been met by the Solent Freeport, who are the leading contracting authority under the Public Contracts Regulations 2015. Portsmouth City Council as the accountable body, is supported by a Procurement Manager, who will provide oversight in accordance with the council's robust governance procedures. This includes ensuring that value for money is achieved and that the policy objectives are, in its estimation, likely to be delivered. If a sourcing procedure is required, existing contracts and Framework Agreements held by the council or external bodies - including Crown Commercial Services and East Shires Purchasing Organisation - will be used as appropriate.

3.6. Subsidy Control

3.6.1. Before releasing public funding associated with the Freeport Programme to end users in the Freeport, the Body granting the subsidy will satisfy itself that doing so is compliant with UK legislation on subsidies.

3.7. Collected Business Rates

3.7.1. Under paragraph 39(1) (designation of areas) of schedule 7B to the Local Government Finance Act 1988 – local retention of non-domestic rates, the Freeport tax sites are to be classed as a designated area with effect from 1 April 2023 for a fixed term of 25 years from the date the tax site was designated for the purposes of tax relief. The Billing Authorities, signatory to this MoU, will retain 100% of the collectible business rates in excess of a baseline to be agreed between DLUHC and the Billing Authorities prior to the tax sites being designated in the regulations for business rates retention purposes. That baseline will be fixed in the regulations. DLUHC reserves the right to not designate the Freeport tax sites for the purposes of business rates retention until further satisfactory detail has been provided on the intended use of retained rates where this has been requested.

3.7.2. The Billing Authorities, in collaboration with the Governing Body, will use business rates retained locally from the Freeport tax sites to promote the Freeport and the Freeports Programme's objectives within the Freeport geography or wider 'travel to work area', and for activity which:

- a) Would not otherwise occur;

- b) Requires public funding; and
- c) Is most appropriately funded from collected business rates, rather than other public funding, as per the Freeport's Retained Business Rates Strategy.

3.7.3. As detailed in the FBC, the Billing Authorities and the Governing Body will ensure the collected business rates will maximise long-term, sustainable, and inclusive economic net gains to the Solent. This will be achieved by supporting public and private initiatives within the Wider Solent Freeport Area that promote objectives in accordance with the Retained Business Rates Policy, including through the detailed investment plan for retained rates (the Retained Business Rates Strategy) to be provided to DLUHC following the approved FBC.

3.7.4. The Billing Authorities and the Governing Body will ensure that strategic decisions relating to the use of collected business rates will be made by the SFCL Investment Committee, who will lead on the strategy and prioritisation of investments and make recommendations to the SFCL Board for final decision. The Billings Authorities will be accountable for the use of retained business rates in accordance with the Members Agreement, the Business Rates Retention Policy and bilateral agreements between the Billing Authorities. This includes the prioritisation and selection of projects for funding, and where ownership of the business rates policy lies, including on how it is to be reviewed and evaluated. SFCL will agree an allocation for Solent Freeport Operations based on recommendations from the FRAC and the Investment Committee. To gain project and programme investment approval from the SFCL Board, the Investment Committee and the FRAC will need to present an independent expert assessment recommendation to the SFCL Board.

3.7.5. As per the FBC, the Billing Authorities will allocate all rates collected on Freeport tax sites above the baseline set in the regulations to the Freeport, meaning they will be subject to the decision-making process and used for the purposes outlined in the FBC. The allocation of the retained business rate pool is expected to be in two key areas: (1) Core Investment Programme (covering the Freeport investment workstreams - Skills, Net Zero, Hotbeds of innovation, Regeneration and enabling infrastructure and Local investment priorities) and (2) Solent Freeport Operations (contribution to the Freeport's operating costs, administrative costs for Relevant Authorities and Accountable Body, commitments to previous rounds, and contingency). Indicative allocations across key investment workstreams are (forecast over 25 years (£m)) Skills 15%, Net Zero 7.5%, Hotbeds of Innovation 7.5%, Regeneration and enabling infrastructure 60%, Local investment priorities 10%. This will be reviewed again when the Investment Committee develops a detailed Investment Plan. The Accountable Body will undertake all borrowing on behalf of the Freeport on the condition that the Billing Authorities have passed on the growth in Business Rates every year. In exceptional circumstances, where borrowing could be jointly underwritten with the relevant Billing Authority, or where the investment might generate financial and or economic benefits

beyond the life of the pool, the underwriting may then be passed over in full. Any borrowing for investment will need to follow a full financial appraisal and appropriate due diligence, in accordance with the Accountable Body's Treasury Management Strategy.

- 3.7.6. The Billing Authorities will manage the retained business rates as per the Retained Business Rates Strategy including any financial and fraud risks associated with this and upholding the principles of Managing Public Money.

4. Freeport Delivery

4.1. Progress Milestones

- 4.1.1. Overall Freeport progress milestones will be set out by DLUHC and will be agreed with all Freeports. In cases where a progress milestone is not applicable to the Freeport, DLUHC will mutually agree a revision or completion of that particular milestone with the Freeport.
- 4.1.2. The Governing Body is accountable to HMG for delivery of the Freeport according to agreed progress milestones. Progress milestones, attached at Schedule 2, will be monitored through regular check-in meetings, data reporting and contribute to the annual review process, as set out in Section 6 of this MoU.
- 4.1.3. The Governing Body and DLUHC will mutually agree any changes to the progress milestones or timescales.

4.2. Tax Sites

- 4.2.1. The Governing Body is accountable to HMG for delivery of Southampton Water (Fawley Waterside, Fawley Complex, Redbridge, Strategic Land Reserve, and Solent Gateway), Dunsbury Park and Navigator Quarter tax sites, including optimising the development of the tax sites which:
- a) Aligns with the Freeport's target sectors of Port Logistics and Manufacturing; Marine Technology and Renewable Energy; Advanced Manufacturing and Logistics, Innovation objectives, and vision as set out in the FBC;
 - b) Would not have occurred without Freeport tax site status and is not displaced from elsewhere in the UK; and

- c) Occurs within the period for most Freeport tax reliefs (i.e., prior to October 2026)¹¹

4.2.2. To achieve this, the Governing Body will:

- a) Uphold the Southampton Water (Fawley Waterside, Fawley Complex, Solent Gateway, Strategic Land Reserve and Redbridge), Dunsbury Park and Navigator Quarter Site Specific Agreements in the Management Case of the FBC, ensuring that those sites support the objectives of the Freeport, including the clustering of businesses with a focus on the Freeports target sectors; support the aim to attract new businesses to the Freeport and wider region, as well as existing businesses that intend to expand their operations and are likely to benefit from the Freeport levers and further generate supply chain opportunities across the Freeport Outer Boundary, Travel-To-Work Area and across the wider Solent area.
- b) Monitor and report to DLUHC on compliance with the aforementioned Compliance Agreements.
- c) Exercise the incentives and business rates relief in relevant scenarios of noncompliance as defined in the Commercial Case of the FBC;
- d) Monitor and report to DLUHC on the delivery of the tax sites listed in the FBC as part of the formal data reporting requirements, as set out in Section 6 of this MoU; and
- e) Inform DLUHC of any delays to the delivery of the tax sites.

4.2.3. If existing Freeport tax sites are converted to Investment Zone status, or any Investment Zones sites are to be designated within an existing Freeport outer boundary after the FBC has been approved, the Freeport Governing Body, Accountable Body and Billing Authorities must submit a formal change request as per Section 6.10 of this MoU. Freeports should note, that changes may be required to the FBC and MoU in light of this before the request is approved.

4.3. Customs Sites

4.3.1. The Governing Body will:

¹¹ <https://www.gov.uk/government/publications/statement-on-the-designation-of-freeport-tax-sites/statement-on-the-designation-of-freeport-tax-sites>

- a) Work closely and collaboratively with HMRC and customs site operators to support the delivery of customs sites;
- b) Oversee, monitor, and report to DLUHC on the delivery of the customs sites of Portsmouth International Port and Marchwood (Solent Gateway) and the Project Plan at Annex C of the FBC;
- c) Inform DLUHC of any delay to the delivery of the customs sites; and
- d) Make all reasonable efforts to deliver the customs sites to the standards and to the timescales as set out in the FBC. More information on these requirements can be found in the English Freeports Full Business Case Guidance¹²(section 6.5.3, page 25). This also sets out how the Governing Body's responsibilities sit alongside HMRC's ongoing processes to audit Customs Site Operator compliance.
- e) Make all reasonable efforts to ensure that each customs site always has a fully functioning Customs Site Operator and will act quickly to ensure that a replacement is appointed in as short a time as possible if for any reason this not the case.
- f) Ensure there is a business operational utilising Freeport customs procedure within 12 - 18 months of designation noting potential implications for seed funding if this requirement is not met, as set out in Section 7.3 of this MoU.

5. Strategic Delivery

5.1. As the HMG body accountable for leading the delivery of the Freeports Programme, DLUHC will provide the Governing Body with support to coordinate with HMG on strategic areas of Freeport delivery, including with: BEIS, DfE, DWP and DIT.

5.2. DLUHC will facilitate across HMG to enable a coordinated approach to the support, guidance and interaction between HMG and Freeports, to ensure support is targeted and appropriate to the needs of each Freeport. The support offered will be tailored to the needs of each Freeport and will include, but is not limited to, capacity support, technical assistance, coordinating the resolution of common or external issues faced by Freeports and working collaboratively to act on common opportunities or interests for Freeports.

¹²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1072199/English_Freeports_Guidance_-_Full_Business_Case.pdf

5.3. Net Zero

5.3.1. The Governing Body commits to owning, updating, and devoting appropriate resources to the delivery of the Net Zero strategy at 1g in the Strategic Case of the FBC, including:

- a) Ensuring that transformational growth supported by Solent Freeport is achieved in a way that reduces carbon and adapts to the significant challenges posed by climate change.
- b) Harnessing the Solent's unrivalled natural capital to pioneer clean growth technology and adaptation to drive productivity within the Freeport and across the wider region's business and employment base, and at the same time enhance the quality of local environmental assets for the benefit of our communities.
- c) Supporting the UK's Net Zero ambitions through site-specific developments as well as a range of Freeport-wide interventions and initiatives to achieve latest emissions targets including Net Zero by 2050.
- d) Working with sites and other partners within the outer boundary and across the wider Solent region so that there is a consistent and complementary area-wide approach that ensures alignment with relevant local Net Zero plans and sector specific initiatives, including those agreed with government.
- e) Be cognisant of sectoral carbon emissions targets and decarbonisation strategies being developed at national level by government in collaboration with industry as part of the wider UK strategy for reducing emissions.

5.3.2. The Governing Body will be supported by BEIS's Local Net Zero team which will provide a first point of contact and manage support for the delivery of the Freeport's Net Zero plans. This support may be through ongoing engagement, providing guidance and advice on Net Zero topics and will be either with officials across HMG or through the appropriate Local Net Zero Hub.

5.4. Innovation

5.4.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Innovation strategy at Annex L of the FBC, including

- a) Using Seed Capital funding to invest in the Solent Maritime Innovation Hub for the area (this will be a shared resource available to all);
- b) Using tax site designation to address viability gaps and capacity challenges in the area through financial incentives for development, to attract Research and Development investment and a critical mass of innovative businesses to locate on key sites across the Solent Freeport;
- c) Using retained business rates to fund Freeport-wide initiatives and activities to promote and foster innovation and cross-fertilisation of ideas across Freeport sites and wider innovation partners across the Freeport geography (such as research institutes and universities), to facilitate collaboration, and to leverage innovation funding opportunities;
- d) Where applicable, and subject to available funding, work with Freeports Regulation Engagement Network ('FREN') to seek opportunities for relevant regulators to establish a regulatory sandbox to create testbeds to pilot innovative ideas around multi-modal autonomous operations and low carbon propulsion mechanisms, for example, trialling of autonomous vessels and control systems is already underway in the Solent;
- e) Link to the aspirations of Freeport partners to explore carbon offsetting innovations - there is scope through the FREN to explore streamlining existing processes around licensing and accreditation for coastal restoration projects, with the Solent taking a UK-wide lead on this across all Freeports;
- f) The Solent Freeport will formally engage with the FREN via an identified FREN co-ordinator operating within the Solent Maritime Innovation Hub.

5.4.2. Innovate UK's South East and London Regional Manager will attend the SFCL Operations and Delivery Committee on the Freeport's request to provide advice on the development and implementation of the Freeport's innovation strategy, informed by their in-depth understanding of the region's innovation ecosystems. The Regional Manager will help upskill the Solent Maritime Innovation Hub to ensure they are aware of available funding opportunities and the existing support on offer in the region to help businesses innovate.

5.4.3. BEIS, alongside the Innovate UK Regional Manager, will actively promote relevant innovation support and funding schemes to the Freeport

with advice on how to apply. BEIS will support DLUHC and the Freeport to develop targeted communications aimed at promoting the Freeport as an attractive prospect for innovative businesses. BEIS, alongside DLUHC, will promote Freeports across HMG to raise awareness of the benefits Freeports have to offer for research, development and innovation focussed activity. BEIS will work with other government departments to explore potential opportunities to expand schemes, and pilot new initiatives within Freeports.

5.4.4. The FREN, as part of HMG's offer on innovation, will engage with the Freeport regularly to review progress of engagement with the FREN to address regulatory barriers. Where criteria are met and resource available, it will support the Freeport to address regulatory barriers in their innovation endeavours and help identify challenges in doing so. It will support the Freeport to address these barriers, including through establishing connections with regulators and other relevant stakeholders to explore approaches.

5.4.5. The Freeport will support the FREN with identifying and testing specific regulatory areas of opportunity and development relating to their innovation objectives. The Freeport will work with relevant regulators, businesses and partners through the FREN to advance this, including through regular sharing of knowledge, information and lessons learned.

5.5. Regeneration and Levelling Up

5.5.1. The Governing Body commits to reasonable endeavours in owning, updating and devoting appropriate resources to support the delivery of Regeneration and Levelling Up objectives.

5.5.2. DLUHC will provide Levelling Up support to Freeports including by: (1) supporting Freeports to develop their business rate investment schemes - including exploring options for borrowing against future business rates income; (2) supporting Freeports to develop their planning strategy and explore optimal planning tools and innovative progression routes; (3) facilitating a joined-up conversation between the Freeport and HMG about regeneration and placemaking; (4) supporting Freeports to implement custom incentives in the initial designated sites; (5) facilitating monitoring and reporting of site delivery progress; and (6) providing strategic advice and support to overcome specific challenges in Freeport delivery, if they arise.

5.5.3. While Local Planning Authorities ('LPAs') retain their statutory powers and responsibilities with regards to planning, the Freeport Governing Body is accountable to HMG for supporting tax site LPAs to create a supportive planning environment and holding them to the commitments at 5.5.4. This

includes:

- a) Agreeing planning delivery goals and resourcing commitments with Freeport tax site LPAs and establishing the necessary local governance and risk management structures to oversee delivery of these goals and manage planning risks.
- b) Providing Freeport tax site LPAs with the necessary (financial or other) support to deliver these targets, as agreed between the Freeport Governing Body and the LPAs.
- c) Engaging and supporting Freeport tax site LPAs to engage with UK government planning support.
- d) Reporting quarterly to DLUHC as per Section 6.3.

5.5.4. While LPAs retain their statutory powers and responsibilities with regards to planning, the Billing Authorities, where they also function as Freeport tax site LPAs, commit to:

- a) Using reasonable and appropriate endeavours to deliver a planning environment that supports appropriate investment on Freeport tax sites, including by exploring innovative uses of planning tools, and learning from best practice and from other LPAs and sharing expertise and experience with other Freeport tax site LPAs.
- b) Appropriately resourcing this work and agreeing planning delivery goals, and necessary support to deliver them, with the Freeport Governing Body.

5.6. Skills and Workforce Development

5.6.1. The Governing Body commits to owning, updating and devoting appropriate resources to the delivery of the Skills and Workforce Development strategy at Annex N of the FBC, including:

- a) Working with Maritime UK Solent to leverage its sector leadership and links with key local employers and Maritime UK to raise the profile of maritime careers and the exciting range of technical and vocational pathways into work including Degree Apprenticeships and T Levels. Freeport employers are expected to play an active role in this profile-raising activity going forward;
- b) Working with the Solent LEP's Skills Advisory Panel, continue to develop the local response to the Skills for Jobs White Paper which

seeks to put employers at the heart of post-16 skills, including through the Strategic Development Fund pilot projects being delivered by Solent colleges. Projects include providing the skills needed for a future green economy and for jobs related to carbon reduction which will complement, and support, the Solent Freeport;

- c) Working with the Solent LEP's Skills Advisory Panel, establish a Skills Forum for each tax site to bring together Solent employers, education providers and other stakeholders (including DWP) across key sectors to tackle skills challenges and evolving employer requirements. Freeport employers should play an active role in the Skills Forums from an early stage of operation, and also local Job Centre Plus to upskill benefit claimants to fill the 40% of jobs expected at level 2 or below;
- d) Working with the Solent LEP, to continue to develop the Solent Cluster driven by key local employers, to provide thought leadership on how the transition to Net Zero will influence skills requirements across our core sectors and competencies. Freeport employers will play a leading role in driving this cluster, reflecting the pioneering nature of Solent Freeport activity, with its focus on the green economy;
- e) Working with the Solent LEP's Growth Hub continue to develop the Digital Skills partnership to examine digital skills of the future (including AI, big data, cyber security, robotics) and how the Solent's skills landscape should respond.
- f) Working with the Solent LEP's Skills Advisory Panel continue to work together with DfE funded Hampshire Chamber of Commerce to support the development, implementation and delivery of the Local Skills Improvement Plan.

5.6.2. HMG will work with Freeports to deliver their skills delivery ambitions.

5.7. Trade and Investment

5.7.1. The Governing Body commits to working with Solent LEP to establish a Solent Trade and Investment Body which will own, update and devote appropriate resources to the delivery of the Trade and Investment Strategy at Annex K of the FBC:

- a) Provide a framework for delivering inward investment promotion and support services that maximises the potential of the Solent as a destination for investment and as a trading region;

- b) Support existing exporting businesses in the Solent to access new markets and increase the value of their exports through the new opportunities and incentives available as part of the Solent Freeport;
- c) Open up and grow routes to new markets for businesses and supply chains in the Solent seeking to start trading internationally, through measures to support market access and trade promotion

5.7.2. The Freeport is responsible for building and maintaining their own trade and investment capabilities that should be able to operate independently of DIT to support the end-to-end investment journey and support exporters, while drawing upon DIT's expertise and influence where this is additive. The Freeport is responsible for developing and executing their investment strategy and for supporting site-specific projects, while keeping DIT informed of their activity.

5.7.3. DIT's support for the delivery of the Trade and Investment Strategy will be guided by the requirements set out in Annex K of the FBC. All DIT services relevant to the delivery of the Freeport's Trade and Investment Strategy will be extended to the Freeport, within existing budgetary constraints.

5.7.4. DIT will maintain responsibility for articulating and promoting the UK Freeports offer globally. DIT will also support the Solent Freeport to articulate and promote the proposition specific to the Solent Freeport to target export and investment markets. DIT's activities will provide additionality to the Solent Freeport's own independent promotional strategy and activities and will neither limit nor replace them.

6. Performance Management, Assurance and Evaluation

6.1. DLUHC will carry out ongoing monitoring of Freeports to assist with delivery, assure the use of public funds and evaluate the impact of the programme.

6.2. DLUHC has issued:

6.2.1. The Freeports Framework, attached at Schedule 4 to this MoU, which sets out the reporting requirements Freeports are expected to adhere to enable these processes to take place; and

6.2.2. Monitoring and Evaluation Indicators and Guidance, attached at Schedule 5 to this MoU, to assist Freeports with accurately collecting primary data needed as part of the ongoing monitoring and evaluation and to provide information on the overall evaluation approach.

6.3. The Governing Body and the Accountable Body will collaborate with DLUHC on the processes and reporting requirements set out in the Freeports Framework. This includes committing to:

6.3.1. Monthly check-ins with the DLUHC Freeport Lead to provide updates on Freeport delivery and operations progress, risk, and governance;

6.3.2. Granting observer status to the DLUHC Freeport Lead at the Freeport Governing Body meetings and inviting other HMG departments on a case-by-case basis where necessary;

6.3.3. Reporting quarterly to update in such a format as DLUHC reasonably requires on Freeport site delivery and Seed Capital funded projects progress; the Project Plan and Delivery Milestones (FBC Annex C, at Appendix 1); Spend Profile (Schedule 1); Key Programme Milestones; and any live issues and proposed mitigations. These quarterly updates will have particular focus on tax site and infrastructure delivery progress;

6.3.4. Data reporting formally twice a year on inputs, outputs, and outcomes as outlined in Schedule 5, Monitoring and Evaluation Indicators and Guidance and

6.3.5. Participating in a formal annual conversation with HMG to frame the quantitative evidence provided as per Section 6.3 and provide qualitative updates on the status and effectiveness of the delivery of the strategies of the Freeport on or around such date as DLUHC shall propose.

6.4. DLUHC will carry out an annual performance and assurance review of the Freeport's operations, which will be informed by information and data provided through the processes detailed in the Freeports Framework and in this section. This review will inform decisions with regards to any improvement plan or intervention, including the release of future benefits, as per Section 7.3 of this MOU. Where non-delivery or non-compliance is identified, HMG will always as a first resort work with the Freeport with the aim of resolution as per Section 7.3.1.

6.5. The Governing Body will be responsible for coordinating the primary level data collection from end users of the Freeport with regards to reporting requirements set out in this MoU including Schedule 4: the Freeports Framework and Schedule 5: Monitoring and Evaluation Indicators and Guidance. Freeports should work to best endeavours to agree data sharing agreements with end users of the Freeport to ensure the data required is provided. DLUHC and the external M&E provider shall assist the Governing Body and if required the Accountable Body where possible on the required primary level data collection process and requirements, and the Parties will cooperate in full to satisfy these

requirements.

- 6.6. DLUHC will lead the programme-level evaluation for Freeports, which will include a process, impact and value for money evaluation. The Governing Body and the Accountable Body will not be required to lead any wider data collection for the evaluation beyond what is referenced in Section 6, though are expected to assist DLUHC or external suppliers where deemed appropriate by DLUHC for monitoring and evaluation purposes. This may involve working to reasonable endeavours and where appropriate to support site access or arranging interviews with wider Freeport stakeholders.
- 6.7. DLUHC reserves the right to quality assure the data provided and conduct Freeport site visits, Freeport Governing Body office and Accountable Body office and records verifications within reasonable endeavours. This may include spot checks on governance structures and processes related to the collection, storage and utilisation of said data. DLUHC will aim to notify the Governing Body and the Accountable Body within a reasonable timeframe to allow for resource planning if a visit is required, but depending on the nature of the visit, this may be at short notice.
- 6.8. In line with the above requirements, the Governing Body will endeavour to promptly share information at appropriate times, as and when requested by DLUHC. The Accountable Body will endeavour to promptly share the required information most notably on HMG funding to the Governing Body to allow for a timely return of the required data.
- 6.9. DLUHC reserves the right to publish relevant, general and/or aggregated data from the Freeport's reporting discussed herein and use it to inform public statements to communicate the outputs, outcomes, and impact of the Freeports Programme. Where this may relate to commercially sensitive information, DLUHC will work closely with the Governing Body to first determine if the data can be public and then if so, determine appropriate handling measures with respect to the use of such data, for example aggregation or anonymisation of data sets to manage commercially sensitive data. The Governing Body will be consulted and notified in advance of any proposed publications by DLUHC.
- 6.10. The Governing Body will notify DLUHC of any significant proposed changes to the approved FBC, in line with the parameters and process set out in the Freeports Framework. If relevant, this proposed change shall follow the formal change request process set out in the Freeports Framework. DLUHC will work to best endeavours to respond to formal change requests within a reasonable timeframe that will not inhibit the delivery of the Freeport.

7. Ongoing Management

7.1. Duration and Review

- 7.1.1. This MoU covers the duration of Freeports being a public policy and is subject to annual review by the Parties through the annual review process. This may result in amendments or extensions to this MoU by mutual agreement through a formal change request, as set out in section 6.10 of this MoU, for example to manage the grant profile, ongoing tax reliefs and collected business rates, leading to this document being replaced by an updated version. Amendments to this MoU may only be made by mutual agreement in writing between the Parties through a formal change request.
- 7.1.2. The MoU will be formally reviewed prior to 31 March 2025 to consider the end of the HMG grant payments and delivery of the seed capital funded projects.
- 7.1.3. This MoU will come into effect upon signature by the Parties and will remain in effect until it is terminated by the Parties by full mutual agreement in writing. DLUHC reserves the right to exercise the options set out in Section 7.3 of this MoU in the event of a proposed early termination by the Parties, where appropriate.

7.2. Resolution of disputes

- 7.2.1. In the event of a dispute arising as to the interpretation or application of this MoU, the Parties will commit to discussion aimed at resolution.
- 7.2.2. This MoU is not legally enforceable. It describes the understanding between the Parties for delivery of the Freeport. The Parties to this MoU are responsible for ensuring that they have the necessary systems and appropriate resources in place to comply fully with the requirements of this MoU.
- 7.2.3. The Parties agree to all due, reasonable, and appropriate transparency, open book working and a duty of good faith regarding all matters relating to the Freeport, and this MoU.

7.3. Managing poor performance

- 7.3.1. Freeport delivery will be managed through the processes set out in the Freeports Framework. Should an issue arise, DLUHC will first attempt to resolve it in collaboration with the Governing Body and if applicable the Accountable Body. For persistent issues which are recorded at the annual review or are the result of other assurance activities DLUHC will seek to agree a tailored improvement plan with the Governing Body and the Accountable Body as outlined in the Freeports Framework.

7.3.2. DLUHC's support for the Freeport is contingent on compliance with this MoU, Appendixes', and Schedules. DLUHC support of the Freeport may be withdrawn where there are significant concerns with the Freeport, for example including but not limited to the following scenarios where there is:

- a) Consistently poor progress against agreed delivery commitments and/ or limited commitment to full and effective Freeport delivery;
- b) Evidence of the misuse of public funds;
- c) An inability to manage the governance of potential security risks and illicit activity associated with the Freeport;
- d) Non-compliance with commitments on retained business rates and/or tax site delivery;
- e) Failure to comply with the minimum requirements of a Freeport (for example, failing to establish an operational customs site), as set out in HMG Freeports policy documentation;
- f) Activity or negligence leading to the risk of exposure to the wider Freeports Programme to reputational risk (for example, through failures of governance).

7.3.3. The Governing Body, Accountable Body and Billing Authorities accept and agree to all the terms having made full and proper enquiry before agreeing to the statements contained in this MoU.

7.3.4. DLUHC will not resort to performance measures as a first response to address concerns relating to Freeport delivery, except in the high-risk areas of continued concern. Where appropriate, HMG will consider:

- a) Engagement with relevant government officials (for example, additional bespoke meeting to understand and rectify problems)
- b) Increased frequency and/or depth of assurance testing
- c) Delay or reduction of Seed Capital funding and/ or revenue capacity funding: to ensure probity of public funds, funding may be partially or fully withheld until improvements in the Freeport are made. The specific amount and type of funding withheld will depend on the circumstances of the Freeport and the specific concerns which need to be addressed. As part of this process, consideration will be given to the impact that withholding funding may have on the delivery of Freeport projects and operations alongside the risk posed to DLUHC, other government

departments and the Accounting Officer of making payments

- d) Withholding or delaying government support (including but not limited to investment promotion and the use of government branding)
- e) Exclusion from future government benefits (for example, support in accessing future funding)
- f) Revoking current policy levers and benefits

8. Freedom of Information

8.1. Each party will provide to the other parties any information in its possession that may be reasonably requested by the other parties, subject to any confidentiality constraints, safeguards and statutory rules on disclosure. Each party will consult the other parties before making to any third party any significant disclosures of information under the Freedom of Information Act 2000 and/or the Environmental Information Regulations 2004 in relation to this MoU.

8.2. The requirements in Section 8 and Section 9 (Confidential Information) below are subject to any HMG requirements as to transparency which may apply to either or all Parties from time to time.

9. Confidential Information

9.1. Each party understands and acknowledges that it may receive or become aware of Confidential or Commercially Sensitive Information of the other parties (which may include information where the other party owes a duty of confidence to a third party) whether in the course of performance of the key commitments as set out in the FBC or otherwise.

9.2. Except to the extent set out in this Section 9 or where disclosure is expressly permitted elsewhere in this MoU (see Section 6.9), each party shall treat all the other parties Confidential or Commercially Sensitive Information as confidential and safeguard it accordingly (which shall include complying with any protective markings on documents and instructions supplied by the other parties). In particular, none of the parties will do anything that may place the other parties in breach of a duty of confidence owed to a third party. A party receiving Confidential or Commercially Sensitive information shall not disclose Confidential or Commercially Sensitive Information to any non-Crown bodies without the prior consent of the other parties.

9.3. The obligations of confidentiality in Section 9 shall continue to apply notwithstanding termination of this MoU.

Signed by the Freeport Governing Body Chair on behalf of the Governing Body:

Name:

Date:

Signed by the Section 151 Officer on behalf of the Accountable Body:

Name:

Date:

Signed on Behalf of the Billing Authority (there is more than one Billing Authority), copy and paste this section) :

Name:

Date:

Signed on Behalf of the Secretary of State of for Levelling Up, Housing and Communities:

Name:

Date:

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